

W O R K I N G P A P E R

The Social Responsibility of Enterprises

Some Conceptions and Perspectives

Anders Rosdahl

*Research programme on
The Open Labour Market*



The Danish National Institute of Social Research

Working Paper 2:2000

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The Study

The Danish National Institute of Social Research carries out a research program on the *Open Labour Market*, to be concluded in 2002. The research program is initiated by the Ministry of Social Affairs.

One of the main themes in the research program concerns the social responsibility of enterprises. The present working paper discusses this concept from a number of different angles. The working paper is part of process aimed at clarifying what may be meant by social responsibility of enterprises. In the paper both common sense conceptions, sociological and economic perspectives are indicated. The conclusion is that the research program must take a social and labour market oriented conception as its point of departure and that both rational choice and cultural perspectives should be considered to explain enterprise behaviour

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1. Introduction

The largest social problem in Denmark currently is the very significant proportion (more than 20 per cent) of the working age (16-66) population provided for by some form of public income transfer (in particular unemployment benefit, social benefit, disability pension, sickness benefit, early retirement wage). This situation is a result of developments through several decades. One of the reasons is the high and increasing unemployment in the period 1974-1994. Although unemployment has decreased considerably in the last few years (from more than 12 per cent in 1994 to about 5 per cent today) large groups are still unemployed or excluded from the labour market. These groups are, not surprisingly, the “weakest” ones, i.e. in particular people with other (social) problems in addition to unemployment, people with health problems and limited qualifications, and ethnic minorities.

The goal of the present government is to reduce the heavy economic burden stemming from the many persons on public income transfer. This goal is to be reached by increasing employment. Two – interrelated - main lines of social and labour market policy have been launched with growing strength in recent years to increase employment – in particular of marginalised groups.

First, the *activation line*. All unemployed people and all people on social assistance must be activated i.e. go into some kind of training or publicly supported work. Activation is a “right” and an “obligation”. There is a tendency towards activation also being more and more implemented in relation to other groups without work, e.g. persons on sickness benefit and disability pension. “Everyone with at least some working capacity should have a job and work” – seems to be the trend in Danish social policy. The activation line is targeted at persons and the goal is to develop and use human resources to the assumed benefit of both the persons themselves and society.

The second line in Danish labour market and social policy can be subsumed under the heading “*The social responsibility of enterprises*”. This line is directed at enterprises – both public workplaces and private companies. The theory is that employment problems and social problems cannot be solved solely by public authorities (the welfare state). Enterprises must also play an active role, for example in cooperation with public authorities. However, the enterprises should, according to the current philosophy, not be forced to make an effort, instead “a new partnership for social cohesion” is called for. The enterprises should voluntarily become more socially responsible. In 1994 The Ministry of Social Affairs launched a campaign to increase the social responsibility of enterprises. The campaign is backed by legislation, e.g. on wage subsidies to employers hiring persons with a reduced capacity for work. The campaign includes a number of activities, e.g. local partnerships, seminars, spreading of information, issuing a prize to

the most socially responsible company, newsletters, social accounting and national and regional networks of managers. The main concerns of the campaign are: *Prevention* (of social problems and of expulsion from employment); *retention in work* (for example long-term sick persons); and *integration* (of marginalised groups).

This policy to foster social responsibility of enterprises is the background for a research programme at The Danish National Institute for Social Research. The programme is due to an initiative taken by the Danish Ministry of Social Affairs. The institute develops the content of the programme.

In a research programme it is essential to develop theoretical frames of reference and to define central concepts. In this paper some considerations on the concept "social responsibility of enterprises" are presented. The primary aim has been to clarify the concept somewhat by presenting a few definitions. Admittedly even this rather modest task has not been easy. One of the reasons is that the concept "social responsibility of enterprises" originated in public debate and management and political discourses. It is not a scientific concept and it has been given a wide variety of meanings. The concrete phenomena under the heading "corporate social responsibility" have been studied in a number of disciplines, e.g. labour economics and organisation theory.

In the paper we use the words: corporation, company, enterprise, firm, workplace and business organisation interchangeably. Social responsibility is relevant for both private and public workplaces. However, in some of the reasoning below we only speak of private companies but with some modifications many of the points may hold for public enterprises as well.

It should also be mentioned that in this paper an enterprise is conceived of as "one agent". That is, we do not explicitly consider conceptions of social responsibility taking into account that enterprises comprise different departments, organisational levels and groups of employees.

We have organised the paper in the following way. We start with a discussion of a common sense meaning of social responsibility (section 2). A managerial conception is outlined in section 3. Then we look at conceptions of social responsibility in terms of selected scientific viewpoints i.e. the stakeholder model (section 4), economics (section 5) and culture/institutions (section 6). The conclusion from these sections is that the different perspectives reveal useful insights. However, the conceptions of social responsibility outlined are too broad to function as points of departure in the research programme. In section 7 a social and labour market policy oriented conception of social responsibility is introduced. The overall conclusion of the paper (section 8) is that a fruitful approach in the research programme may be to take the policy conception as the point of departure and combine this with the theoretical viewpoints indicated in the preceding sections of the paper.

2. *A Common Sense Meaning of Social Responsibility*

2.1. Social Responsibility of Persons

In the following we will elaborate a little on the common sense meaning of social responsibility. This is done by introspection. We think that the common sense meaning implies something like this:

(1) Social responsibility means that an agent takes the needs of others into consideration in his/her actions.

The agent focuses not only on his own needs but also on the needs of others. This focus must be of a motivational kind. Actions with unintended beneficial impacts on others would hardly be termed socially responsible. However, for actions to be socially responsible motivation is not enough; the actions should in fact have beneficial consequences for others. If actions motivated by a wish to please others actually have adverse consequences for those others we would not say that the actions are socially responsible, quite the contrary. Thus social responsibility presupposes a concern for others and a competence to take others into consideration. If we disregard sheer wickedness (a wish to harm others) irresponsibility could thus stem from either indifference towards others or from a lack of knowledge of the consequences for others of one's actions. Social responsibility has thus both a motivational and a cognitive component. The former is the primary one since a motive to take others into consideration may be assumed to lead to a search for information about how this is best done.

Thus, social responsibility presupposes certain types of motives. But "good motives" are not enough – relevant behaviour must follow. Therefore, social responsibility also implies some power of will, resources and a freedom to choose. An agent wanting to act for the good of others but unable to do so is not socially responsible. Social responsibility presupposes some power to act. Power and responsibility are two sides of the same coin. To exhibit social responsibility one must in a sense be "strong".

A further element is that social responsibility often seems to rest on the assumption that the persons towards whom social responsibility is shown are in some sense "weak". We would not call a poor unemployed person who makes donations to his former (rich) employer socially responsible. Social responsibility means that someone who is "strong" does something for somebody who is, at least in some sense, weaker. The objects for social responsibility are persons who to some extent are dependent on others for their well being. In a way social responsibility is helping someone who at the moment is not able to help himself/herself. Compared to the subject, the object of social responsibility is relatively powerless and disadvantaged. Or put in another way: social responsibility is

a form of solidarity of the strong with the weak. And in still other terms: Social responsibility is an asymmetric relation. Social responsibility therefore presupposes some type of stratification, i.e. a society with inequality in terms of wealth and power.

