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Is the motivation for CSR profit or ethics?

Abstract

Corporate Social Responsibility – CSR - is not a new concept. It has grown significantly and today contains a great number of theories, approaches and terminologies. One of the problems arising is that some of the theories mix approaches and use the same vocabulary with different meanings and motives.

This paper presents and discusses relevant theories of CSR in the light of ethical and instrumental motivation. It discusses CSR from two perspectives – an ethical perspective which focuses on creating a good society and an instrumental perspective which focuses on achieving economic objectives through social activities. This work has considered the CSR of the Coop Norden, a union of corporate companies in Norway, Denmark and Sweden owned by members. Coop Norden has done a thorough job on CSR in their organization. Through this paper we will show that CSR is neither ethical nor instrumental, but that these perspectives are mutually linked together.

Ethical theories argue that the relationship between business and society is fundamental to ethical values. From an ethical perspective, companies should thus accept social responsibility as an ethical obligation more than any other consideration. Instrumental theories understand CSR as a measure in order to make profit. Only the economic aspect of the interactions between business and society is measured. Any expected social activity is accepted if it is consistent with wealth creation.



Introduction

The scientific field of Corporate Social Responsibility- CSR- presents several theories and approaches that are controversial, complex and unclear. The concept “Corporate Social Responsibility” has been widely used for a long time and debated by different scholars, business people, investors, the public and the society. It is predicted by most scholars that CSR will be one of the dominant issues in the future.

CSR is not a new concept. As long as business has existed, we have also had expectations from governments, stakeholders, NGO’s and individuals concerning voluntary obligation to society. In the middle of the nineteenth century business leaders - in the aftermath of the Industrial Revolution – built factory towns intended to provide workers and their families with housing and other amenities (Smith, 2003). Today, business is becoming more global and meeting greater market opportunities. The explosive growth of multinational companies operating all over the world, has contributed to a growing demand for CSR. Business also faces global problems such as poverty, water and food shortages, pollution, human rights violation, unemployment and inadequate education (Zadek, 2001). Business is complex and the solutions of the global problems involve economic, social, political, ethical, legal and environmental concerns. These problems present everyone with a challenge – governments, society and the business community (Zadek, 2001).

Problem Statement

Researchers have separated CSR into several categories. Usually the motives are the objective for separating CSR into categories. These are usually based on, for example, corporate citizenship, corporate constitutionalism, business power, political power, type of act, type of effects, business ethics, instrumental values, social demand and so on (Brummer, 1986).

This paper focuses on CSR as an ethical motivation to achieve the right thing to do on the one hand and an instrumental motivation to achieve an economic goal on the other hand. The instrumental motives for CSR represent a profitable objective and CSR is an instrument to achieve an economic goal. The ethical motive represents an objective with an intrinsic value. CSR is an obligation to act for social betterment in itself. This paper concerns itself with the motive for CSR actions. Therefore, we will use the theoretical framework and understanding of CSR – instrumental and ethical – to describe whether companies care about CSR for



economics or ethics. In this paper Coop Norden – a Scandinavian retail chain store company is used as a case to describe the issue in more depth.

The motives for CSR actions are often mixed, it is impossible to claim either one motive or another. There are no particular motives that can be authorized to have an advantage over another. Many strategies and instruments for social actions can be used in harmony with one another.

Our focus on Coop is not chosen by chance. Coop is an organization showing its attitude both through their organizational construction and the principles for CSR. Their vision is to be better and more secure in everyday life through profitable shops owned by members.

Theoretical framework

Corporate Social Responsibility is a new buzzword, but it is not a new concept. As long as business has existed, we have also had expectation about responsibility in business. The idea of CSR in the form we understand it today, began to take recognizable shape in the middle of the 1920s (Frederick, 1994). Business representatives and executives began to search for the need for corporate directors to act and build up trust for shareholders. This was not only for stockholders, but other social claimants as well (Frederick, 1994).

From the 1970's business and society made important changes in CSR to lift business and society to a new and more realistic sphere, by bringing them more firmly into the orbit of practicing business and management professionals (Frederick, 1994). The discussion was no longer based on the morality of each company, but instead it focused on mutual dependence between business and society (Carson & Kosberg, 2003).

Even if the framework for CSR has developed through the last half of the twentieth century the demand for CSR have growth much the last twenty years (McIntosh et al., 2003). The objectives for the explosive demand of framework are numerous. The authors of "*Living Corporate Citizenship*" (2003) have pointed out five drivers we see as being useful:

- The globalization of markets.
- The establishment of the knowledge economy.
- The ubiquity of global communications technology.



- The coalescence of power, and therefore responsibility, in the hand of a relatively small number of international and global corporations.
- The need for a new social partnership between corporations' states and civil society seeking solutions to local and global problems (McIntosh et al., 2003:15).

