The Caring Corporation: Using Care Ethics to Shape the Strategic and Altruistic CSR Roles

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We use care ethics to determine corporate social responsibility's (CSR's) morality, stakeholder priorities, and appropriate CSR activities. We focus on two key CSR dimensions: strategic CSR (SCSR)—corporate philanthropy benefiting the enterprise's primary constituencies and one or more of its secondary constituencies—and altruistic CSR (ACSR)—corporate philanthropy possibly costing one or more of the business's core constituencies in order to benefit one or more of its secondary stakeholders. Our ethical analysis uses a third CSR dimension: ethical CSR (ECSR)—avoiding moral harm to stakeholders by fulfilling economic, legal, and ethical responsibilities. This analysis combines care ethics with deontological ethics. We conclude that, ethically, caring CSR must avoid ACSR, which transfers resources from primary to secondary stakeholders and lacks reputational and motivational CSR returns to the firm, unless primary stakeholders consent to it. Second, CSR must embrace core and secondary stakeholder-welfare-benefiting SCSR. Secondary stakeholders should not be cared for at the expense of primary constituencies, whose liberty rights and distributive justice managers must not sacrifice for secondary stakeholders' welfare rights and perceived social justice. To maximize efficiency and enhance corporate image, the domain for SCSR should embrace the corporation's mission, values, and core competencies.

Keywords: Strategic Corporate Social Responsibility (SCSR), Altruistic Corporate Social Responsibility (ACSR), Ethics of Care (EOC), Care Ethics (CE), Ethical Corporate Social Responsibility (ECSR), Stakeholder Priorities

1. Introduction

Corporate social responsibility's (CSR's) morality, stakeholder priorities, and domain (appropriate scope of activities) concerns crucial questions: Why do publicly held corporations exist? What does it mean for enterprises to be "socially responsible" and to "care"? Should firms provide CSR care for various stakeholders beyond their core constituencies—shareholders, customers, employees, and (sometimes) business partners? If so, should management sacrifice primary (core, close, key) stakeholder welfare for secondary (distant) stakeholder well-being? Which types of corporate caring should corporations provide? We condense answers to these queries into our research proposition: "Corporate caring is only ethically justifiable when managers anticipate that one or more core stakeholder groups will

benefit. Executives should never sacrifice primary constituencies' welfare to favor secondary stakeholders barring their informed consent."

To support this proposition, this paper combines two previously unlinked research streams. First is CSR, which, according to a comprehensive definition, is "the obligations of the firm to its stakeholders—people and groups who can affect or who are affected by corporate policies and practices. These obligations go beyond legal requirements and the company's duties to its shareholders. Fulfillment of these obligations is intended to minimize any harm and maximize the long-run beneficial impact of the firm on society" (Bloom and Gundlach, 2001). Second, is the relatively new ethics perspective, the ethics of care (EOC, or care ethics, CE), which values caring for others in close personal relationships as a moral virtue (Gilligan, 2011). EOC helps practitioners prioritize stakeholders for whom they can provide care.

CE provides a valuable lens for appraising the ethicality of two of Lantos's (2001, 2002; Lantos & Cooke, 2003) three CSR forms. First, is strategic corporate social responsibility (SCSR)—corporate philanthropy benefiting the enterprise's primary constituencies (stockholders, customers, and employees, plus sometimes business partners) (BusinessDictionary.com, n.d.; Investopedia.com, n.d.; Reference.com, n.d.), and one or more of its secondary constituencies—external groups other than primary stakeholders. Second, is altruistic corporate social responsibility (ACSR)—corporate philanthropy practiced at potential expense to one or more core constituencies to benefit one or more secondary stakeholders. The third of Lantos's CSR types is ethical CSR, which fulfills a firm's economic, legal, and ethical obligations to avoid harms or social injuries, even if the business might not benefit from this. This paper will incorporate economic, legal, deontological, and EOC ethical analyses of SCSR and ACSR.

We shall use a care-based analysis of SCSR and ACSR employing Lantos's (2001, 2002; Lantos & Cooke 2003) third CSR form, ethical CSR (ECSR)—avoiding ethical harm to stakeholders by fulfilling Carroll's (1979, 1991) economic, legal, and ethical responsibilities. We use EOC and deontological ethics to determine stakeholder priorities and the appropriate domain for administering CSR.

The conclusion according to all of these ethical perspectives is that in dispensing corporate care, organizations are immoral to sacrifice core stakeholders' interests to favor secondary stakeholders without key stakeholders' informed consent. That is, CSR that dispenses care should (1) preclude ACSR, which transfers resources from close to distant constituencies and (2) embrace SCSR benefiting primary and secondary stakeholders. Managers must not forfeit primary stakeholders' liberty rights for secondary stakeholders' welfare rights nor core stakeholders' distributional justice for secondary constituencies' perceived social justice. The domain for SCSR should embrace the corporate mission, values, and core competencies to enhance efficiency, effectiveness, and organizational reputation.

2. Overview of Corporate Social Responsibility

2.1 Background on CSR

CSR entails a firm's voluntary activities to maximize social good and minimize negative societal outcomes through its policies, decisions, and actions (Dimitriadis, n.d.; Filho, Wanderley, Gomez, & Farache, 2010; McWilliams, Siegel, & Wright, 2006). CSR has been termed a "culture of kindness" (SAP, n.d.), suggesting that EOC be used to ethically analyze it.

The questions arise: “Who should be cared for?” and “Who should pay for this care?” Enhancing social welfare costs corporate resources and hence potentially core stakeholders’ well-being. Such companies contribute to society beyond their economic *raison d’être* of caring for their core constituencies: providing a return on capital for their owners, maximum value for their customers, and lucrative and satisfying employment for their workers.