In its pure form the motive for being socially responsible is “social responsibility” - a value in its own right. It need not be defended. An agent is socially responsible because the agent wishes so. Seemingly socially responsible actions can, however, be motivated by a wish for power, material gain (money) or status (honour, reputation). Normally we not would say that such behaviour is really socially responsible but an expression of manipulation, hypocrisy or, with a more neutral term, “instrumentality”. In general, such actions are not viewed as particularly laudable. But social responsibility is regarded as a good thing. To be “social” is good; to be “responsible” is good; and to be socially responsible is even better. In a way social responsibility is like a gift given with a pure mind.

Socially responsible behaviour may be termed altruistic. However, this does not tell us so much. Basically, all behaviour is selfish in the sense that the subject takes his own needs and preferences as the point of departure. The subject’s preferences may include a wish to take others’ needs into consideration even at expense of some of the subject’s own needs but still the point of departure for the subject is the subject itself. When we speak of altruism we do so in terms of some generalised assumptions about the subjects’ preferences or needs. If we think that material wealth is the primary wish of man, an altruistic person is someone who gives away his money to poor people. Unless there is some implicit or explicit assumption about the subject’s needs the term “altruistic” is quite meaningless.

As mentioned social responsibility means that “others” are taken into consideration. Thus social responsibility implies that the subject conceives of himself/herself in a social context. The subject sees himself/herself as part of a group or a society and the subject is not indifferent towards the social context. The subject has some opinion about others’ living conditions. Thus, social responsibility is a way of thinking, a way of defining one’s role in relation to others. Social responsibility is a kind of “systems thinking” (cf. Senge 1994). Social responsibility implies a conception about which type of society or social relations are preferred.

We said above that social responsibility presupposes that the responsible agent has some resources in terms of for example wealth. Social responsibility may be seen as a sort of redistribution. To exhibit social responsibility means that the distribution of goods becomes more pareto optimal. The agent of social responsibility prefers to be socially responsible. Thus in terms of subjective utility the subject will be better off by behaving socially responsible and so will the persons towards whom social responsibility is directed. However, this implies that there must be limits to social responsibility. An agent cannot be infinitely socially responsible. At some point the resources needed to be socially re-

sponsible will be exhausted and eventually the subject will stop being (more) socially responsible. Thus social responsibility seems to imply that the subject is hereby not harming himself/herself (“too much”). We may say that social responsibility has only minor impacts on the "responsible subject" but larger consequences for the receiver of social responsibility.

2.2. Social Responsibility of Enterprises

Above we have discussed social responsibility of persons. Only persons can have motives, not formal organisations. So what is the meaning of “social responsibility of enterprises”?

If enterprises treat their employees well and pay decent wages, if enterprises hire a certain number of disadvantaged persons or if enterprises pay pension to retired employees we may say that such enterprises are socially responsible. However, if this behaviour is only an expression of “enlightened self-interest” of management, i.e. part of an optimal long-term profit maximisation strategy, is it then to be termed socially responsible? In terms of definition 1 (cf. above) profit maximising behaviour is not socially responsible irrespective of whether the optimal means to that end imply doing good to others. Much discussion about the social responsibility of enterprises centres around the theme of the relation between economic performance and different types of behaviour termed socially responsible (Thaulow 1997). People in favour of some type of "social responsibility" may be eager to prove that “social responsibility” (in terms of being good to consumers, employees, nature, animals, marginalised groups or whatever) in fact pays for companies – at least seen in a long-term perspective.

At an analytic level one may distinguish between two types of enterprise behaviour i.e. behaviour of managers or employees implying use of company resources (money, physical assets or management/employee time):

- Behaviour which reflects interests of the firm, however these interests are defined (as for example profit maximisation, maximising shareholder value or implementing company strategy).
- Behaviour which reflects preferences of individual managers or employees. - This behaviour is by definition not optimal from the point of view of company interests. From a rational systems perspective (Scott 1998) such behaviour may be termed "errors", “politics”, or a sign of loose coupling in the organisation (Rosdahl 1997). The actions are performed by persons not as incumbents of roles in the organisation but because of extra-organisational influences. That such behaviour can in fact occur at all levels in an enterprise is an established fact in empirical research as well as both in sociological and economic theories of organisations (e.g. cf. Scott, 1998 and Miller, 1992 respectively).

It is clear that the latter type of behaviour can be socially responsible in terms of definition 1 but how about the first type? We may contend that it depends on how company interests are defined. As the definition of "company interest" is in itself a difficult question with no quick solution we will simply say that in terms of common sense social responsibility of enterprises may be defined very broadly as follows:

(2) *An enterprise is socially responsible to the extent that managers or employees in their behaviour take the needs of "others" into consideration.*

When the subject is management the "others" may include employees. Some of the remarks in the preceding section in connection with definition 1 also holds for definition 2. For example, the "others" should be relatively "weak" compared to subject (the enterprise) when we speak of social responsibility in terms of definition 2. The "others" should somehow be dependent on the enterprise which must have some resources and room for choice. The most important difference between definition 1 and 2 is that for enterprises to be socially responsible we do not require "pure motives". If an enterprise takes the needs of others into consideration to maximise its profits this would be socially responsible in terms of definition 2.

With definition 2 as our point of departure we may briefly indicate some general propositions about the conditions for social responsibility of enterprises to emerge on the agenda in society. In what follows we use the term "agent" covering both persons, households, enterprises and other organisations.

To take others into consideration there must be some "others" and a relation between the potential socially responsible subject and the "others".

Relations between agents in a society can be of several types. One main type is *resource relations*. They may be competitive (*pool dependence*) in the sense that two or more agents compete for the same resources (e.g. land or customers). When scarcity exists competitive relations means that the more one agent gets the less others will get. Competitive relations means conflict. In such relations we can speak of social responsibility if a very powerful agent (e.g. a large company) takes the needs of a less powerful agent (a small competitor) into consideration (e.g. by "allowing" the small company to exist). Another resource relation is *sequential dependence*. This means that one agent delivers resources to another but not the other way around. An example is the relation between parents and children or between a donator and receivers of donations. In such relations the giving part may exhibit social responsibility i.e. take the needs of the receivers into consideration. A third resource relation is *reciprocal dependence* which means that two (or more) agents somehow exchange resources (for example in a market or in a hierarchy). Each part is dependant on the other. The relation can be more or less (a)symmetric. One agent can be more dependant on the exchange-partner than vice versa. The more powerful agent may then show social responsibility towards the less powerful one.

Another main type of relation between agents is *communicative relations* i.e. relations where “messages” are sent and received. The contents of communications may be of a normative or a cognitive kind, they may be emotional or non-emotional etc. The communications may be one-way or two-way. The types of relations may be formal or informal face-to-face interactions, written, electronic, and mass communications. Communication may take place inside organisations, between organisations, over short or long distances, in markets, in research and education, between public authorities and companies and in several other areas.

Resource relations do ultimately stem from scarcity which fosters division of labour and communicative relations. In a world where each individual independent of others can make its own living and where resources are unlimited, there is no resource dependence. No exchange relations would be necessary and social responsibility would not be relevant because each individuals’ actions would have no consequences for others. As social responsibility, as mentioned, implies “systems thinking” (taking others into consideration) it is to be expected that social responsibility will come on the agenda the more division of labour and communication in society i.e. the more society, in fact, becomes an integrated system with interdependent parts. Resource relations means that it may become relevant to take “others” into consideration and communicative relations means that a consciousness of others can emerge.