These drivers make companies more accountable in their relationships towards investors, governments and other stakeholders. There has been growing disappointment concerning the ever more share-owning society towards badly managed companies. Stricter guidelines regarding corporate governance and other law reforms in business have also been introduced. As a consequence of this, stakeholder empowerment has to contribute for companies to invest time in conversations with stakeholders to get a “licence to operate” (McIntosh et al., 2003).

Today, business is becoming more global and is meeting bigger market opportunities. And this does not end here (Carroll, 2004). The explosive growth of multinational companies operating all over the world, have contributed to a growing demand for CSR. Global problems such as poverty, water and food shortages, pollution, human rights violation, unemployment and defected education also have to be faced (Zadek, 2001). Business is complex and the solutions of the global problems involve economical, social, political, ethical, legal and environmental concerns. These problems present challenges to everyone – government, society and business (Zadek, 2001).

Definition of the concept

CSR is not a clearly defined area of research and neither is it a clear construct of organisational practice (Morsing & Thyssen, 2003). The fundamental idea behind CSR is that business has an obligation to work for social betterment. This obligation acts as a constant function of the company's operations (Frederick, 1994). CSR is in an emergent phase and acts as an umbrella for many related concepts. CSR is still an embryonic and contestable concept (Windsor, 2006).

The call for CSR has been justified by researcher on different grounds using economic, strategic, legalistic and ethical arguments. Milton Friedman (1970) normally neglecting any CSR that would support the idea that *social responsibility of business is to increase its profits*. Research tried to show that the financial performance of responsible organisations is superior



to competitors. Another argument is that concept with social demand and social supply has to be balanced. Equilibrium is achieved when corporate social supply satisfied social demand.

A starting point in our defining of the concept is that every human being has a responsibility, either as a private person or through our functions in the labour market. Individuals have this responsibility as members of society, and companies also have this responsibility given that the companies consist of a lot of individual persons. Finally, an organization's existence depends on bringing together resources to achieve desired goals and outcome and produce goods and services that the customer wants at competitive prices (Daft, 2001).

Different approaches demonstrates that the CSR framework is broadly defined and based on overall criterion (Sethi, 1975). This means that CSR is difficult to generalize. A stable classification and meanings across activities, firms, industries, social system is impossible. A result of this is that it is not viable to analyze CSR across different business, different culture, and different political form of government and so on. Even though, it is easy for company to develop and adopt CSR in their own company, because they can be their own legislation, executive and judicial.

Many participants in the CSR discussion have developed their own definition of the concept, but there is a general agreement on some fundamental elements in many of the description. These elements are described in EU's (2004) definition of CSR and are as follows:

"CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis" (European Commission, 2004:3).

Based on this definition we have interpreted CSR as a tool beyond the scope of pure economics which also includes environmental and social aspects in interactions with their stakeholders. Furthermore, CSR is based on voluntary participation, with governmental involvement as an observer or passive part. This definition of CSR is flexible as a result of being guided by shareholders and that business can adopt the organizations wishes and needs.



CSR makes it desirable for CSR to be an ethical concept. The notion *responsibility* makes this ethical. “Response” and “ability” means that we are able to respond by acting voluntarily - in this sense ethics are business ethics.

The relationship between business ethics and CSR is often discussed. The concepts are sometimes interpreted differently (Murphy, 2002). Business ethics tends to be more internal in its orientations while CSR is more external, but the orientation is not an absolute one. Ethics usually deals with the individual level, while CSR is associated with the organizational level.

In business ethics we have to include corporations as an ethical constitute unit. Business ethics is more than applied ethics (Ulrich, 2002). There is no area free from normative presuppositions and economics, is a strongly normative “ideal theory” of rational actions in a traditional point of view.

Different motives for Corporate Social Responsibility

Companies target is always economic profit (Bergo, 2006). Companies will never survive if their owners don't get profitable return on their investment. Different ways to get profit depend on the company's focus, and their stakeholders are important for a long term profit-orientation.

As a starting point for proper classification of CSR is it relevant to focus on one of the following aspects of the reality: economics, ethics, politics and social integration (Garriga & Melé, 2004). This hypothesis is inspired and rooted in aspects that can be observed in any social system: adapting to the environment, goal attainment and social integration. Different researcher (Adolphson, 2004; Bansal, 2005; Carroll, 1991; Garriga & Melé, 2004; Jones, 1995; Vogel, 2005; Windsor, 2006) have separated CSR based on motive where economic and ethics represents each side and is mutually exclusive. These perspective mean that CSR either have a economic focus with a profit motive or a ethical focus with a obligation for social betterment motive. This “either-or” perspective polarizes the discussion and distracts attention from the space where economics and ethics converge and where potential solutions exists (Bansal, 2005).



Economic focus understands CSR as a measure to the end of profits. It is understood that the corporation is an instrument for wealth establishment and that this constitutes its ground social responsibility. Only the economic aspect of the interactions between business and society is measured. Any expected social activity is accepted if it is consistent with wealth creation (Garriga & Melé, 2004). In the future we call it economic CSR.

