



Corporate Responsibility: The American Experience

By: Archie B. Carroll, Kenneth J. Lipartito,
James E. Post, and Patricia H. Werhane;
Kenneth E. Goodpaster

CAMBRIDGE UNIVERSITY PRESS, 20129781107605251

Reviewed By: Christian T. K.-H. Stadtländer
ST PAUL MINNESOTA

Issues surrounding the responsibilities of corporations have become a topic of great interest in business, not only in discussions among scholars in the academic literature on management and leadership, but also among business executives and managers, members of the corporate governing board, shareholders, and investors. The reason why discussions about corporate responsibility has moved from the periphery to the center stage is the fact that societies change over time and business has become more complex. This, in turn, required corporations to respond to societal concerns and find ways to adapt to new external and internal realities in order to survive.

Friedman (1970) wrote in his famous essay that the social responsibility of business is to increase its profits. He argued that “In a free enterprise, private property system, a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom.” Friedman’s doctrine is essentially a shareholder approach to corporate responsibility, which publication has led to an intense and ongoing debate about the role of a corporation in modern society. Wheelen and Hunger (2002) define a corporation as “a mechanism established to allow different parties to contribute capital, expertise, and labor for their mutual benefit.” They, among many others (see e.g., Carroll, 1979, Carroll & Shabana, 2010; Mulligan, 1986; Sherer & Palazzo, 2011), discussed the question whether or not a corporation should only be responsible in their actions to its shareholders or should also have responsibilities that go beyond the daily operation of the business in the quest for making profits. To discuss this question is important because strategic management decisions can and often do affect more than just the corporation itself.

But what exactly is corporate responsibility? How did it come about and what does it include? The term corporate responsibility has been described in many different ways over the years. For example, terms such as service, welfare work, trusteeship, civic mindedness, corporate giving, social performance, triple bottom line, corporate citizenship, business ethics, social entrepreneurship, and corporate philanthropy have been used, either in relation to each other or sometimes interchangeably (Campbell, Gulas, & Gruca, 1999; Gautier & Pache, 2015; Godfrey, 2005; Husted, 2015; Panwar et al., 2006; Griffin & Prakash, 2014; Teti et al., 2015; Wang & Berens, 2015). Today, corporate social responsibility or, in a shorter version, corporate responsibility are most commonly found in the literature as the overarching term or theme. In the AMA Dictionary of Business and Management, Kurian (2013) defines corporate responsibility as a “Corporation’s social, moral, and ethical responsibilities to the public. [As] Part of Corporate governance, this covers responsibilities beyond

the stockholders and connotes the subordination of purely economic interests to the broader obligations of the environment, customers, and local communities.” Although one might think that this definition is clear-cut, there is still no general agreement among scholars and business practitioners about its precise meaning, elements, aim and scope, the level of task implementation and operationalizability in organizations, and its effectiveness and appreciation in society. Furthermore, globalization has added another dimension to the discussion, which led to even more confusion and misconceptions of this business phenomenon. In sum, as Carrigan et al. (2016) most recently pointed out, “Universally accepted definitions of CR [corporate responsibility] and CSR [corporate social responsibility] regarding both large and small organisations remain elusive.”

The book *Corporate Responsibility: The American Experience* by Carroll et al. (2012) sheds light on the development of corporate responsibility in America. More precisely, the authors discuss past initiatives and degrees of corporate responsibility during different eras of American history beginning with the 1700s and ending with current debates and future prospects. The authors divided the book into three main sections: An introduction, three parts with a total of 11 chapters, and a conclusion section.

Carroll et al. (2012) point out in the introduction, which is entitled “The Corporation in the Public Square,” that Americans have tried for two centuries to deal with two realities: First, corporations are seen as “very efficient mechanisms for producing wealth, meeting consumer needs, and building industries that employ millions.” Second, the fact that corporations also “often impose costly externalities on communities and the natural environment and cause unwanted transformational change.” The authors mention that the idea of corporate responsibility in America goes back centuries – even before the existence of the United States of America. In this book, they describe not only major historical events such as the Industrial Revolution of the 1800s or the banking crisis and Great Recession of contemporary times but also illuminate how historical events shaped American business practices as well as public acceptance, endorsement, and support – what the authors call the quest for “social legitimacy.”

The reader will also find in the introduction how Carroll et al. (2012) describe the term corporate responsibility. They see it as “a concept, a challenge to business, a field of practice, and an area of academic study.” As a concept, they believe that it is the idea that the corporation is part of society and has thus both rights and responsibilities as “a member (or citizen) of that society.” The authors mention that there is an ongoing debate between people who believe in corporate responsibility and those who believe that any voluntary action by corporations outside of the market-place is essentially an attack on capitalism itself. In other words, Carroll et al. see corporate responsibility as the middle ground between those who see no faults and those who see no virtues in capitalism.