For social responsibility of enterprises to come on the agenda two other conditions seem necessary. The first is *market imperfections*. Under perfect competition prices emerge from market interactions – agents are price takers, they have no market power. Consumers decide the bundle of goods to buy and enterprises decide what to produce, how much and consequently the number of workers to employ. In a certain sense there is no room for choice for a company wanting to survive in the market and agents only need to know their own preferences and market prices. One may say that social responsibility is inherent in a perfectly competitive economic system as others are taken into consideration via price signals. In such a hypothetical world social responsibility of enterprises would therefore not be a relevant issue to discuss.

A further, related, condition for social responsibility of enterprises is *inequalities in terms of wealth and power*. As mentioned, social responsibility presupposes stratification – that there are some “strong” agents who may show responsibility towards weaker agents.

Thus, four main factors seems to increase the probability that social responsibility of enterprises (in terms of definition 2) will become an issue on society's agenda, i.e. in public debate, in management circles and politics. The four factors are resource interdependence (stemming from division of labour), communicative relations, market imperfections and inequalities in terms of wealth and power.

It seems that social responsibility of enterprises (corporate social responsibility) and related subjects such as business ethics have within recent decades more and more become an issue debated widely (Parker, 1998; Maclagan, 1998; Punch, 1996, Ministry of Social Affairs, 1997). We think that the basic explanation for this is to be found among the factors indicated. Division of labour is increasing at many levels (both national and international), communicative relations have widened in many respects and market imperfections (and market failures) prevail. The decisions and actions of individual companies, in particular large powerful multinational corporations, have wide consequences for significant sections of both present and future populations.

In the following sections of this paper we will present a number of other conceptions of “social responsibility of enterprises”. The conceptions presented are by no means exhaustive, but they may to some extent be regarded as subcategories of definition 2.

3. The Managerial Conception

In current international debate the concept of corporate social responsibility (CSR) is very broad. Social responsibility could, for example, mean:

Good personnel practices including decent wages and good working conditions; employment of disadvantaged groups; production of useful and safe products and services; environmental sustainable production processes and products; no trade with companies using child labour; no military production; no abuse of market power, e.g. monopoly status; paying "fair" taxes (e.g. no strategic thinking with respect to transfer pricing); honesty in marketing, consumer relations and accounting; friendliness towards union activity; creating profit; donations to charity, arts, education and research.

Thus, in its broadest sense social responsibility may characterise each and every aspect of an enterprise's activity. Carroll (1991) uses this wide conception and identifies four types of social responsibility:

- 1 Economic responsibility, i.e. enduring profitability and competitiveness. - According to Carroll this is a basic form of responsibility because this is the foundation for other forms of responsibility.
2. Legal responsibility. - Business organisations are expected to comply with laws and regulations promulgated by society's legislative bodies and public administration.
- 3 Ethical responsibility. - Ethical responsibility embodies "those standards, norms, or expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just, or in keeping with the respect or protection of stakeholders' moral rights" (Carroll, 1991 p. 41). Ethical responsibility means that, as far as possible, the enterprise in all its economic operations is doing what is "morally right" and avoiding harming its stakeholders.
4. Philanthropic responsibility. - Whereas ethical responsibility is expected of enterprises philanthropic responsibility is not expected in a moral sense. Public authorities or others may desire firms to contribute their money, facilities or employee time to social or humanitarian purposes and programmes, but the firm is not considered irresponsible or unethical if such contributions are absent. Philanthropic responsibility implies that the enterprise is "a good corporate citizen"

Carroll views these four types as a sort of pyramid where no. 1 is the most basic. He explicitly refers to Milton Friedman's famous statement that managers' responsibility is

"to make as much money as possible while conforming to the basic rules of society, both those embodied in law and those embodied in ethical custom" (Friedman 1970) and regards this view as consistent with responsibilities no. 1-3 above, respectively. According to Carroll this only leaves Friedman no. 4 to reject. However, Carroll states that "it seems that corporate citizenship is one that business has no significant problem embracing. Undoubtedly this perspective is rationalised under the rubric of enlightened self interest" (Carroll 1991, p. 43).

Carroll refers to a "traditionalist" view implying that there may be conflicts between the different forms of social responsibility, notably between economic responsibility and each of the others. However, according to Carroll, this is an oversimplification. He admits that there may be conflicts but it is up to management to handle these conflicts. In stakeholder management the task is to evaluate and sort out the urgency or importance of the various stakeholders' claims. This should, according to Carroll, be done on the basis of two criteria: The stakeholders' legitimacy and their power. Legitimacy refers to the extent to which a group has a "justifiable right to be making its claim" (Carroll 1970, p. 43). Thus Carroll's conception of social responsibility is management oriented in the sense that it provides management with concepts and a sort of thinking which may be useful in performing practical stakeholder management.

Carroll's conception seems representative of a view prevalent in much management oriented literature on business ethics and corporate social responsibility (e.g. Post, Frederick, Lawrence & Weber, 1996). By management oriented literature we mean literature where the target group is managers and people who may influence managers. This includes not only literature which views social responsibility in a narrow instrumental sense but also literature written by more disinterested observers who see social responsibility as an end in its own right (Pruzan & Zadek, 1997).

The very broad concept of social responsibility is useful from the point of view of practical management. The lack of a clear delimitation is what makes it useful. Thus we may identify the following definition:

(3) *Social responsibility is what management decides it to be in the process of stakeholder management.*

Stakeholder management can take many different forms and it is often seen as part strategic management in general (cf. Johnson & Scholes, 1993). A special variant is so-called *ethical accounting and budgeting* (Thyssen, 1997, Etisk regnskab for Herlev Rådhus, 1997). The principle is that management enters into a dialogue with its stakeholders and obtains consensus about the process leading to company decisions about the values which should govern management decisions. The process leading to the ethical account includes formulation of values and collection of information from a sample of stakeholders (by some sort of survey) who evaluate the extent to which these values have been

realised. The ethical account summarises this information. Ethical accounting is a tool to make management more sensitive to the values of the stakeholders (Thyssen, 1997). Other similar management tools are social and environmental accounting (Dyhr, 1999; Social Rapport 1998, Frederiksen, 1997).

In the research programme it will be of interest to study managerial conceptions of social responsibility as these conceptions are expressed in, for example, management and business literature. However, the managerial conception cannot in itself be used as a point of departure in the research programme. The managerial conception as defined by Carroll is too broad for the present research programme as it encompasses nearly every aspect of a company's activities.

4. The Stakeholder Model

Current managerial thinking about social responsibility takes the stakeholder model as its point of departure. This model has a long history in the theory of organisations where it is used not for normative purposes (as in management literature) but as an explanatory tool (Scott, 1998).

The point of departure is a manager for whom the goal is the survival of the organisation. For its survival the organisation is dependant on the input of resources from different parties. For the sake of simplicity we may list the following stakeholders (resource suppliers):

- suppliers of raw material etc.
- employees (suppliers of labour power)
- owners/ shareholders (suppliers of capital)
- customers (suppliers of money)
- public opinion (suppliers of legitimacy)
- public sector (suppliers of infrastructure and of "absence of costly regulation").

The term "resource" is used here in a broad sense. To get the resources, the organisation must deliver something to the stake-holders: with each stakeholder, there is a sort of exchange. From the point of view of each stakeholder the exchange should be "fair", from the point of view of the organisation, all the transactions together must ensure survival. The task of management is somehow to balance these different exchange-relations ("stakeholder management", cf. above). From the point of view of the organisation, some exchange relations support each other: good public reputation may increase resources from consumers. Often, however, there is some form of trade off between the different exchanges. To give priority to the shareholder's agenda may, for example, conflict with high wages.