Ethical focus argues that the relationship between business and society is embedded with ethical values. From an ethical perspective and as a consequence, companies should accept social responsibility as an ethical obligation more than any other consideration (Garriga & Melé, 2004). In the future we call it ethical CSR.

Economic CSR

Economic CSR implies that companies focus on economic perspective. A starting point is that companies have responsibility towards shareholders. If the company's activity does not contribute economic profit they don't are responsible (Bansal, 2005).

Economic CSR is a strategic tool to achieve economic objectives, increased profit and wealth creation – maximising the shareholder value (Garriga & Melé, 2004). The company's activities are seen as assets to get economic results. Connection between economic and social is the only meaningful relationship. Every social activity is consistent with development of wealth. The economic viewpoint argues that no costly responsibility action should be undertaken voluntarily (Windsor, 2006).

Maximizing of shareholder value is measured by the share value and it leads to a short-term profit orientation (Garriga & Melé, 2004). Maximizing the shareholder value focuses on social actions contributing to increased shareholder value. Every investment in social demands that contributes to increased shareholder value is acceptable, without deception and fraud. If social demands only impose costs on the company they should be rejected (Garriga & Melé, 2004).

This approach usually takes shareholder value maximisation as the over-riding reference for corporate decision-making. It is quite accepted that shareholder value maximisation is not



incompatible with satisfying stakeholders. Jensen (2002) has clarified the relation between value maximisation and stakeholder theory in what he calls: " *enlightened value maximization*." This concept focuses upon long-term value maximization as the firms' objective. In contrast to this approach Milton Friedman (1970) is clear about investment in the local community. " *It will be in the long run interest of a corporation that is a major employee in a small community to devote resources to providing amenities to that community or to improving its government. That makes it easier to attract desirable employees, it may reduce the wage bill or lessen losses from pilferage and sabotage or have other worthwhile effects.*" Friedman believes therefore that social activity is completely separated from economic activity.

The economic approach is traditional and has enjoyed wide acceptance in business. Windsor (2001) has pointed out that: " *a motive of wealth creation progressively dominates the managerial conception of responsibility*".

Henderson (2001) argues that economic CSR motive represent a defensive and business focus. It is defensive in the sense that activity and strategy enquire increased economic profit in their own business. This is important in market with competitive advantages. CSR action does not necessarily have motive for better society but is a result of the companies' competitive situation. Integration of CSR is a result of imitation or to get a competitive comparative advantage (Henderson, 2001).

Competitive advantages focus on a strategic goal which would produce long-term profits (Garriga & Melé, 2004). In both of these theories CSR is a question of self-interest for the company since CSR is an instrument for profit. Competitive advantages focuses upon how to allocate resources to achieve a long-term social purpose and to form a competitive advantage. We can include three main-focuses;

- Social investment in a competitive context.
- Natural resource-based view of the firm and its dynamic capability.
- Strategies for the bottom of the economic pyramid (Husted & Allen, 2000).

Porter and Kramer (2002) argue that investing in philanthropic activities may be the only way to improve the context of competitive advantages of a firm and usually creates greater social value than individual donors or government can. In contrast to Friedman's view, they argue



that the firm has the knowledge and resources for a better understanding of how to get to the bottom of effort related to its actions. According to Burke and Logsdon (1996) when philanthropic activities are closer to the company's actions, they create greater wealth than others kinds of donations.

Furthermore, Henderson (2001) argues that economic CSR have a business focus and is addressed to their own business, and betterment the company can do for achieve "the good feeling". CSR is business focused, in that in each case the rationale for the chances is derived entirely or very largely from a concern with the interest of the enterprise itself. It is not explicitly linked to some wider goal. Corporations are seen as needing to adapt because it makes good business for them to do so, and not because this not would make the world a better place.

Concern for profit does not exclude companies from taking into account the interests of all who have a stake in the company. It has been argued that under certain conditions the fulfilment of these interests can maximise the shareholders' value (Odgen & Watson, 1999). A sufficient point of investment in philanthropy and social activities is also satisfactory for profit (Garriga & Melé, 2004). Economic CSR does not mean that the business is unethical. In an ethical sense is it natural to discuss it from a utility perspective.

The philosophy of utilitarianism and the classical statement of this tradition has been one of the most common accepted ethical theories in business (Crane & Matten, 2004). It has been powerful in modern economics and it continues to be an influential theory today (Beauchamp & Bowie, 2004; Crane & Matten, 2004). Utilitarian reasoning is especially influential in the aria of economic, public policy and government regulation (Des Jardins, 1993). The basic in utilitarianism can be defined as follows:

An action is morally right if it results in the greatest amount of good for the greatest amount of people affected by the actions (Crane & Matten, 2004:84).