CSR suggests managers should consider social progress along with economic advancement (Davis, 1983). CSR is a balancing act between what companies provide for primary and secondary stakeholders.

Arguably, CSR expense is acceptable since maximizing shareholder wealth is not necessarily equivalent to maximizing shareholder welfare because increasingly shareholders, as well as customers and employees, will forego some wealth to help others. Accordingly, today, most corporate annual reports’ statements of corporate mission and objectives discuss community and societal involvement (Bart & Baetz, 1998). Although an enterprise not advancing societal welfare beyond prospering core stakeholders is ethical, some observers increasingly view it as not compassionate and caring. Corporate stakeholders increasingly demand that businesses become more transparent, communicative, and hands-on in improving the world (Landrum, 2017). Yet, different corporate constituencies have varying beliefs regarding the nature of appropriate corporate caring actions (Sherwin, 1983). We believe that both academic and popular CSR literature erroneously generally gives accolades to all CSR activities, even if CSR sacrifices core constituencies’ welfare.

2.2 Stakeholder Priorities

An organization’s stakeholder is “any group or individual who can affect or is affected by the achievement of the organization’s objectives” (Freeman, 1984). Stakeholder theory concerns the expectations and demands of such constituencies, implying that corporations have sometimes-conflicting responsibilities to multiple stakeholders needing prioritizing.

Traditionally, observers believed that firms provide value for three primary stakeholder groups—stockholders, customers, and employees. A fourth constituency is business partners: supply chain participants and joint venture associates plus other groups without whose continuing involvement the corporation cannot survive as a going concern (Clarkson, 1995). However, such stakeholders are typically less connected to and supportive of the firm than are the three primary stakeholder groups.

Among these core constituencies, stockholders contribute financial capital in exchange for sharing in the firm’s profits, creating managers’ fiduciary duty to maximize shareholder value. While most observers today deny the notion of stockholder as sole stakeholder, they do recognize the critical importance of serving shareholders (Chafkin and Cao, 2017; Greenfield, 2007). Second, customers contribute money in exchange for customer value (desired marketing mix elements, which increasingly include CSR “ethical” products, such as Patagonia and Whole Foods Markets’ sustainability activities). Third, employees contribute human capital and labor in exchange for employee value (safe and economically and personally satisfying work). Furthermore, other business partners add critical values too, such as technology and specialized management services.

Trying to prioritize care among these groups is challenging and debated (Ferrell, Gonzalez-Padron, Hult, & Maignan, 2010; Greenley, Hooley, Broderick, & Rudd, 2004). We rank stockholders, customers, and employees of equal importance because, although a business organization's primary task is to care for its owners through profitability, if customers and employees are well cared for, profits will usually follow (Ambler, 2000; Kotler & Lee, 2008; Waggoner, 2017). These groups are followed (sometimes closely, depending on the nature and duration of the relationship) by business partners.

Providing value for these three stakeholder groups is primarily why firms exist. Arguably, though, "It has been clear that the public everywhere has expectations on business that extend beyond providing goods and services, providing jobs and benefits, and making profits-although these certainly rank highest" Carroll (2015). Increasingly, some investors request firms' CSR involvement, some customers will pay more to firms practicing CSR, and some employees will sacrifice time and money for CSR (especially millennials, Landrum, 2017).

Organizations must prioritize for resource allocation for those secondary stakeholders providing them resources, such as the local community (an educated workforce, utilities), government (tax breaks, infrastructure), and media (publicity, advertising time and space). Additionally are expectations from stakeholders, such as social pressure groups and local community officials, for corporate financial aid for minority neighborhoods, provision of training and jobs for the hard-core unemployed, contributions to charitable and not-for-profit organizations, and donations of employee work time to improving local neighborhoods. Organizations must prioritize secondary stakeholders for resource allocation. The prioritization varies depending on circumstances (e.g., for a retail franchise, suppliers could be critical, or, in firms employing many local citizens, the community is key). Regardless, these more distant others, we shall argue, are generally a less defensible investment of firm resources from deontological ethical and EOC perspectives.

2.3 Lantos's Three Forms of CSR Related to Carroll's Pyramid of CSR

Carroll's (1979, 1991) now classic four-component CSR conceptualization suggests that good corporate citizens have economic, legal, ethical, and philanthropic duties. This "Pyramid of CSR" suggests that economic performance undergirds additional legal, moral, and philanthropic responsibilities per the public's expectations (Carroll, 1979, 1991). Especially relevant to our discussion is Carroll's philanthropic responsibilities to contribute corporate resources to society. Carroll (1979) advocated for business using its vast resources for social good, framing this as voluntary optional altruism: service and charitable giving. Over the past half century, people have increasingly judged business by such social contributions as donations of cash, products, and time (Welch, 2009).

Lantos (2001, 2002; Lantos & Cooke 2003) suggested that controversy about the morality and boundaries of CSR stems largely from failure to distinguish clearly between Carroll's ethical and philanthropic dimensions as well as from the misguided notion that business should not prosper from good works. Lantos proposed a three-fold CSR classification to clarify its morally appropriate boundaries:

1. **Ethical CSR (ECSR):** Avoiding moral harm to stakeholders by mandatory fulfillment of Carroll's (1991) economic, legal, and ethical duties.