According to this view, the goals of the enterprise (and its behaviour) is a reflection of the goals of the stakeholders and their relative power.

The power of one agent (A) over another (B) presupposes that A has resources which B values and which B cannot get from other sources. Thus, the power of a stakeholder is, for example, greater:

- the more the organisation needs the resources from the stakeholder;
- the less the organisation has the possibility of getting the resources from other sources;
- the more organised the (groups of) stakeholders are and the smaller the internal conflicts of interest among a certain group of stakeholders are.

The model may, in principle, be used to explain enterprise behaviour - including behaviour which, for some reason, is termed socially responsible. The responsible behaviour may be viewed as something the enterprise "delivers" to different stakeholders in return for valued resources.

The more favourable the total of exchange relations from the point of view of the organisation the more discretion will management have. There will often be some ranking of the stakeholders from the point of view of management. When the important stakeholders (for example the owners) have been secured a "fair" contribution from the organisation, management can afford to give more consideration to other stakeholders. Therefore it is to be expected, that, other things being equal, companies performing well may have a greater discretion and a possibility to take different stakeholders into consideration, for example by behaving in some socially responsible way.

In terms of the stakeholder model an enterprise can be socially responsible if this contributes to the survival of the firm either in the short term or in a longer time perspective.

For example, personnel policies aimed at ensuring employability of the work force may be viewed as an investment in human capital generating future profit. Employee friendly leadership styles may be thought to contribute to motivation and productivity of the work force. Social responsibility may contribute to "good reputation" and hereby facilitate recruitment of qualified personnel or promote sales. Social responsibility may also be a defensive strategy aiming at preventing (costly) public regulation. Thus, in many ways social responsible behaviour may be undertaken in the interest of the enterprise ("enlightened self-interest").

However, non-responsible behaviour must also be expected. Enterprises will, for example, prefer to employ the most productive labour power. This means that a number of groups will become disadvantaged. And it is not necessarily in the interest of the firm to ensure employability of the workforce if the enterprise is able recruit new labour from the outside. And it may not be in the interest of the firm to pay benefits to employees who have become sick and disabled, etc.

Thus, the stakeholder model can be used to explain socially responsible behaviour as well as non-responsible behaviour. The stakeholder model must be considered an important point of departure for explaining enterprise behaviour. It assumes rational agents, i.e. agents with clear goals and which, in principle, calculate anticipated consequences of their actions in terms of costs and benefits as the basis for their decisions. In a way then the stakeholder theory is an economic model including not only market transactions between an enterprise and its stakeholders but also other types of exchange relations.

We may say that the stakeholder model implies the following conception of social responsibility:

(4) Social responsibility means that enterprise behaviour reflect interests of stakeholders via resource-dependence mechanisms.

This conception indicate mechanisms by which enterprises behaviour is influenced by stakeholders. It may be the market mechanism (cf. also section 5.2) or other ("power") mechanisms conditioned on dependence of the enterprise of resources from stakeholders.

5. *Economic Conceptions*

From the point of view of economics a few notions of corporate social responsibility may be identified. In the following the focus will be on private companies which are not personally owned. An owner-managed company (i.e. the owner) may decide to use resources on social tasks because the owner for some reason derives utility from such use of his assets. In this case it is, from the point of view of economics, in a way not a company which is socially responsible but a concrete person. The explanation of the social responsibility of this person (or of any other person who out of his own money makes e.g. donations to charity) lies outside (traditional) economic theory.

In this section we will not in general look at how enterprises in their profit maximising behaviour may (or may not) take “others” into consideration for example by employing disadvantaged groups (cf. Freeman & Gottschalk, 1998; Holtzer 1996; Hussain, 1999). We will only look at a few issues directly related to current discussions about social responsibility.

5.1. **Managerial Preferences**

The normative position of Milton Friedman is that the social responsibility of corporations is to maximise profits, cf. above. Friedman argues against a conception where social responsibility seems to be defined as:

(5) Social responsible behaviour is actions which promote some social cause (e.g. donations to charity or employment of persons with reduced capacity for work) with the consequence that the profitability of the enterprise becomes lower than with some alternative use of resources.

These words are not exactly Friedman’s but they seem to express the notion which Friedman rejects on normative grounds. This conception or something similar may also be one often found beneath surface in public debate. “Companies should not only be interested in profits”.

Could social responsibility, in this sense, be promoted by an enterprise? It depends on the characteristics of the economy. If the owners want to maximise their income (the value of their investments), if principal-agent relations between owners and managers are perfect and if markets are perfectly competitive an enterprise cannot (in the long run) be socially responsible. Social responsibility will be eliminated by market forces.

If management of one single company for some reason uses enterprise resources on social responsibility the profits will decrease. The owners will become dissatisfied. They may replace management with someone not behaving socially responsible. Alternatively they may prefer to sell their shares because of other better investment options. However

no one will find the company interesting as an investment object. Eventually the consequence may be a take-over by someone dissolving the company and selling its physical assets.

If the resources to promote social responsibility are not taken from the owners but from consumers (higher product prices or lower quality or service), from employees (e.g. lower wages) or from suppliers (e.g. lower payments to them) similar consequences will occur. The consumers will buy from other companies, the employees will seek work elsewhere and suppliers will not sell to the socially responsible company but find other customers. Thus, given the assumptions above, a socially responsible company would not be able to survive.

However, if the assumptions mentioned are abandoned, social responsibility may occur. If owners are not able perfectly to control managerial behaviour management may be able to maximise its own utility (e.g. by acting socially responsible in some sense) instead of owners' assets. There are many concrete reasons why the principal-agent relation may be imperfect. The general one is that it costs the owners something to control managerial behaviour (e.g. to monitor management or design adequate reward systems for management). If the marginal costs of control increase and the marginal gain decreases with increasing control there may, from the point of view of the owners, exist an optimal level of control lower than full control. This means that managerial behaviour will not necessarily fully reflect the owners' interests.

If this is combined with managerial preferences for social responsibility and product markets which are not perfectly competitive socially responsible behaviour (e.g. donations to charity) may result. Enterprises with market power (e.g. monopoly or monopsony) may use their influence (increase sales prices or lowering buy prices respectively) to generate resources which may partly be used in a socially responsible way (e.g. to make donations), partly to pay the owners (at least) the same amount which they could get from alternative investments and partly to pay the employees (at least) the same wage as elsewhere. If such markets exist for long time socially responsible behaviour may also be enduring. It should be mentioned, however, that this behaviour may be viewed as unethical for other reasons. It is a widely accepted norm that competition should not be deliberately distorted. Thus one can say that one type of socially responsible behaviour may be traded off against another.

The mechanisms described or similar ones offer a starting point for explaining the extent to which managerial preferences influence the way an enterprise uses its resources, irrespective of whether the preferences are for big offices, executive air-planes, friends and family members in highly paid company-jobs - or social responsibility. This point of departure, then, explains enterprise social responsibility on the basis of managerial preferences, the principal-agent relation and market structures. It does not, however, explain managerial preferences in itself. They are exogenous.

Why does Friedman so vigorously reject social responsibility in terms of definition 5? If this type of social responsibility did not exist at all there would be little reason to reject it. One may therefore suspect that this type of social responsibility does in fact occur to some extent.