In general conditions utilitarianism tells us to maximize the overall good or to make the greatest good for the greatest number (Des Jardins, 1993). Therefore utilitarian theory rests two basics – a description of the good and the rule for judging all acts and decisions in terms of that good. The rule tells us to look at the consequences of any particular action and judge



the ethical standing of that action in terms of those consequences (Des Jardins, 1993). If the action tends to maximize good consequences it is an ethical right action, and if not the actions is wrong.

Critic of economic arguments assume the existence of perfectly competitive markets in which consumers and producers behave rationally in order to maximize utility and profits (Bansal, 2005). In a perfect market economic activity flow openly, no transaction cost entry and exit, and producers and customers possess complete information about price, characteristic and availability of each commodity.

But perfect market is an abstraction (Bansal, 2005). Market does not operate unfettered but regulation the power between producer, employees, and consumers is not distributed evenly. Furthermore utilitarianism involves a process of measurement and comparison (Des Jardins, 1993). This consideration leads to several serious problem. Critics claim that this is what occurs in subjected to cost-benefit analysis. Because it seem to be unable to measure the value e.g. in health, they instead measure various economic factors associated with health and comparing the costs of health to the cost of hospital (Des Jardins, 1993).

Another aspect in utilitarian theory we should be concerned with all pressure and happiness that is affected by the particular action (Des Jardins, 1993). This is unworkable in practice. It is impossible to know all the consequences of any act. The tendency is to restrict consideration to the expected consequences for people in the immediate neighbourhood. Furthermore, an action property on future generations or people in other countries or animals are often ignored (Des Jardins, 1993).

Ethical CSR

Ethical CSR implies that companies focuses upon ethical perspective. Approaches are focused on the ethical requirements that strengthen the relationship between business and society (Garriga & Melé, 2004). In general these approaches are based on values that state the right thing to do or the obligation to create a good society.

The role of business is to create value to improve and protect societal and environmental health (Bansal, 2005). There is an ethical argument that says that forms are morally obliged to



give back to the societies in which they exist. Firms are obligated to make a payment in kind for using society's infrastructure, land, air, water, plants, and animals to generate profit. They have a duty to reimburse society for the negative externalities their activity generates.

The ethical approach argues defects of morally in different business conduct and social advantages of morally – sensitive stakeholder management practise and expensive public policy (Windsor, 2006). Ethical CSR uses a basic share principal of moral reflection on tolerating expensive public policy and practicing broad self restraint and altruism. Altruism is voluntary contribution to society and stakeholders based on other regarding attitudes. Altruism may involve uncompensated or costly contribution to stakeholders or general welfare.

Henderson (2001) claims that ethical CSR represent a positive and broadly perspective. It is positive, in that change in philosophies in practise, is seen in terms of recognising and grasping new opportunities, rather than adapting to outside forces. It is broadly focused, in that identified a new enlarged responsibility for businesses today in contributing to both the wellbeing of society in general and the integrity the natural environment. To emphasise social responsibility is not to neglect or disregard the interest of the business, but to place them in a wider contests, to reassess them. Corporations have a leading role in society and on the world stage as agents of progress. This role needs to be recognised, made explicit, and given expression in the objectives that firms set themselves and in their policy and operations. Businesses should embrace, and give effect to, the notion of *corporate citizenship*. It is from this way of thinking, this point of departure, that the full-fledged doctrine of CSR has taken shape, according to Henderson (2001).

Ethical CSR actively seeks a greater balance between profit and ethics (Reidenbach & Robin, 1991). There is an overt effort to manage the organization's culture to produce the desired ethical climate. This change in the culture involves recognition of a social contract between the business and the society. Management approaches problem solving with awareness of the ethical consequences of an action as well as its potential profitability (Reidenbach & Robin, 1991).



Ethical CSR makes known that CSR is ethical inherent. It is natural to claim that ethical CSR is based upon expectation and duty. In an ethical sense is it natural to discuss it from a duty- and theories of justice perspectives.

Ethical theory involving duty and obligation is associated with Immanuel Kant (1724-1804). Kant thought that morality and the decisions about right and wrong action was not dependent on particular circumstances or, based on the consequences of the action (Crane & Matten, 2004). Instead, for Kant morality was a question of certain eternal, abstract and unchangeable principles that humans should apply to all ethical problems (Crane & Matten, 2004).

For Kant morality is no different from good will (Kant, 1990). Nothing beyond the world can be conceived which could be called good without qualification - except good will.

Intelligence, wit, judgment and other talent however we call it, or courage and resoluteness are good and desirable in many respects, but they can probably also become exceptionally bad and harmful if the will is not good. Good will is on the bottom of Kant's point of view.

As mentioned above Kant asserted principles sufficient for every human action (Kant, 1990). For this he developed a theoretical framework – categorical imperative. Through this he applied to every moral issue regardless of who is involved, who profits and who is harmed by the principles once they have been applied in specific situations (Crane & Matten, 2004). The categorical imperative consists in three parts:

Act only according to that maxim by which you can at the same time will that it should become a universal law.