2. **Altruistic CSR (ACSR):** Corporate philanthropy practiced at possible expense to one or more core constituencies. Equivalent to Carroll's (2000) philanthropic responsibilities, these optional benevolent activities go beyond ethical CSR's harm prevention to contributing resources enhancing various societal stakeholders' well-being, regardless of economic consequences for the business.
3. **Strategic CSR (SCSR):** Corporate philanthropy benefiting (a) the enterprise financially through enhancing its reputational capital and motivating customer patronage and employee enthusiasm and commitment; (b) its primary constituencies financially or socially (fiduciary responsibilities to stockholders and caring duties to customers and/or employees); and (c) one or more of its secondary societal constituencies financially or socially. Other authors have endorsed SCSR: Burke and Logsdon (1996) discuss "value creation as strategic outcomes from CSR"; Baron (2001) suggests that enterprises supply a public good along with their business strategy; Hillman & Keim (2001) contrast strategic CSR (stakeholder management) and altruistic CSR (social issue participation); and Porter & Kramer (2011) invoke the idea of creating "shared value."

Researchers have conducted several studies correlating CSR and firm profitability. Although disentangling effects of multiple variables is challenging, overall, these studies find a positive but highly variable relationship between CSR and corporate financial performance (Mustafaa, Othmana, & Perumal, 2012). The positive association is probably because SCSR enhances corporate image; increases key constituencies' motivation, commitment, and loyalty; and provides a point of competitive differentiation (Aker, 2017). Therefore, the trend is away from viewing CSR as pure altruism toward considering it strategically (Carroll, 2015).

3. Care Ethics

3.1 The Nature and Development of Care Ethics

To determine SCSR's and ACSR's morality as well as resource prioritization among stakeholder groups, we rely on a relatively recent branch of feminist ethics, the ethics of care (EOC) or care ethics (CE). Feminist ethics considers women's modes of ethical reasoning stressing relationships, personal responsibilities, and partiality (Tong and Williamson, 2016; Borgerson, 2007). EOC values emotional influences, notably sympathy, empathy, sensitivity, and responsiveness (Held, 2006).

CE therefore contrasts with conventional teleological and deontological conceptualizations of rational, impartial moral agents considering everyone's interests equally worthy, thereby ignoring one's special relationships with others in decision-making. Instead, EOC accepts partiality since people are relational and interdependent. Accordingly, CE suggests that one's moral charge is to attend to others' well-being if in a valued, close, and interdependent relationship with them. Moral reasoning invoking standards of caring considers the particular characteristics and needs of significant others; the strength—closeness, importance, quality, nature, and longevity—of relationships with them; and the kinds of caring and partiality vital to nurturing and growing those relationships (Tong & Williams, 2016). EOC humanizes ethics by focusing on people, not cold, calculative rules. This is arguably appropriate since ethics largely concerns how we treat others (minimize harms; maximize helps).

Gertrude Himmelfarb (2001) suggests there exist both vigorous and caring virtues. Vigorous virtues include courage, ambition, and creativity, transcending family and community. EOC concerns instead relationship-focused caring virtues: love, compassion, empathy, sympathy, sensitivity, friendship, kindness, respect, trustworthiness, concern, fairness, and decency (Thomas, 2001). Feminist theory posits that society has marginalized caring virtues by inadequately valuing caring virtues as valuable moral emotions for implementing reason (Vongas & Hajj, 2015). With CE, it is immoral to be willfully ignorant of or indifferent toward significant others' needs (Kotler & Maon, 2012). This contrasts with traditional ethical theories, which generally consider individuals as having independent, not interdependent, interests.

EOC proposes caring for others, thereby supporting personal and community relationships, including the vulnerable, those needing support, and the dependent. However, having special relationships with significant others would seem to give one a particular responsibility to care for them more so than for strangers and acquaintances. Nonetheless, some philanthropic CSR proponents argue that EOC should also include broader distant relationships comprising communities, notably vulnerable and marginalized groups.

3.2 Care Ethic's Relationship to CSR

Although, originally conceived as most appropriate to the private and intimate spheres of life, EOC is now applied to broader realms and moral issues, including caring for animals and the environment, bioethics, social policy, and business ethics. However, there have been no CSR applications of CE (Borger son, 2008; Engster, 2011; Hamington & Sandler-Staudt, 2011; Hawk, 2011). Notably, we are breaking new ground by proposing CE's relevance for CSR decisions too. Analyzing CSR, Freeman & Liedtka (1991) suggest that within corporations, both individuals and communities undertake caring activities providing mutual support and human achievement, and so focusing on EOC is appropriate. McVeal & Freeman (2005) recommend perceiving stakeholders as persons with whom there are close relationships, rather than as faceless groupings.

Consequently, EOC is applicable to organizational contexts and stakeholders (Lloyd, 2006; Taft 2000). Since much business activity consists of relationships and roles involving loyalty, trust, community, and friendships, and because CSR activities can develop these (Crain, 2010; Murphy, 2010), an EOC perspective should help inform businesspeople of their CSR duties' nature and priorities. Accordingly, CSR strategy can be guided by both logical analysis and emotional caring virtues. While someone can care while remaining objective and distant from people (e.g., in bureaucratic service institutions such as post offices and social welfare agencies), and this is sometimes necessary, this is not the kind of compassionate caring EOC demands.

So, instead of traditional ethics emphasizing the separation and autonomy of a firm from its stakeholders, CE stresses maintaining and nurturing the organization's relationships with them, recognizing that underlying all relationships, including those with organizational stakeholders, is a responsibility to care. The strongest corporate obligations grow out of special long-term corporate associations with investors, customers, employees, and strategic partners. Responsibilities also arise from significant roles firms play, such as employer of people, key supplier to retailers, and

major buyer from vendors. Consequently, for instance, caring for employees' family members should take precedence over caring for strangers. Caring for long-term and loyal customers and employees should ordinarily take priority over helping newer customers and employees.