Part I of the book, which contains five chapters, deals with historical events that occurred between the years 1776 and 1945 – a phase in history which Carroll et al. (2012) recognized as a time when major seeds of corporate responsibility were laid in America. The first chapter is about the founding of capitalism and the birth of the corporation – the era between 1776 and 1880. More specifically, the authors describe the origin of the modern corporation and its representation as a joint-stock company – a model for commercial organization. They see industrialization as the main engine for economic growth in America and discuss the importance of human rights, such as rights to freedom, the liberty to work, to own property, and to engage in commerce without interference. Furthermore, they look at social Darwinism and the idea of the “Protestant work ethic,” and include a fascinating discussion about American individualism, self-interest, idealism, and utopian communities. The authors point out that modern capitalism is not merely trade and private ownership but also the development of free markets for exchange of products and services. It is also the recognition of the importance of labor efficiency in production, the ability to accumulate private capital, and the formation and drive for legitimacy of corporations.

Chapter 2 is about the subsequent rise of new types of corporations between 1880 and 1900. Carroll et al. (2012) mention that the United States experienced during this time period an “economic

revolution fueled by technology, booming productivity, and urbanization.” This resulted in corporations that were larger in size and more powerful than the previous ones. Another significant difference is that old corporations had been seen as “public bodies, serving some larger purpose,” while the new corporations were now “large and powerful enough to dominate their industries and to wreck competition.” In short, these new types of corporations were viewed as “vehicle[s] strictly for profit.” Not surprisingly, the success of the corporation as an influential economic entity raised questions about their social relationship and responsibility, which the authors discuss in the subsequent chapter. Here, they mention that during the time period between 1900 and 1918 (which includes World War I), the United States was bitterly divided on issues concerned with the economy and big corporations. There was a new movement, initially led by U.S. President Theodore Roosevelt and supported by other important figures in the country, which resulted in the so-called “progressive corporation” – one which engaged in a new relationship with the state and which promoted social goals. The positive effect on America was that this new relationship provided plenty of opportunities for bilateral cooperation between the private and the public sectors.

“The Corporation’s Case for Social Responsibility (1918-1929)” is the title of Chapter 4. Carroll et al. (2012) emphasize that the idea of corporations’ broader social responsibilities began to really take hold in the 1920s, not only in business and the public arena but also in the newly established professional business schools across America. There were several reasons for this development including “a growing wave of discontent with capitalism,” labor unrest in America, and world events such as the advancement of communism in Russia. It was during this time period that education, public health, and environment became important issues for the public and were promoted by America’s largest corporations. The final chapter in Part I is about the national crisis America (and the world) experienced between 1929 and 1945. There was the Great Depression in 1929 causing tremendous financial losses for citizens in America, and there appeared significant fractures in the social contract between corporations, government, and the public. Furthermore, America (and the rest of the world) experienced the impact of World War II. The authors describe that the private sector came close to losing its legitimacy during this time, and even capitalism itself was in a crisis. In the authors’ opinion, it was U.S. President Franklin Roosevelt who restored public faith in the government and trust in the future of America’s economy: Businesses emerged into “a new political economy,” in which the government took responsibility on an unprecedented scale, assured the public’s economic security, and put the private market back in order.

Part II of the book, which contains three chapters, deals with the time period between 1945 and 1981. Carroll et al. (2012) discuss in Chapter 6 the economic upswing that occurred in the United States in the post-World War II era, which allowed for an expanded role for business. While corporations had now a strong consumer-focus and their legitimacy was affirmed, most Americans enjoyed economic wellbeing between the years 1945 and 1963. The authors believe that both social peace and social responsibility would never have been possible in America after the second World War without the following coinciding economic conditions: (1) There was unprecedented consumerism in the United States; (2) American firms clearly dominated in the world; (3) there was a relatively equitable income distribution in America; (4) the U.S. government had established important programs such as in social security and education, and there was now also significant funding for research and development; (5) America’s financial sector was well-regulated; and (6) the American middle-class was strong through the extraordinary economic growth that occurred during this time period.