Act so that you treat humanity, weather in your own person or in that of another, always as an end and never as a means only.

Act only so that the will through its maxims could regard itself at the same time as universally lawgiving (Crane & Matten, 2004:87).

The first principles are often the most quoted formulation of the categorical imperative (Bowie, 1999). According to all these principles maxim one checks weather the action could be performed by everyone and reflects the aspect of consistency - an action is only right if it can follows by everyone. It is impossible for everybody to perform on the foundation of the principles as a universal law.



These three principles can be used as tests for every action, and the action is considered as a morally right if it past all principles (Crane & Matten, 2004). This implies that morality is regarded as three important parts which each is tested by one of these three maxims.

There is a question how companies in a capitalistic economy are able to structure and managed themselves throw Kant's ethics principles. The categorical imperative is central in this discussion (Crane & Matten, 2004). Kant's categorical imperative is absolute in the sense that if the principle for an action is not in conformity with it, than the action is wrong. That is what he means to say that an imperative is categorical. In contrast – hypothetical imperative is an if-then imperative (Bowie, 1999).

Another aspect in this sense is justice. In the theory of justice John Rawls (2002) suggest two criteria – test - to decide weather an action could be called just:

Each person is to have an equal right to the most extensive scheme of equal basic liberties compatible with similar scheme of liberties of others.

Social and economic inequalities are to be arranged so that they are both reasonably expected to be to everyone's advantage and attached to positions and offices open to all (Rawls, 2002:1046).

The first principle is the most important (Rawls, 2002). Before allowing for any inequalities we should make sure that the fundamental freedoms are realized to the same measure for everyone affected by the decision. This condition looks to general human rights and requires their fulfilment before we would be able to proceed to the next step. The second is based on the assumption that inequalities are obligatory in a free and competitive society. These two principles primary applies to the basic structure of society and govern the assignment of rights and duties and regulate the distribution of both social and economic advantages (Crane & Matten, 2004).

Even though we in Norway have justification for human rights through “Nations Universal Declaration of Human Right and Working Environment Act”, we allow take into account these principles because of globalization in larger extent, where Norwegian companies use workers from countries outside Scandinavian. Purpose for this is cheap labour and less request and expectation throughout “fairness” (Arnold, 2004).



Ethical arguments are morally appealing; they do not apply well to the practical realities of modern western social and economic systems (Bansal, 2005). The ethical argument lacks clear measures for evaluating the success of socially valuable activities. It is difficult to appear one activity with another without a baseline measure of value. Very few social issues have these benchmarks.

Companies have many stakeholders; it is successful if all stakeholders are satisfied. Many businesses prioritize their activities, and find that they succeed in some areas, with some stakeholders, and are less successful in others. This does not make them irresponsible. Socially and environmentally responsible activities are voluntary and their effects are often very difficult to quantify, and they can be highly dependent on personal views.

Many of those who are critical to Kant's moral philosophy have argued that Kant is an absolutist in ethics (Bowie, 1999). Being ethical is following a set of absolute moral rules that has no alternative for exceptions. Kant is criticized for his theory as narrow and inadequate to treat different problems in the moral life (Beauchamp & Bowie, 2004). There leave no room for moral emotions or sentiments like sympathy and to show consideration.

Today there are no moral philosophers finding Kant's categorical imperative completely suitable (Beauchamp & Bowie, 2004). His defenders have a tendency to talk about Kant as a provider for the main elements of a sound moral position. By appeal to these elements some others have developed a more encompassing theory. They use the Kantian notion of respect for persons, to supply an account of human rights.

Economic CSR or ethical CSR

In the discussion if business focuses upon economic or ethical values in the relationship to CSR, it is given an "either-or" perspective. This perspective polarize the discussion and distracts attention from the space where economics and ethics converge, and where potential solution exist (Bansal, 2005). This overlapping space is not the compromise position. It is completely tenable position that uses business models that meet both economic and ethical objectives simultaneously. Bansal (2005) argue that the overlapping space is not found by recasting ethical issues in economic terms or in disregarding economic models, but rather in



marrying social process to economic ones, so that responsible decisions are both socially and fiscally responsible.

Methodological approach

This section focuses upon the methodological approach and method framework that constitute how we studied the phenomena CSR in Coop Norden (Silverman, 1993).

We have used a qualitative approach because our aim is not concerned with the explanation but is rather concerned with understanding the CSR phenomena in our chosen firm. We agree with Alvesson's and Skoldberg's (2000) starting point of hermeneutics "the meaning of a part can only be understood if it is related to the whole" (Alvesson & Sköldberg, 2000:53).

We agree with this basic idea that understanding and interpretation can only be understood if it is related to the part and the whole. We believe in the alternative between part and whole, resulting in a deeper understanding of both parts of CSR and Coop, and together this will hopefully result in a deeper understanding of both parts and the whole of the CSR agenda in Coop.