3.3 Care Ethic's Relationship to Other Ethical Perspectives

We now review key relationships between EOC and deontological ethical philosophies to appraise SCRS's and ACSR's morality, stakeholder prioritization, and appropriate domains. Later in the paper, we will assess SCRS and ACSR using both EOC and ECSR, using these ethical philosophies.

3.3.1 EOC and Teleological Approaches

The act utilitarian (henceforth "utilitarian") model is the most widely known, understood, and commonly accepted applied teleological framework. Utilitarianism considers possible results of an act for relevant stakeholders, along with the probability of each consequence, to determine the act's moral worth. Weighting stakeholders by their relationship's strength with the firm or its managers can harmonize utilitarianism with EOC (Jensen, 2000). For instance, a manager should prioritize family members' interests over an important client's interests.

However, utilitarianism is problematic for several reasons. It sometimes sacrifices minority stakeholders to favor the majority, possibly leading to outweighing of a few core stakeholders' interests by many secondary stakeholders' welfare. This results in redistributing funds that, according to EOC, are more appropriately spent on primary stakeholders. Also problematic is that, in effect, utilitarianism is an ends-justify-the-means philosophy; however, morality should not be determined by consequences, which are often beyond the moral agent's control. Consequently, utilitarianism is philosophically unacceptable. Furthermore, unless managers weight core stakeholders most heavily, EOC must reject utilitarianism. Therefore, we shall exclude utilitarianism from subsequent analysis of SCRS and ACSR.

3.3.2 EOC and Deontological Approaches

Deontology is valuable for analyzing CSR from a care perspective since it includes a duty to provide care. Along with EOC, deontology suggests that if an action does (does not) fulfill the firm's moral obligations to care for its most valued constituencies, then it is (is not) ethical.

We now analyze EOC using deontological rights and justice theories. Applying these theories along with EOC balances out the female bias inherent in the latter with the male bias of the former. We side with deontologists who prioritize obligations to constituencies according to *prima facie* duties.

3.3.2.1 Care Ethics and Rights

As with duties, moral rights are *prima facie*: one right can override another one. When one stakeholder's interests are considered stronger or more compelling than another's, then the former's rights should outweigh the latter's. Consequently, consistent with EOC's emphasis on interpersonal relationships, managers should prioritize conflicting rights for care according to the strength of various stakeholder relationships and consistent with the relative importance of stakeholders' interests.

Noteworthy is that most rights theorists believe that individual rights outweigh group rights because of individuals' inherent worth and dignity (Badwar, 2002). Also significant is that alleged rights might be illegitimate. To determine a claimed right's legitimacy, one must ask, "At whose expense will this 'right' be enforced and who has the duty to respect the 'right'?" (Hospers, 1996). If one stakeholder exercising a right precludes another from effecting the same right concurrently, it is not a right but rather a good or special privilege bestowed at others' expense (Baird, 1996; Poirot, 1996).

For instance, someone's claim that a firm owes her a "right" to a job is specious; the business has no moral duty to provide the job because the person's "right" creates a duty for the organization to provide employment it might not need, or the person might not be the best job candidate. In contrast, everyone has the right to offer to sell labor services because doing so does not preclude others from doing likewise. The same test can be applied to benefits bestowed by caring corporations, such as fulfilling "rights" to food, an education, or health care, none of which are rights because a firm owes no moral duty to the beneficiaries.

Consequently, we distinguish between negative and positive rights. Negative (liberty) rights are ethically obligatory (Lippke, 1996) since they entail freedom from restriction or control as long as those exercising such rights do not trespass against others' liberty rights. For instance, job discrimination violates a well-qualified worker's right to seek and secure a job. Positive (welfare) rights, on the other hand, are optional to fulfill and might necessitate unjustly withholding obligated care from primary stakeholders (Hospers, 1996). Generally, positive rights entail a presumed right to a minimum living standard if someone cannot provide for himself but resources are available elsewhere. Welfare rights include general rights to health, happiness, and well-being, and specific rights to employment, food, housing, education, adequate health care, social security, a "living wage," credit access, etc. Honoring positive rights entails spending time, money, energy, and other resources to help secondary stakeholders to whom these rights are not owed, possibly at the expense of primary stakeholders to whom such rights are due. Consequently, it is not ethically mandatory and might be morally wrong for business organizations to fulfill particular welfare rights.

Most philosophers believe liberty rights outweigh welfare rights, viewing people's obligation to refrain from interfering with people's freedoms as stronger than promoting their well-being. This is because disrespecting negative rights involves unethical direct harms, whereas dishonoring positive rights entails indirect harm (not providing). Consequently, charitable promotion of welfare rights is morally optional (Rawls, 1971). Hence, there are no "ethical responsibilities" to honor welfare rights but rather altruistic choices to do so. For instance, a manufacturing company's responsibility to obey OSHA regulations and thereby ensure its employees' safety is mandatory, whereas its "obligation" to open day care facilities for workers' children is optional. Likewise, an enterprise is morally wrong in violating peoples' rights to a clean environment by discharging pollutants, whereas its decision to offer an inner-city job-training program is elective.

A problem with welfare rights for CE is that it is unclear how much fulfilling of these rights is adequate and whose obligation it is to do so. For example, many claim a business owes its employees a right to a "living wage," which could be infringed by an organization granting raises only to those producing a particular quality of

work. Consider that some argue for retailers to honor the inner-city dwellers' right to be served by them, but the retailers nonetheless shy away because of urban areas' high crime rates threatening their business and employees.