5.2. Preferences for Social Responsibility among Investors and Consumers

In the reasoning in section 5.1 we have implicitly assumed that neither employees, investors, consumers nor suppliers to the firm have preferences for social responsibility of an enterprise. The employees want to maximise their wage (and non-wage benefits), the investors want to maximise their assets, the consumers want to maximise their utility due to use of products/services and the suppliers want to maximise their income from sale. However, if one or more of these agents have preferences for social responsibility it may be in the interest of a profit maximising firm to be socially responsible and market forces will promote social responsibility.

If, for example, investors derive utility from investing in socially responsible companies they will be willing to accept lower proceeds from their shares, i.e. they accept paying something to the company for being socially responsible. If investors have homogenous preferences the economy would include only socially responsible enterprises. If only some of the investors have preferences for social responsibility the result may be that only some companies to some extent would be socially responsible. *Ethical investment policies* of some institutional or other investors are an attempt to promote social responsibility via market forces (Udsen, 1999).

Similar reasoning holds with respect to other trading partners of a company. If, for example, consumers do not want to buy from companies employing child labour or have a preference for buying from companies which treat their employees well companies may to some extent exhibit such socially responsible behaviour. *The political or ethical consumer* is willing to pay something (in terms of higher prices) to a company behaving in some decent way (Juul Jensen & Kiessling, 1996).

Thus we may identify the following conception of social responsibility:

(6) *Social responsibility means that enterprise behaviour via market mechanisms reflects preferences for social responsibility among employees, investors, consumers or suppliers.*

Again this definition says nothing about the contents (concrete forms) of social responsibility. Social responsibility according to definition 6 is promoted by well functioning markets and this type of social responsibility promotes profitability – in contrast to soci-

al responsibility in terms of the definition 5. Implied in definition 6 is that management is indifferent towards social responsibility.

Common to both definitions is that social responsibility of enterprises arises out of preferences deviating from the standard assumptions about agents in economic theory. Therefore, to explain social responsibility according to definitions 5 and 6 a theory of preferences is needed. Do managers, employees, investors and consumers have preferences for social responsibility? What are the contents of such preferences and why?

5.3. Externalities

Still another conception of social responsibility may take as its point of departure the idea of negative and positive externalities (Miller, 1992; Milgrom & Roberts, 1992). The running of enterprises may have "external" consequences that are not mediated through the market (externalities). A negative externality is a consequence of enterprise behaviour, which affects others in a negative way but where such adverse consequences have no repercussions for the enterprise itself. There is no mechanism by which the enterprise pays for the adverse consequences. Therefore in its rational decisions the enterprise will not take such consequences into account. Examples of negative externalities are pollution and illness due to unhealthy working conditions. The costs of pollution are borne by, for example, the neighbours to the enterprise and the costs of illness are borne by the sick person and his family. A positive externality occurs, for example, in relation to employment of a social client. The costs of the state (social assistance) become less and the revenue to the state (taxes) larger when a social client is hired. However, these positive externalities are not taken into account by the enterprise in its decision whether to hire a social client or not.

Thus, we may define social responsibility in the following way:

(7) Socially responsible behaviour is behaviour with positive externalities. Irresponsible behaviour is behaviour with negative externalities.

The rational firm may very well engage in actions with positive externalities. According to economic thought the firm will do so if it hereby maximises profit.

Positive externalities may in some cases concern all economic agents. An example may be employment of a (low-productive) social client. In principle all enterprises would benefit (due to lower taxes) if a social client were hired. The benefit for each enterprise may, however, be much less than the costs for the enterprise, which actually hires the client. Therefore, no enterprise would hire the client. Each enterprise would prefer to be a free rider. This situation may pose a so-called social dilemma where individual rationality of economic agents does not produce socially optimal results (Miller, 1992).

The state (the legislative body) may, therefore, wish to promote social responsibility of enterprises beyond the point where such behaviour is rational from the point of view of the enterprise. There are, at least, two ways to foster such behaviour: Compulsion and economic incentives (subsidies and duties). The idea in compulsion (legislation) is to make rules common for all enterprises, which are forced to do something, which they would otherwise not do. This solves the free rider problem. The idea behind e.g. wage subsidies is to make hirings with positive externalities more attractive for enterprises i.e. to “internalise” (some of) the positive externalities. From the point of view of society the problem is that the subsidy should be large enough to motivate enterprises to use it (e.g. to hire social clients) but not larger than the positive externalities.

In terms of concept 7 social responsibility is, by definition, not promoted via market forces. Some non-market mechanism (e.g. government intervention or collective co-ordination among enterprises) is needed to increase social responsibility i.e. to create outcomes which are more optimal from the point of view of society. This point of departure must be considered to be very relevant because it goes right into the central question about the relation between individual rationality of enterprises and collective rationality.

6. Culture and Institutions

On a very abstract level one may define social responsibility in terms of the behaviour of enterprises cf. most of the conceptions above. Another point of departure is to see social responsibility as an element of culture. By this we mean that social responsibility is within “peoples' heads”. Thus we may define social responsibility in the following way:

(8) *Social responsibility of enterprises is an element in the social construction of reality. Managers, owners and many others have basic cognitive and normative conceptions of the role of enterprises and how they should behave. Such conceptions are part of broader assumptions about enterprises and social life in general. They are not necessarily consistent and they are created and changed in different discourses e.g. inside organisations, in management circles and political debate.*

This conception sees “rationality” itself as a social construction. What benefits or hurts the short-term and long-term profitability of a company is based on beliefs and assumptions which may not be verified in any “objective” sense. Whether it is rational for an enterprise to behave in some socially responsible way is a matter of definition of reality although, of course, reality cannot be defined totally by fiat.

The behaviour of enterprises is, within this approach, seen as an expression of deeper level assumptions and beliefs. It is not behaviour as such which in the first place is of interest but perceptions and meanings. One aspect is how “social responsibility” is conceived of. Towards whom should we show solidarity? And what is solidarity? What does “responsibility” mean? Another aspect is, for example, the ways social responsibility is rationalised; the reasons given for being socially responsible or not. Is social responsibility sometimes an expression of taken-for-granted beliefs or is it explicitly rationalised in terms of the (long-term) benefits for the individual company, in terms of window dressing, or in terms of religious/ human values or in terms of beneficial consequences for the infrastructure of society?

One central discourse is the relation between economic performance and social responsibility. From a positivistic point of view this question is important and it is assumed that it can, in fact, be empirically determined whether social responsibility fosters economic performance. From a cultural point of view the interesting thing is that the question itself is posed and that there are, at present, widely different opinions about the answer.

The cultural and institutional point of view is not a uniform approach. Several different theories may be identified. One of special interest is the institutional organisation theory (e.g. Moch & Seashore, 1981, Powel & DiMaggio, 1991; Scott, 1995; Røvik, 1998). A point of departure here is an analytical distinction between two types of organisational environments: Technical and institutional. The technical environments comprise agents with which the organisation has some exchange of resources in particular in the market.

The technical environment is the point of departure in contingency theory and resource dependence theory (and most often also in the stakeholder model, cf. above) which see organisational behaviour as reflecting environmental (market) complexity and resource dependence respectively.