Even if we have a hermeneutic perspective in this paper, we agree with Alvesson and Skoldberg's (2000) reflexive research. They make a break with favouring of the methodology perspective and instead contribute a reflective approach. Reflective research has two basic characteristics; careful interpretation and reflection (Alvesson & Sköldberg, 2000). Careful interpretation implies that all references to empirical data are the results of interpretation. Reflections imply interpretation of interpretation and the launching of critical self-exploration of one's own interpretations of empirical data.

Reflective research is inspired by empirically oriented currents, hermeneutics, critical theory and postmodernism. Reflective research is based upon four elements we found useful; systematic techniques in research procedures, clarification of the primacy of interpretation, awareness of the political-ideological character of research, and finally reflection in relation to the problem of representation and authority.



The case of Coop

Coop Norden is a union of corporate companies in Norway, Denmark and Sweden owned by members. The idea behind cooperation arise in the 18th century and is formalised e.g. through Coop Norden. Cooperation is based on voluntary open membership under democratic control and the principle of one member one vote for involved actors.

Cooperative democracy power will continue for as long as the organization form consists. Coop Norden is built on cooperative values and principles based on a conviction that members of the cooperation can create value for members, for other customers and for employees.

Coop is one of the four biggest food retailers in Norway. The Norwegian company has almost one million members. There are two hundred cooperative stores which own one thousand stores. Coop Norway has 18600 employees. Coop is an economic giant in Scandinavian terms. It is estimated that Coop has a 25 % share in the Norwegian grocery market.

In Coop there is a mutual indicator for sustainable development. These indicators operate in the area of environment, ethics, product safety and health care. The mutual indicators are to reflect the cooperative ideas and provide the opportunity for large ambitions. The result of these indicators should be publicised through the annual report. Central to the Coop's action is the importance of building upon "corporation principles" and "Nordic value compass" (Coop Annual Report, 2004). Corporation principles contribute companies or organisations to build upon the cooperation. The Nordic value compass is one of Coop's ground values and is to assist all Coop Nordic's subsidiaries. This is a principal function independent of location.

Corporation principles, the value compass and goods safety

Corporation principles are worked out and created by the international cooperative alliance and are principles Coop uses to transform values in to practice. They both concern members' rights and apply to each member. This means;

- voluntary and open membership
- democratic member control
- member's economic involvement
- self-government and independence
- education, vocational training and information



- corporation between corporation company
- corporate social responsibility

Voluntary and open membership means that Coop is a voluntary organisation for all who have accepted the members' role. They don't distinguish between sex, social status, race, politics or religion. Membership can be terminated at any time.

Democratic member control means that Coop is a democratic organisation controlled by members; the members have the same right to vote.

Member's economic involvement means that old members contribute equally to democratic control of the capital of the cooperation. Members acquire profit based on their amount of buying, mixed with cooperation profits.

Self-government and independence means that Coop is based on independence and member control. As a way of guarding the members' democratic control and protecting the independence each single company can enter into an agreement with other organisations.

Education, vocation and information all focus on the employees for contributing to effective development in Coop. The employees also have a duty to inform on the subject of the corporation's character and advantages.

Co-operation between corporation companies means that Coop should contribute to developing local, regional, national and international organisation, in order to be effective for members.

Corporate social responsibility means that Coop puts members in focus. Coop should work for sustainable development through legitimacy given to members.

In addition to "the corporation principle", Coop has developed the value compass. The Nordic value compass provides motivation to act through its distinctive character. The goal for this value compass is to make the value framework a strategic tool for competitive advantages. This means that Coop also has a duty to make it as an economic tool.



The frame in Nordic value compass is:

- withdrawn distinctive character
- influence
- consideration
- honesty
- new- thinking

These values make the basic in all decisions in Coop and reflect the ethical value in the organisations. They are concerned with making the value visible both internally and externally.

Another basic value in Coop is goods safety. Coop tries to be clear and work to follow their framework value. They use many resources to reach a human understanding that Coop is concerned about giving the members economic advantage, but it is also important to have trust in high quality and high demand. This means that principle for ethics, environment, security, and safety for all users have the main focus. In Coop attention is focused on ethical business, human rights and principles for sustainable development.

Goods safety includes rights and safety businesses, assistances, solidarity businesses, buying security and sponsoring. Safety trading and ethical trading are notions Coop use. Safety trading concerns control of the products in Coop. All goods in each store contain a minimum requirement given by ethical production, universal human rights in the production country and labour rights. Production of goods must imply sustainable development. Ethical trade includes requirement in production which means employees' rights and environmental rights will be taken care of in production. Examples of this are Coop s solidarity products – “Café Futuro”, “Oro Verde” and ecological products.