3.3.2.2 Care Ethics and Justice

Justice theory mandates that moral agents be guided impartially by duties of equity and fairness, giving people what they deserve, thereby respecting their liberty rights. Focusing on fairness can help resolve conflicts among individuals' rights. Two types of justice—distributive justice and procedural justice—are relevant to EOC and CSR.

To ensure distributive justice—fair distribution of society's resources—those with an equal claim to resources should receive equally, and those with a greater (lesser) claim should receive more (less). Preferential stakeholder treatment is wrong without justifiable reasons. EOC considers special closeness of stakeholders a legitimate basis for preferential treatment, sometimes endorsing unequal treatment of equals, such as preferring friends or relatives to equally qualified strangers for a particular position. Consequently, the demands of caring for closer stakeholders can conflict with those of impartial justice.

Whether EOC demands should outweigh impartial justice demands is situational. If some (especially distant) stakeholders' losses are very low or other (especially close) stakeholders' gains are very high, the firm's obligations to the latter outweigh duties to the former.

Six potentially conflicting criteria can be used to determine distributive justice: need (welfare rights), equality (equal sharing), contribution (e.g., performance; resources contributed), effort, ability, and freedom (liberty—respecting people's free choices in exchanging with others, such as salary negotiation or receiving the fruit of one's labors) (Lamont & Favor, 2017). All except the first two criteria are based on a particular measure of deservingness.

Most relevant to EOC is distributing benefits according to need, regardless of others' deservingness. EOC examples include paying more to workers with larger families and granting them more time off for family care, or donating to victims of a natural disaster, resulting in fewer funds for employee raises. That people in need might be undeserving or might unfairly take advantage of the giver's munificence is problematic.

EOC's critics claim that CE's justice might infringe the meritorious' liberty rights. Another problem is that in the business world, powerful corporate elitists often determine need. However, true compassion is voluntary—from both the heart and one's own wallet—rather than extracted from core stakeholders by an enterprise (FaithFacts.org, n.d.).

Another issue is that definitions of distributional justice vary depending on the criteria chosen—broadly, need or equality based versus merit based. Criteria such as need or deservingness are subjective. Additionally, application of a chosen distributional criterion can be difficult. For instance, should a large benefit be given to each of a smaller number of people or a small benefit distributed to each of a larger number of people?

A second relevant type of justice is procedural justice—using a fair and transparent process for allocating resources. Primary stakeholders should be informed when resources are distributed from them to secondary stakeholders for

CSR purposes. This occurs, for instance, when cause marketers tell customers that a portion of their purchase price supports a cause, or where investors are informed that a particular percentage of profits is devoted to CSR activities.

4. CE Analysis of the Morality of each form of Corporate CSR

We now examine the morality of Lantos's (2001, 2002; Lantos & Cooke, 2003) SCSR and ACSR, doing so from perspectives of EOC and of his ECSR, which encompasses Carroll's (1979) economic, legal, and ethical responsibilities. The analysis employs deontological ethical theories related to EOC above. The key issue is how ethically cared for core stakeholders are under SCSR and under ACSR.

4.1 Morality of SCSR

Some view CSR as genuine only when its primary motive is not strategic advantage but rather altruistic compassion. Companies practicing SCSR admittedly have ulterior motives, believing that the marketplace generally honors virtuous behavior. However, since in the process primary constituencies are cared for, SCSR is acceptable to EOC. For example, volunteerism on company time can lead to higher employee morale, resulting in greater productivity and hence higher pay for employees and profits for stockholders. Similarly, aiding the local community might help attract and retain desirable, highly motivated employees. Importantly, CSR can heal a tarnished corporate image. Under SCSR, companies become good corporate citizens because it prospers multiple valued stakeholders.

4.1.1 Perspective of Care Ethics and Economic Responsibilities

Two related questions raised in the Introduction are relevant here: (1) Are enterprises responsible for secondary stakeholders well-being?, and (2) If so, should economic performance be sacrificed for primary and/or secondary stakeholders' welfare?

From an EOC perspective, the self-interested profit motive might erroneously be considered unvirtuous. However, self-interest is not selfishness—emphasizing one's own interests at others' potential expense. Work-related self-interest is legitimate concern for reaping financial fruits from one's labor, entrepreneurial risk-taking, and capital investments, and profit is the requisite incentive and reward for businesspeople contributing to the public good and for society to maximize productivity.

Moreover, a company's economic obligations primarily entail (1) earning profits for stockholders through (2) supplying want-satisfying, fairly priced, conveniently distributed, and informatively promoted products for customers and (3) providing fair-paying jobs and safe, satisfying working conditions for employees. Thereby, the profit motive is transferred into consumer and employee welfare, prospering a firm's three core constituencies. SCS Rapp lauds and encourages this.

SCSR should also increase motivation and loyalty of employees (e.g., via volunteer opportunities, matching grants, etc.), customers (e.g., via supporting buyers' favorite causes), and other key business partners, all enhancing profitability (Lantos & Cooke, 2003).

Consequently, SCSR is economically caring, attracting and benefiting stockholders (higher sales and profits through higher reputational capital), employees (higher and fairer compensation, safer working conditions), customers (lower prices,

better product quality and variety, and innovative products and marketing), and business partners (increased business with a prosperous firm).

However, business organizations sometimes lack competence to effectively tackle public welfare issues (Freeman, 2001; Shaw and Barry, 1992), resulting in economically inefficient and misdirected funds allocated to CSR. Nonetheless, a firm should be most efficient and impactful in CSR activities in the domain of its mission, core competencies, and values (Aker, 2017; Porter & Kramer, 2002; Porter & Kramer, 2006; Steimer 2017). For instance, a telecomm company valuing continuing education teaches local community members computer network administration, or Lifebuoy soap encourages people to change their hand-washing behavior to reduce infant mortality.