The institutional environments are the focus in institutional organisation theory. They comprise regulative, normative and cognitive structures and activities that provide stability and meaning to social (e.g. managerial) behaviour. The *regulative* environments include, for example, rules and laws which are legally sanctioned, but also other rules of behaviour (e.g. in market transactions) where (non-) compliance is sanctioned by material rewards/punishments. The basis for compliance with the regulative environment is instrumental (i.e. “economic”) rationality. In terms of the institutional theory the compliance mechanism is labelled “coercion”. The *normative* environments are conceptions of good and bad behaviour (e.g. good and bad business practices) which exists among certain categories of actors with which the enterprise somehow communicates. The basis for compliance is social obligation. The compliance mechanism is termed normative because it implies that certain types of behaviour or thinking are socially defined as desirable or non-desirable. The behaviour in terms of the normative mechanism is characterised not by consequential rationality (economic rationality) but by a “logic of appropriateness”. The *cognitive* environments are beliefs, assumptions, frames of references, mental maps and professional languages i.e. cognitive constructions of reality prevalent among environmental actors. Their prevalence means that they may have a taken-for-granted character i.e. in a way they can be unconscious (as can normative structures). In terms of institutional theory the compliance mechanism is labelled “mimetic” and the type of rationality it entails is termed a “logic of orthodoxy” (Scott, 1995).

The institutional environments are structured in organisational fields which may include exchange partners, regulators, professional and trade associations, interest groups (e.g. unions) and the general public (mass media). The individual enterprise may exist within one or more organisational fields.

A basic premise in institutional organisation theory is that organisational behaviour is to be explained in terms of influences from the institutional environments (the organisational fields). This does not necessarily imply that environments (“structure”) totally constrain organisational behaviour. Organisations (management) may, for example, themselves make active interpretations and modifications of prevailing normative and cognitive assumptions in the environment (Røvik, 1998).

An example of application of the institutional theory is the case of the “twin cities”: Minneapolis-St.Paul (Galaskiewicz, 1991). This study concerns charity donations and it is shown how social norms of charity donations were developed in, among other things, informal networks among managers. Another study focuses on the institutional history of corporate environmentalism in US in the period 1960-1993 (Hoffman, 1997). Alt-

though the study concerns an aspect of socially responsible behaviour not included in the present research programme the study and its theoretical approach is highly relevant. It is shown and explained how managerial conceptions of environmentalism in chemical industry and petroleum industry changed from one cognitive frame containing resistance to environmental considerations to the opposite, meaning that environmental considerations became part of “natural” strategic management. Hoffman explicitly discusses whether management's economic rationality alone could explain this change in corporate behaviour. His conclusion is that corporate environmental behaviour is “inconsistent with purely rational economic explanations, which should see ..different firms reaching autonomous ..decisions based on their own cost structures and strategic objectives” (Hoffman, 1997 p. 146).

7. Social Responsibility from a Social/Labour Market Policy Perspective

Conceptions no. 2-8 above indicate points of departures for understanding enterprise behaviour in general and social responsibility of enterprises in particular. We find that the above presentation itself has indicated that each of the viewpoints contain useful perspectives relevant for studying social responsibility of enterprises. However, without further specifications it is hardly possible to use any of the conceptions as a point of departure in a research programme. The definitions no. 2-8 are all too broad for this purpose.

The choice of a more concrete definition of social responsibility of enterprises must reflect the institutional setting of The Danish National Institute of Social Research in general (its concern with social and labour market policy) and the tasks of the research section on “The Openness of the Labour Market” in particular. As the point of departure for the present research programme is the Danish Campaign launched in 1994 to promote social responsibility of enterprises, cf. section 1 above, it is relevant to look at the concept of social responsibility in terms of this campaign. This is done in section 7.1. In section 7.2 we take a somewhat broader view looking at social responsibility in terms of welfare mix. In section 7.3 we identify a number of dimensions of social responsibility of enterprises relevant for our research programme. Section 7.4 indicates mechanisms to foster social responsibility of enterprises.

7.1. Current Danish Social and Labour Market Policy

According to the Ministry of Social Affairs an enterprise may show its social responsibility in the following ways: Prevention, work retention and integration (Det angår os alle - om virksomhedernes sociale medansvar 1999). Examples of *prevention* (of social problems) mentioned are initiatives in personnel policy towards employees with (small) children, e.g. flexible working time arrangements; support of employees with abuse problems; prevention of reduced working capacity (through better working conditions); and development of policies concerning absenteeism. According to the Ministry *work retention* may mean follow up of long-term sick persons to retain them in employment and adaptation of working conditions and terms of employment to the abilities of persons with reduced working capacity. *Integration* means creating jobs for long-term unemployed, long-term recipients of social benefit and other groups, which have been outside the labour market for very long periods or in their whole life.

Common to most of these examples is that social responsibility aims to create employment opportunities for disadvantaged groups and to prevent that vulnerable groups losing their job or employment. Social responsibility also has to do with creating possibili-

ties for adaptation of working conditions to the requirements of family life and a good working environment to prevent work related illness and accidents.

On the initiative of the Ministry *FormidlingsCenter Århus* has collected a number of examples of socially responsible enterprises (Kylling, Bach & Kjær, 1996). These examples include 70 private companies. In addition to the above mentioned types of behaviour the following are mentioned as examples of social responsibility:

Work organisation with self-managed groups, flexible working time arrangements, training of employees in particular with respect to personal development, training plans for the employees, economic support to enterprise based clubs (e.g. sport, music), co-operation with public authorities, e.g. rehabilitation centres, job-rotation projects, senior-policy arrangements, clubs for retired workers, promoting employee job-satisfaction, equal opportunity programmes, economic support to associations for disabled, a formal personnel policy, special initiatives for new employees, former employees work at home for the company, prevention of alcohol abuse, AIDS-policy...

The list could be continued but even these few examples indicate that the concept of social responsibility is very broad indeed. Nearly every aspect of the personnel policy of an enterprise may be included if the policy has some beneficial consequences for the employees or disadvantaged groups outside the enterprise.

Holt (1997) has clarified the concept used in the Danish campaign. She distinguishes between internal and external responsibility on the one hand and between curative and preventive responsibility on the other. This gives four types of social responsibility:

1. Preventive internal responsibility, i.e. general measures targeted at all employees at the workplace.
2. Curative or remedial internal responsibility, i.e. measures targeted at employees with some type of problem (e.g. reduced working capacity, sickness, personal problems).
3. Preventive external responsibility, i.e. activities beneficial to the local community, for example young people and pupils at school, and sponsoring of sport clubs and such like.
4. Curative or remedial external responsibility i.e. measures to integrate disadvantaged groups without employment.

This typology is, as Holt remarks, important although pragmatic. It is important because the different forms of social responsibility may be explained in different ways. It is pragmatic because the point of departure is the Danish Campaign.

If we turn to labour market policy a somewhat different (although overlapping) conception of social responsibility emerges. Among the goals in labour market policy are that elderly people should stay longer in the labour market, that the qualifications of the labour force are enhanced (among other things due to intensified adult and further training) and that work related injuries, illnesses and accidents are prevented. Enterprises doing much to contribute to these goals are seen as socially responsible.

Summing up we may identify the following definition of social responsibility:

(9) *Social responsibility of enterprises is firm behaviour, which the Ministry of Social Affairs and/or the Ministry of Labour (Government) find desirable, i.e. behaviour which promotes goals in social and labour market policy. For the Ministry of Social Affairs it is primarily behaviour, which reduces the number of persons on social assistance, sickness benefit and disability pension. For the Ministry of Labour it is primarily behaviour, which makes elderly people stay longer in the labour market and ensures (long-term) employability of the work force.*

Most discussions of social responsibility of enterprises in Denmark takes definition no. 9 (or part thereof) as the point of departure, cf. e.g. Ibsen, 1999 and Westergård-Nielsen, 1999 who from the point of view of economics discuss some aspects of enterprise behaviour included in definition 9.