Discussion and conclusions

It has been stated in this paper that the motive for CSR can be several. We have presented two motives with different values – economic and ethical. We have also presented elements in the Coop case to explain their participation in the CSR agenda. In the following section we will attempt to explain whether there is a difference between economic and ethical motives for CSR in Coop.



Our main focuses are the explanation for CSR. Our empirical data is based on a project from 2004. Even if our data is not brand new, it is nevertheless useful. Coop is an organisation which cares about values throughout economics. We will discuss CSR from an ethically based and economically based perspective.

In the bottom of our discussion of CSR we relay on EU's definition of CSR, in which CSR is defined as a voluntary obligation or responsibility where business has to incorporate values both in economic and non- economic terms integrated to each other. Coop has through their vision and actions illustrated that they are concerned about values not necessarily providing an economic profit. Coop has to follow legal ethics and societal values as well as economics. Coop vision for "Good safety", "Nordic Value-compass" and the "Cooperation Principles" testifies to this.

Coop from an economic point of view

Understanding the link between social activities and competitive context helps companies to identify where they should focus their CSR. Understanding the ways in which social activities create economic values highlights how they can achieve the best social and economic contact through their contributions. Social activities can often be the most cost-effective way for a company to improve its competitive context, enabling companies to lever the efforts and infrastructure of non-profit organisations and other institutions.

CSR with an economic focus sees CSR only as a strategic tool to achieve economic objectives and create wealth. This considers that social activities are seen as a tool to achieve profit. This leads to a short term profit orientation and CSR is only a question of self- interest. Even though it cannot be excluded to take care of those who have an interest in Coop. To have an economic focus maximizes shareholders assets, but it can also be used as a strategic goal to gain competitive advantages.

Coop is concerned about its core business. Even if its core business is to supply goods the customer wants implying an economic focus, they are also concerned with social aspects inside and outside the corporation. To make a profit, Coop needs engaged employees. This means Coop depends on its employees who are trustworthy and have a meaningful



commitment. This is important in Coop and they have developed a useful employee program for this.

Coop has statements which at proactive level are concerned about sustainable development and have included economic, environment and social aspects side by side because they believe this will provide an economic profit in the long run. A proactive strategy means that it has CSR as a tool for common crises and catastrophes. They are not fire-fighting but they do anticipate the problem.

Coop from an ethical point of view

Responsibility is described as having a duty. In this sense responsibility is an obligation because something still has to be done as part of an established role system. Companies are not only responsible for past performance; they also have a duty to perform future actions. Companies at the values-based level are based on principles that express the right thing to do, or the necessity to achieve a good society. Doing the right thing for the wrong reason is morally objectionable. Only actions done from the motive of duty are morally laudable. Corporate intention with respect to social projects is altruistic and self-interested at worst.

Coop has a duty to maximize profit for the members. But they also have duties to other stakeholders such as employees, customer, suppliers, creditors, government and the natural environment. Both in theory and in practice Coop has to take into account universal rights, sustainable development and finally “the common good”. These duties often contrast and present the core of ethical dilemmas for management. Ethics strategies and social strategies bring together these opposing duties in order to do “good”. To the extent that such motives are not based on duty, although complying with duty, such motives lack moral content.

According to current theory, Coop cares about values integrated in ethical theory. Normative stakeholder theory is one of the main focuses in CSR especially from an ethical point of view. Empirical data show us that Coop in both actions and vision listens and pays attention to stakeholders. Considerations to employees, customer and members in the production have major focus in Coop, and this is one of their main focus points. In addition to this, they ask for control and improvement. In Coop and the environment surrounding the company, many people are involved and therefore Coop has an obligation to care as a duty.



Ethics, economics or a combination of them both

Hosmer (2000) states that ethical problems in business represent a conflict between the organisation's economic performance and business social performance towards individuals both within and outside the company. Ethics is defined in terms of social obligations or responsibility and it tends to focus on individual alternatives. In Coop there is a mixture between individual focus and organization of focus on ethics.

Coop focuses on the business core; paying attention to delivering goods to satisfy customer demand. This is a responsibility all companies have, but CSR means that all dimensions previously mentioned link together and are all placed together side by side. We believe that Coop has this focus, it is concerned about economic values, but it has to be incorporated in the other dimensions. Coop uses the value compass actively; this prevents situations that can destroy Coop's trust by users.

Coop is a member- owned organization, but as a result of the size of the organisation it is impossible for the members to acquire influence in the daily running. The problem with this form is that there are small opportunities for member influence. The members are numerous and are a dissimilar group. Coop is managed by the administration, and not by the members. The members trust the administration to run the resources in the best way. It's seems to us that even though the vision is that this is a membership administrated organisation, this is in practice impossible.

It seems to us that a discussion about whether Coop cares about CSR only for duty or utility is impossible. It is not possible to judge Coop's actions from either ethical or an economic perspective. Coop has a fundamental role in business to produce goods that customers want and need, and still make profit. It is important to consider this fundamental level because there would be no business without an economic level. In addition to the economic function they also address social concerns.