Admittedly, it is difficult to quantify the monetary value of the resulting corporate reputational enhancement, employee and business partner engagement, etc. Research studies demonstrate that short-term profits increase but also sometimes decrease when executives include social objectives (long-term profits generally usually rise, however) (Crain, 2013).

4.1.2 Perspective of Care Ethics and Legal Responsibilities

EOC and SCSR both recognize that enterprises must be law-abiding in caring for their constituencies. However, if a firm believes that a particular law is immoral (e.g., it violates stakeholder liberty rights or universal canons of justice such as non-discrimination), is not in the interests of the company or of one or more of the firm's core constituencies, and/or is not in society's best interests, it is in all stakeholders' best interests to attempt to have that law altered. Working to change laws due to managers' personal preferences (e.g., legalizing marijuana) is not ethically justifiable, however.

4.1.3 Perspective of Care Ethics and Deontological Ethical Responsibilities

We now demonstrate that, in view of EOC, SCSR is moral according to deontological ethical perspectives. Core constituencies are well cared for, and one or more secondary stakeholders usually benefit.

According to ECSR, corporations have deontological duties to help solve social problems they created or to prevent social harms they might cause (e.g., recycling to prevent damaging the environment). EOC would additionally suggest that firms have *prima facie* responsibilities to not harm primary stakeholders by funding the enterprise's benevolence to secondary stakeholders. SCSR avoids this, ensuring that benevolent activities ultimately benefit primary stakeholders.

4.1.3.1 Perspective of Rights Theory

Since rights are *prima facie*, EOC mandates that decision makers prioritize caring rights, with core stakeholders' liberty rights not sacrificed for secondary stakeholders' welfare rights. Consistent with this, SCSR strives to ensure that both shareholders and one or more of the firm's other core and/or secondary constituencies benefit. Additionally, SCSR squares with individual rights outweighing group rights since managers are more likely to view core stakeholders as individuals than secondary stakeholders.

4.1.3.2 Perspective of Justice theory

EOC's partiality might violate distributive justice principles by favoring core stakeholders. Nevertheless, consistent with SCSR, one could impartially argue that managers owe close constituencies more than distant others since the firm implicitly has an agreement to maximize shareholder profits and to provide excellent customer and employee value, providing them all distributive justice. Where conflicts between primary stakeholders' and secondary stakeholders' interests arise, both SCSR and EOC favor the former. Regarding procedural justice, managers should apprise primary stakeholders on how SCSR efforts benefit them.

4.1.4 Conclusion on Care Ethics Analysis of the Morality of SCSR

Fulfilling a firm's economic responsibilities, encouraged by EOC and SCSR, serves all key constituencies well. EOC and SCSR both affirm meeting a firm's legal responsibilities. Deontological ethical theories, considered in conjunction with EOC, conclude that SCSR, providing win-win outcomes for the enterprise's core stakeholders and typically one or more secondary stakeholders, is morally sound, benefiting both the business and society. Consistent with EOC, these moral perspectives suggest that caring for primary stakeholders' interests should outweigh compassion for secondary stakeholders' well-being. When managers visibly meet secondary stakeholders' needs through SCSR, market forces generally ensure that primary stakeholders' interests are secure (Bloom, 2008; Greenberg, 2007; Neff, 2008; Porter & Kramer, 2002). Executives should prioritize close stakeholders (e.g., the local community, legacy employees) over distant stakeholders (e.g., the global community, prospective employees).

4.2 Morality of ACSR

ACSR optionally enhances public welfare by disbursing organizational resources, regardless of possible benefits or harms to the business and its core constituencies. Under ACSR, "caring" is synonymous with "philanthropy." However, ethical corporate care means that resources expended should ultimately benefit a firm's closest constituencies, prioritizing the strongest relationships. EOC even gives primacy to shareholder care, since, although companies and their managers rarely have close relationships with all but perhaps the biggest or most vocal stockholders, the fundamental purpose of an enterprise is to earn profits for its owners.

4.2.1 Perspective of Care Ethics and Economic Responsibilities

Financially, EOC suggests that ACSR is not justifiable where management is separated from ownership because managers spend organizational resources for the general welfare, potentially at the expense of the firm's core constituencies (via sacrificing profits, good-value products, and/or employee compensation). To spend corporate wealth without core stakeholders' informed permission constitutes involuntary redistribution. Effectively, corporations tax their primary stakeholders to subsidize social causes, involuntarily confiscating shareholder, customer, and/or employee wealth, thereby violating liberty rights.

The analogy between individual and corporate generosity is false. Unlike humans with caring duties in interpersonal relationships, corporations form primarily for their owners' profit maximization and secondarily for their customers' and employees' economic care, not for caring for valued others socially. Also, in contrast to wealthy

individuals and private business owners who can compassionately share their wealth, middle-income stockholders might rely on shareholder gains for funding future personal and family care needs (e.g., retirement, college savings, and medical emergencies) (Trevino and Nelson, 1999), and employees and customers rely on the value a firm provides them. Primary stakeholders can choose to be generous individually to their preferred causes with their own resources, but this differs from the firm being benevolent with these stakeholders' resources. Financially as well as for societal welfare, it is better for companies to continue expanding their business and adding jobs and valued marketplace offerings rather than giving money away for ACSR.

Finally, since with ACSR economic optimization is not important, as it is with SCSR, decisions on how much to spend on CSR (e.g., as a percent of income or an absolute amount, before or after taxes), and how much profit and resources to sacrifice, are based arbitrarily on managers' personal preferences.