In terms of definition 9 “social responsibility” is desirable. It is always a good thing to be responsible rather than irresponsible. And it is better to be “social” rather than non-social or anti-social. Thus, the current Danish policy may be viewed as an attempt to construct a certain definition of reality (cf. section 6 above). Some types of enterprise behaviour is defined as desirable by labelling it “socially responsible” in the hope that this definition of reality will become widespread so as somehow to influence enterprise behaviour.

7.2. Welfare Mix

In discussions of social policy, in particular from an international comparative perspective the concept of welfare mix has often been used. The idea is that "social tasks" in a society may be performed, financed and regulated by different institutions notably the family, the market, enterprises, voluntary associations and the state. In any given society there is some division of tasks and responsibilities, which may change over time. The research interest in this connection is to describe the organisation of social tasks at the level of society, the reasons for certain forms of organisation and the consequences thereof. The term "organisation" is here used in a very broad sense.

Thus we may define social responsibility in the following way:

(10) *Social responsibility of enterprises exists if enterprises perform, finance or regulate "social tasks". The larger the proportion of social tasks performed, financed or regulated by enterprises (seen in relation to the total volume of such tasks in society) the larger the social responsibility of enterprises.*

Often social tasks are divided into two types, cf. section 7.2.1. and 7.2.2.

7.2.1. Cash Benefits to Persons not able to Provide for Themselves

A classic social task is to provide means of subsistence to persons who are not able to provide for themselves because of e.g. unemployment, mental or physical illness, divorce, disability or old age. The means may be given in cash benefits and/or in kind. In most societies it is not acceptable that people die due to lack of satisfaction of basic needs such as food and shelter. Thus we may identify a certain type of social responsibility in terms of definition 10:

(10A) *Social responsibility of enterprises exists to the extent that enterprises finance payments to people not being able to provide for themselves, e.g. unemployed people, sick people, pregnant women, widows, pensioners and the disabled. The larger the payments of enterprises (in relation to total payments), e.g. the closer the relation between these payments and the number of people in these categories, the larger the social responsibility of enterprises.*

If all such payments are made by the state out of general taxes one may say that companies contribute to an extent equal to their share of general taxes. If the number of e.g. unemployed people increases the increased economic burden is borne by all taxpayers. In this case the social responsibility of enterprises may be said to be less than in a situation where the increased economic burden is solely borne by the enterprises.

Payments by enterprises may be obligatory (e.g. according to legislation) or voluntary. Voluntary payments may be donations by fiat, payments to insurance companies or different types of funds (which take care of the concrete payments to persons according to specified criteria) or "gifts" to (former) employees, their families or others.

Another dimension of payment systems is whether enterprise payments go to (former) employees of the enterprise (and their families) or to persons with no present (or previous) employment relation to the firm.

There exist a number of different financing and payment systems in particular if viewed in an international perspective. One of the interesting dimensions is to what extent the employer finances payments to unemployed persons, sick or disabled persons "produced" by the employer. In other words the element of experience rating in financing systems. In Denmark there is, for example, only a small element of experience rating in

payment of unemployment benefit. Under certain conditions the employer pays the benefit for the two first days of unemployment, but only for members of unemployment insurance funds. Public employers pay sickness benefit (or wage under sickness) to employees, but private employers only pay sickness benefit in the first two weeks followed by payment (financing) by the state. Danish employers do not contribute to e.g. social assistance or disability pension received by dismissed employees. But many employers contribute to private pension funds together with their employees.

Financing and payment systems are interesting from a number of viewpoints. One aspect is their impact on employers' incentives, cf. e.g. Høgelund (1999) who compares the reintegration of long-term sick persons in Denmark and the Netherlands where the employers' role in financing sickness periods and disability pension are very different.

7.2.2. Social Services

ocial services are difficult to define. They may be defined in terms of e.g. target groups, the service process or the result of the service. The following are examples of services:

a. Care. - One type of service is care for persons not able to function (well) without such care. Examples are childcare, care for old people, and care for disabled and physically or mentally ill persons. By "care" is meant that some other persons interact with the persons cared for to help them with different tasks (e.g. providing meals, cleaning or clothing, and transport) and to promote their ability to take care of themselves.

b. Health services and work rehabilitation. - Special trained personnel in specialised institutions (e.g. hospitals) most often perform such health services but such services may also be produced within (large) companies. Public authorities may perform work rehabilitation in co-operation with enterprises. Seen from a labour market perspective the aim of health services is to develop and preserve human resources.

c. Training and education. - In Danish social policy training is to some extent a social service e.g. in relation to activation of social clients. Companies may offer training places for social clients or others. The primary formal aim of activation in Denmark is to develop human resources i.e. personal, vocational and general qualifications.

d. Counselling and guidance. - Counselling is an interaction process aimed at making the counselled person better able to make good decisions and act accordingly. The counselling may concern employment or training possibilities, housing or health issues, safety issues at the work place or personal problems (e.g. family problems and psychological problems). In some cases counselling also aims at increasing the person's self-confidence and well being. Counselling may be performed by specialised institutions and personnel but may also be part of interactions in the family or at the workplace. Some companies employ different types of counsellors (e.g. social workers). There is no clear borderline between counselling/guidance and employee friendly managerial leadership styles in general. A special type of counsel-

ling/guidance is employment service, which may be performed by the state or private agencies. Some companies also provide and finance such services e.g. for dismissed employees.

e. Employment on special terms. - In a way employment on special terms and conditions may be looked at as a social service if the target group is persons who cannot obtain ordinary employment. For example, a flexjob or a protected job may be said to be a service produced in a co-operative effort by the employed person himself/herself, the local authority and the enterprise. Employment on special terms may also include voluntary work.

Not all social services are included in this list, but the examples may be sufficient to indicate what is meant by social services.

Enterprise may contribute financially to these services, they may be producers or co-producers. Thus we may delimit another type of social responsibility in terms of definition 10:

(10B) Social responsibility of enterprises exists to the extent that enterprises produce and/or finance social services. The larger the proportion of social services produced or financed by the enterprises the larger the social responsibility of enterprises.

Explaining social responsibility in terms of definition 10 may take political science, economics or macro-sociology as its point of departure. However, the precondition for such explanations are descriptive studies of actual social responsibility of enterprises in different countries and historical periods. There seem to exist few such studies which focus explicitly on the social responsibility of enterprises. One of the most important is a very comprehensive historical study of social tasks of American companies in the period 1900-1960 (Heald, 1970). The study focuses in particular on philanthropy (e.g. donations to welfare and welfare institutions). A Danish study describes the paternalistic enterprise community of a textile company in the period 1880-1930 (Lafarque Pedersen, 1999). Other studies look at special types of services from an international comparative perspective (e.g. Rostgaard, 1999). Such studies are interesting because they make us see the present Danish situation in a much broader perspective. They also call attention to the fact that enterprise social responsibility (or lack thereof) to a considerable extent is built into the structures of welfare systems in society.

7.3. Dimensions of Social Responsibility

We may synthesise the above mentioned definitions 9 and 10 into one broad definition of social responsibility.