In our opinion normative ethical approaches do not fit all situations. A central part of the debate concerning business ethics today is based upon corporate theory and the companies choose suitable theory in the way they want to present it, and how they think they should act. A discussion about whether companies care about CSR only for duty, or for utility is not



possible. It is impossible to judge companies' actions from either one ethical motive or another.

Responsibility in this sense means having a duty. Responsibility is an obligation because something still has to be done as part of an established role system. Companies are not only responsible for past performance; they also have a duty for future actions. Companies at the ethical-based level are based on principles that express the right thing to do or the necessity to achieve a good society. The ethics are concerned with a problem that may outbreak ethics and social strategies. Doing the right thing for the wrong reason is morally objectionable. Corporate intentions with respect to social projects are at best and complete self-interested the worst. An ethical strategy would by definition be incompatible with the condition of moral motives required by Kant to evaluate the moral praiseworthiness of a particular action.

Coop appears as a leading concern to CSR. It seems to us that they both have a theoretical vision and that their practice is in accordance with their vision. It is impossible for us to study Coop piece by piece. We have to remember that Coop is owned by 1 million members only in Norway. Taking into account members in Denmark and Sweden more than 4 million members own Coop. There are more than 22000 employees in the whole organisation. This means that we have to see it from a large perspective.

Coop is engaged in several production projects -Café futuro is one of them which have succeeded. Coop contributes to developing coffee in Guatemala. They help people in the coffee industry to have their employee rights, a profitable salary and live for their work. Instead of sponsoring Max Havelaar, they take care of their own Café futuro. Similar projects have been developed for bananas, tea and oranges with more or less success.

Coop is getting involved in banana production in Costa Rica to ensure employees proper conditions. After six months Coop finished the collaboration because the bananas did not have the quality Coop's customer wants. The result of this was that Coop broke up with Oro Verde and the production company went bankrupt. The problem for Coop was that the quality of the bananas was subtended and the customers did not buy them. In this issue Coop made a choice where the profit motive was preferred as opposed to the ethical motive. According to Coop, they put considerations to their members first.



If we look at this issue as an isolated case it could be seen as a bad ethical choice but we have to consider that it is a big cooperation with many stakeholders and we are here talking about one isolated issue.

We have in this paper presented and discussed CSR from an economic and an ethical perspective, and have tried to argue for both ethical and instrumental actions in Coop. A central part of the debate concerning business ethics today is based upon corporate theory. Companies choose a suitable theory providing the background for the way they want the company to be presented, and how to act. A discussion whether companies care about CSR for one reason or another is impossible. It is impossible to judge companies' actions from either one perspective or another. Companies have a fundamental role to produce goods and services that customers want and need, and make a profit. We have to consider this basic idea because there can be no business without an economic level. In addition to an economic function, they can also solve social problems.

A starting point is that responsibility is described as having a duty. In this sense responsibility is an obligation because something still has to be done as a part of an established role system. Companies are not only responsible for past performance; they also have a duty for future actions.

In the long run the social and the economic goals are not mutually independent, but integrally connected. The motivation for CSR is a business one, CSR is promoted if profitable e.g. because of an improved reputation in various markets. On the other hand if philanthropic initiatives not are based on genuine belief it will be vast of money.

The theory and the following discussion we have defended did not presume to remove differences between the "is" and the "ought" concerning the right and wrong for the company. We have described an ethical and economic approach to CSR in which the motives for action are different. The ethically based approach focuses on the intention to act morally as a duty or an intrinsic value while the economic based approach focuses on consequences to be morally or promote profit. Even if the motives are different the actions can be the same. On good days this is not a problem, but when these motives conflict with each other, it is easier to follow the economic approach.



In our opinion we can conclude that Coop is an organisation concerned about CSR because of the several reasons mentioned above. In Coop's vision there is a place where they can express their focus on environmental and social concerns. Furthermore, they are in front in this line of business. Their action seems to have an intrinsic value, their work for betterment and ask for checking. Even though they are concerned about other aspects in their vision e.g. delivering goods and services customers want and also need to make a profit. Sometimes this will conflict with ethical choice if we only see it bit by bit.

We have defended CSR action as an ethical motive and an economic motive in Coop. We have through the case of Coop concluded that CSR is not necessarily, an either or case, but is a mixed blessing. The motive for CSR can be important for stakeholders since it concerns trust, customer, consumer, society and so on. It may be essential to know why others care about CSR. If a company takes care, but for the wrong reason stakeholders can feel frustration. This can finally end up in the company losing share power and customers.

Even if we have used data from earlier research, this is not a final version of this paper. The paper did not contribute remarkable findings about CSR, but it is interesting to study reasons and motives for CSR. This is a working paper and will hopefully end as an article for a journal.



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