4.2.2 Perspective of EOC and Legal Responsibilities

Although technically legal, ACSR activities constitute theft if constituencies are unsuspecting and/or unwilling to fund them. They violate the law of agency, which views managers as stockholders' loyal fiduciary agents and as customers' and employees' providers of economic value and care.

4.2.3 Perspective of Care Ethics and Deontological Ethical Responsibilities

We now demonstrate from deontological and EOC ethical perspectives that ACSR is immoral, potentially harming core constituencies rather than fully caring for them. EOC suggests *prima facie* responsibilities include primary stakeholder care. ACSR could cause potential harms by unjustly appropriating what is owed to key stakeholders to finance the enterprise's benevolence absent these core constituencies' informed consent. ACSR disregards EOC's ethical tenet that firms have duties to protect core stakeholder rights and provide them economic justice.

4.2.3.1 Perspective of Rights Theory

Under ACSR, core constituencies' liberty rights might be sacrificed for secondary stakeholders' welfare rights. Furthermore, the primacy of individual rights over group rights disavows social responsibilities toward broad communities at the expense of close-to-the-company primary stakeholders.

In fact, *prima facie* rights even argues against providing financial assistance in retraining laid-off workers, as this would transfer wealth from other primary stakeholders to unemployed workers. However, employees do not have a right to a job beyond what the company has contractually agreed to provide (Miller and Ahrens, 1993). Nonetheless, the stronger the tie between employees and the firm, the more EOC suggests the company is obligated to assist them, and there might be positive reputational effects from the firm assisting those it dismisses. This illustrates a situation where the domain of appropriate care is ambiguous. So, EOC argues for the appropriateness of ACSR on an occasional or special basis.

4.2.3.2 Perspective of Justice Theory

EOC suggests ACSR is unjust when managers take stakeholders' resources without their consent to bestow upon distant stakeholders. Procedural justice is lacking if primary stakeholders remain uninformed concerning and not provided the rationale regarding the redistribution of their resources to secondary stakeholders.

Additionally, ACSR suggests that corporations should compensate for at least some of capitalism's shortchanging of marginalized groups. Free enterprise is based on exchange justice: Each person receives resources according to her contributions from productive work, which does not guarantee equality of results, unfortunately creating perceived "social injustice."

However, ACSR's attempts to help rectify capitalistic "injustices" comes at no consenting core stakeholders' involuntary expense, an injustice to them. Furthermore, some forms of CSR, such as affirmative action policies and hiring the less productive hard-core unemployed, might hinder productivity, product quality, and other business results, thereby decreasing the benefits that managers can distribute to close stakeholders.

4.2.4 Conclusion on Care Ethics Analysis of the Morality of ACSR

Lacking unplanned reputational returns to the firm and motivation provided to its customers, employees, and/or business partners (all financially enhancing the firm and so benefiting these stakeholders), ACSR is potentially unethical because its costs might unwittingly be funded by:

- Stockholders through lower profits, thereby unjustly seizing shareholder wealth and violating shareholder rights,
- Employees through lower compensation and/or poorer working conditions, and/or
- Customers through less valued marketplace offerings.

Purely philanthropic activities are conceptually theft, taking from primary stakeholders, barring their informed agreement, to give to secondary stakeholders. This violates a firm's economic and ethical responsibilities to core constituencies. Furthermore, a company's secondary economic duties benefiting society (e.g., advancing technology, developing new products, contributing taxes, and stimulating economic growth) are hindered if resources are diverted to ACSR. Nonetheless, ACSR is becoming more prevalent as core stakeholders expect firms to be altruistic. If so, then what was intended to be purely philanthropic will likely become strategic and hence profitable since these stakeholders favorably respond.

Although ACSR respects legal responsibilities, in effect, it confiscates assets from primary stakeholders. While a private business owner has the right to employ business assets as she wishes, including for ACSR (so long as the owner personally funds the ACSR, not customers or employees), a non-owner manager stewarding corporate resources lacks such a right. Therefore, ACSR practiced by private business owners is commendable because it entails personal sacrifice. However, ACSR is condemnable when exercised by managers stewarding corporate resources and gaining personal satisfaction, glory through publicity, and alleviation of personal guilt while personally enduring none of the expense (Rubin, 2010; Crain, 2013). Deontological ethics theories, in conjunction with EOC, conclude that ACSR is immoral, barring core constituencies' informed accord, since, absent positive reputational and motivational effects, it will be unwillingly and unwittingly funded

by these stakeholders. ACSR spends money for societal welfare at the expense of those the firm should be most caring for—primary stakeholders. Moreover, such a misallocation of firm resources could result in an organization more poorly satisfying its customers' and employees' needs, thereby reducing their patronage and support, respectively. This will consequently reduce stockholder wealth and jeopardize the firm's future ability to conduct morally commendable SCSR. Consequently, ACSR skirts both the firm's economic and moral responsibilities to care for core constituencies.

Expansive views on welfare rights, social justice, and caring have resulted in business organizations adopting spurious altruistic responsibilities. This deontological and EOC ethical analysis showed that the proper domain of CSR should be limited to SCSR only.

5. Prioritizing Stakeholder Groups for Ethical Care

Corporate CE requires that resources expended on CSR be primarily or even exclusively allocated to those constituencies closest to the firm in terms of the strength—closeness, importance, quality, nature, and longevity—of relationships. The strongest corporate obligations grow out of special relationships that companies enter into with their various constituencies or out of significant roles they play. Management should allocate resources to stakeholders that are more distant only when doing so prospers one or more primary constituencies and harms none of the others.

Together, EOC and deontological theories of *prima facie* duties, of rights, and of justice all suggest that as legitimate stakeholder claims on the enterprise and personal relationships strengthen, so too should corporate caring duties. This argues against broad social responsibilities costing the firm's close stakeholders.