(11) Social responsibility of enterprises exists to the extent that enterprises use resources on social tasks defined as activities aimed at preventing, solving or

diminishing social problems or activities with such consequences. "Social problems" are understood as situations where individuals are not able to provide for themselves through work in the ordinary labour market.

The following core dimensions of social responsibility can be identified:

- a. *A provider dimension.* - This dimension concerns firms' payments to unemployed people, sick persons, pregnant women, disabled and old people. Payments may be determined by legislation, collective agreements (general or local) and/or by the personnel policy of the company. Payments may go to (former) employees or to others. They may be direct or indirect (e.g. via external institutions such as welfare agencies, funds and insurance companies).
- b. *An employment dimension.* - The employment dimension has to do with the extent to which enterprises employ (hire or retain in work) disadvantaged groups e.g. long-term unemployed, handicapped, elderly people, ethnic minorities or persons with a reduced work-capacity. This dimension has to do with concrete (employment) behaviour and with behaviour aimed at adapting working conditions, jobs and terms of employment to the needs and abilities of disadvantaged groups.
- c. *An employability dimension.* - This aspect concerns enterprises activities to ensure employability of the work-force. Three types of activities are included under this dimension. First, activities to develop competencies of the work-force in particular the least qualified. Second, activities to create healthy working conditions. Third activities to prevent and cure personal (mental) and health problems among employees.
- d. *A work-family dimension.* - This dimension concerns activities to ensure adaptability between work and family life of employees. It may consist of working time and child care arrangements. The activities under this heading are relevant for the possibilities of employees to take care of tasks in the family in particular care of weak family-members (children, old and sick persons).
- e. *A resource dimension.* - This dimension has to do with the amount and types (money or in kind) of resources enterprises use to prevent, solve or diminish social problems. Enterprises may make donations to welfare or may be obliged to pay taxes or duties to social tasks performed by the state or voluntary associations. Thus enterprises may use resources on social tasks performed by others or on social tasks performed by the enterprises themselves.

Dimension "e" crosses the others as it concerns the amount of resources used on tasks a-d. The dimensions include enterprise behaviour which have some beneficial (or adverse) consequences for the welfare of individuals - in particular disadvantaged individuals or

persons in danger of becoming disadvantaged. Definition no. 11 seems thus consistent with the common sense meaning of the term outlined in section 2.2. It may also be assumed that definition 11 is consistent with no. 7 (externalities): Socially responsible behaviour in terms of definition 11 may in general have positive externalities. It is an important research question to go into because it concerns the possible benefits for society of social responsibility of enterprises.

The dimensions indicated are formulated on a rather abstract level. To be useful in concrete research they will have to be given more operational definitions. Such definitions may focus on:

- The aim or purpose of behaviour (the motives of management or employees).
- The concrete behaviour in itself.
- The consequences of behaviour (does behaviour in fact contribute to, prevent, or remedy social problems).

Thus one can speak of social responsibility in terms of motives, in terms of concrete behaviour or in terms of the consequences of behaviour. From a policy point of view consequences seems to be the most relevant. The interesting thing for public authorities (the state) is whether enterprise behaviour leads to solving social problems or to aggravating such problems. However, in terms of research it will presumably be difficult to focus on consequences - at least as the point of departure. It will often be difficult to say beforehand what the consequences of a certain behaviour will be. Whether or not some behaviour has "socially responsible consequences" must be seen as an empirical question. In concrete research it will also be difficult to have the motives of behaviour as the criterion by which the behaviour of interest is identified. Much socially responsible behaviour (i.e. behaviour with social responsible consequences) is not motivated by a wish to be socially responsible and conversely some behaviour with a seemingly "social" motivation could turn out to have adverse consequences. This does not mean that motives are irrelevant. Motives may be included as part of explanations of enterprise behaviour. Thus, social responsibility of enterprises must be defined in terms of behaviour in itself. Neither motives nor consequences can be the starting point.

7.4. Governance Mechanisms

From an analytical point of view, behaviour of enterprises may be determined by three forces:

- a. Coercion by legislation (including general collective agreements).
- b. Economic rationality.
- c. Culture (normative and cognitive assumptions).

The latter two represent perspectives on the behaviour of enterprises (and of persons): an economic one and a sociological one. Point "a" can be looked at from an economic point of view (enterprises conform to legislation because it pays to do so) or from a sociological point of view (enterprises conform because they regard legislation as legitimate).

From a policy point of view the three forces correspond to governance mechanisms:

- a. Rules of behaviour embodied in legislation or collective agreements.
- b. Economic incentives (subsidies or duties) determined in legislation/collective agreements.
- c. Value-governance (i.e. influencing attitudes and knowledge of companies).

Rule-governance means that rules define certain forms of behaviour as desirable or non-desirable. If agents towards whom the rules are directed do not comply formal sanctions are issued. Therefore, rule-governance may also be labelled compulsion. By contrast, value-governance does not include formal sanctions. When complying with values the benefit is "a good reputation"; non-compliance leads to "a bad reputation". Values as a governance mechanism build on the voluntary compliance.

Rule-governance and incentive-governance is directed at *behaviour* (or physically observable facts) which must be concretely specified (e.g. hiring of a social client with a wage subsidy or a non-toxic working environment). These two governance mechanisms therefore presuppose a rather high degree of homogeneity among agents and situations to be influenced and a low degree of complexity. If these conditions are not fulfilled the two first governance mechanisms can not function well. In contrast value-governance is in the first place not directed at concrete behaviour but at changing attitudes and knowledge. If this type of influence is successful the agents themselves choose the relevant behaviour adapted to their specific situation and needs. Therefore, value-governance is also relevant where the object for governance is characterised by high degrees of complexity and heterogeneity - as are many of the socially responsible types of behaviour emphasised in the Danish campaign.

One could say that legislation and general collective agreements define the minimal required social responsibility of enterprises in a given society (on the assumption that enterprises comply with the general rules). In terms of governance mechanisms current Danish policy places increasing emphasis on value-governance combined with certain types of economic incentives. Therefore, a crucial focus in the research programme must be, what determines behaviour of enterprises along the social responsibility dimensions indicated above. Consequently both the sociological (cultural) and economic perspectives (including the stakeholder model) will have to be considered and elaborated.

8. Conclusion

The previous exposition has shown that the concept "social responsibility of enterprises" may be conceived of in a number of different ways. Each conception is formulated within a certain frame of reference (way of thinking) which is in itself meaningful. To some extent the different conceptions are a reflection of the division of labour in society. People within different disciplines in the scientific community have different world views as have managers and decision makers in state administration. From this we draw the conclusion that there exists no "correct" definition of social responsibility.

From the point of view of the present research programme social responsibility must be defined in terms of the behaviour of enterprises in a social and labour market perspective (cf. conception no. 11). We have indicated four core dimensions: a provider dimension, an employment dimension, an employability dimension and a work-family dimension. Common to all four are that they concern enterprise behaviour with beneficial (or adverse) consequences for the welfare of individuals - in particular disadvantaged persons or persons in danger of becoming disadvantaged.

Conceptions no. 3-8 in the paper concern ways to understand enterprise behaviour in general and socially responsible behaviour in particular. We think that the conceptions fall into two main categories: Rational choice (conception no. 3-7) and culture/institutions (conception no.8). To some extent this distinction is a division between economic and sociological perspectives. As indicated in the paper both must be considered relevant for understanding behaviour of enterprises.

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