EOC suggests organizations have greater obligations to those with whom they have stronger personal ties (loyal customers, long-time employees, major stockholders, and large supply chain partners). Distant stakeholders (relief organizations, charitable foundations, etc.) should be of little concern, unless serving them prospers the firm or if they are of significant interest to the firm's closest stakeholders. Helping the closest groups benefits the firm and its other closest stakeholders.

6. Conclusion and Managerial and Research Implications

Deontological ethics and the EOC confirm that the primary responsibility of a publicly held business is to care for its core constituencies' requirements. This care results from the strength—closeness, importance, quality, nature, and longevity—of special long-term relationships with these stakeholders. EOC considers the importance of a business's obligations toward core constituents and significant economic and caring roles it plays regarding them—provider of financial benefits for stockholders, marketing value for customers, and workplace value for employees. Caring for secondary stakeholders' well-being should never come at primary stakeholders' long-term expense.

The key issue analyzed was how well cared for primary stakeholders are under SCSR and ACSR. SCSR cares for them well, fulfilling a firm's economic, legal, and ethical responsibilities toward them. This ethical analysis concludes that SCSR is

morally sound by providing win-win outcomes for core constituencies plus some secondary stakeholders.

These win-win outcomes satisfy both deontological ethics and EOC, which suggest *prima facie* enterprise responsibilities, preventing harm to the organization's primary stakeholders by not extracting their wealth in order to benefit secondary stakeholders. SCSR and EOC prioritize liberty rights of and distributive justice for core stakeholders over welfare rights of and "social justice" for secondary stakeholders. Furthermore, to ensure procedural justice, management should educate primary stakeholders on how SCSR efforts benefit them. SCSR affirms EOC's implication that the virtue of care is owed first to stakeholders closest to the enterprise.

In contrast, ACSR fails to fulfill a firm's economic, legal, and ethical responsibilities toward core constituencies. Economically, ACSR is unjustifiable if managers provide for societal welfare that possibly costs the firm's core constituencies. It advocates transferring funds to secondary stakeholders from shareholders 'profits and good value for customers, employees, and business partners. This violates EOC's mandate to care first for the closest core constituencies. It is more efficient and effective for firms to expand and improve their business, thereby benefiting primary stakeholders, rather than donating resources to secondary stakeholders, which enterprises' primary stakeholders can voluntarily do. Moreover, such misallocated firm resources could result in poorer satisfaction of customers', employees', and business partners' expectations, thereby reducing their support, consequently decreasing stockholder wealth. Ultimately, this jeopardizes the firm's future ability to conduct morally commendable SCSR. Consequently, ACSR evades the firm's basic economic responsibilities to care for core constituencies.

Although ACSR is technically legal, conceptually it constitutes theft if core constituencies lack informed consent to fund ACSR activities.

Deontological ethics frameworks, considered in conjunction with EOC, determine that ACSR is immoral barring core constituencies' informed consent since they will indirectly and unknowingly fund ACSR. ACSR might violate liberty rights and unjustly appropriate resources otherwise allocated to stockholders, customers, and/or employees to finance the enterprise's benevolence without their informed agreement. ACSR disregards EOC's ethical implication that firms have stronger duties to protect primary stakeholder rights and provide them distributive justice. Under ACSR, liberty rights of and distributive justice for core constituencies are outweighed by alleged social justice and community welfare rights for secondary stakeholders. In addition, there is disregard for the primacy of individual rights over group rights. EOC suggests ACSR is unjust, favoring distant groups' needs over what primary stakeholders deserve. Unless executives explain the rationale for ACSR decisions negatively affecting core stakeholders, procedural justice is absent.

We believe that the ACSR movement is based partly on feelings of guilt and distrust in capitalism, failing to see how profit-earning corporations naturally serve society. SCSR, however, is rightly considered as an investment from which an enterprise and its core constituencies can expect a future return, thus serving many members of society, including a firm's primary stakeholders.

The managerial mandate is clear: Corporate executives have an ethical responsibility to care for their core constituencies—stockholders, employees, and

customers—by only engaging in those CSR activities benefiting one or more of these groups while harming none of them, barring their permission to do otherwise. Firms should clearly outline in their investment prospectuses, annual reports, and other corporate communications the causes they support and summarize the costs and benefits of their various CSR efforts so that their core constituencies can give informed consent to CSR activities. While linking sales and profit benefits to CSR activities is difficult, given the multiplicity of influences on revenue and earnings, motivational enhancement among key constituencies and communication consequences such as corporate and brand reputation, image, and trust among all stakeholders can be measured to some degree and associated with CSR efforts. Empirical researchers can propose and test such measures.

Little is known about how management weighs various stakeholder groups when planning CSR strategies, especially the three key stakeholder groups. For example, as already noted, it is often argued by marketing and HR managers that if customers and employees are the focus of care, stockholders will be best served. Future empirical research can query management teams responsible for CSR regarding how, if at all, they account for impacts on their stakeholder groups as well as their motivations for CSR. The results can be used to educate boards of directors on what is being done and can motivate them to supervise these activities better.

We noted above that several studies have correlated CSR and firm profitability, finding a positive yet highly variable relationship between the two (Mustafaa, Othman a, & Perumal, 2012). Further research could dig deeper into the underlying reasons, such as corporate image and reputation enhancement, and employee and customer motivation, commitment, and loyalty. Research could also investigate how these are associated with stakeholder groups' perceptions of various dimensions of corporate care, such as providing opportunities for portions of customer purchases to be donated to charities or employee time to be donated to community service.

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