In the seventh chapter, which covers the era between 1963 and 1973, Carroll et al. (2012) discuss the growing social consciousness and greater challenges corporations experienced in America. They point out that in the prior three decades the economy and government wartime policies were significant factors that influenced corporate responsibility. Now, in the early 1960 and early 1970s, social movements were playing a major role in promoting “business-relevant social change.” There were wide-reaching social upheaval and debates about race and gender equality as well as important discussions about consumer and environmental protection. It was not surprising that corporations were called upon to adapt to “changing social mores” and alter their practices of discrimination against women and minorities. The authors believe that the civil rights movement in America was perhaps the

most significant development in the 1960s, which, in turn, led to important social legislation and formed the basis for major corporate change. New “social regulations” as well as other regulations and laws marked a new era in American business, which to some extent limited the power and freedom of corporations on the one hand and allowed for additional protections for corporate employees, consumers, and the environment on the other hand. According to Carroll et al., it was during this period in American history that academic scholars began building a case for corporate social responsibility.

Chapter 8 is about the important question of how corporate responsibility can be managed. Carroll et al. (2012) believe that this question was intensely discussed in America between the years 1973 and 1981. Scholars as well as business executives looked now even closer at issues related to workplace discrimination, consumer protection, and protection of the environment. They began developing methods for anticipating issues and drafted policies that were evaluated in both the political and the public sphere. In other words, this was a time when the idea of corporate responsibility extended to various stakeholders. Organizations promoted a “multi-constituency model of business” and began rewriting the “social charter.” Furthermore, American corporations used “management knowledge” to address the issues related to corporate responsibility.

The final part (Part III) of the book is devoted to the topic “Taking Account of Corporate Responsibility.” It includes valuable discussions about what role stakeholders and stockholders played in the years between 1981 and 1989 (Chapter 9), how corporate responsibility was institutionalized in America between the years 1989 and 2001 (Chapter 10), and how a new social contract was drafted for the 21st century, which occurred during the period between 2001 and 2011 (Chapter 11). Carroll et al. (2012) point out in the ninth chapter that while in the 1970s the concept of corporate responsibility became accepted as “a cost of doing business,” it was not before the 1980s that two different paradigms of corporate responsibility emerged: The stakeholder model and the classic shareholder (or ownership) model. The authors describe how each model works and how they provide different answers to the three central questions Carroll et al. raised throughout the book: (1) To whom are corporations responsible? (2) For what are corporations responsible? (3) How are corporations to meet their responsibilities? The authors also recount in this chapter the political liberation of American business from the regulatory and cost pressures of the social movements, which occurred during the administration of U.S. President Ronald Reagan. Furthermore, they analyze the pressures imposed on corporations to prioritize responsibility to shareholders, “over a broader set of stakeholders.” The role of global competitors in exerting economic pressures on American corporations is another topic Carroll et al. discuss here. They point out that it was during this era of American history that corporate leaders needed to learn, as was expressed in a position paper written by the Business Roundtable (an influential American business organization consisting of a group of CEOs of major U.S. corporations), that just as “business activities must make social sense ... social activities must make business sense.” In short, corporate leaders began speaking of “strategic philanthropy” and “social responsiveness.”

In Chapter 10, Carroll et al. (2012) analyze developments in corporate responsibility that took place between the years 1989 and 2001. This includes the so-called “global decade,” in which corporate responsibility was now not only a topic in America but also abroad. Put differently, practices of corporate responsibility were extended to other business cultures around the globe. This was a phase in which corporate social responsibility became more deeply institutionalized and also professionalized at home and, at the same time, American business practices and policies (e.g., fair labor practices, health and safety regulations) were exported to host countries through U.S.-based multinational corporations. It was also a phase in which corporate responsibility was discussed further as a “business case,” one which arose from both the business and the academic communities, and which was recognized as having a significant effect on corporations “bottom lines.”

The final chapter (Chapter 11) is about the impact of various events on corporate responsibility that occurred between 2001 and 2011. The authors discuss negative events such as terrorism (especially the attack on the World Trade Center in New York and the attack on the Pentagon – the headquarters

of the U.S. Department of Defense), the wars in Iraq and Afghanistan, and the numerous company bankruptcies and financial bailouts with tax payers' money. The authors also mention positive events, including the publication of the United Nations Millennium Development Goals, "green" initiatives, poverty reduction in developing countries, and sustainable manufacture and production, to name a few. Carroll et al. believe that those events further shaped America's understanding of corporate responsibility in that issues of ethics and professionalism, organization and company reputation, leadership and corporate self-reflection, as well as governance, corporate behavior, and responsibility were now more intensely discussed than at any other time before in American history. Also, triple bottom line thinking became a popular term in business to describe economic, social, and environmental sustainability, and was seen as an important part of both corporate responsibility and corporate goals.

In the Conclusion section, Carroll et al. (2012) provide the reader with an excellent summary of the historical events that took place in the United States and how these events have shaped Americans' understanding of corporate responsibility. They provide this summary in form of a description of patterns ("striking characteristics") of American society. The authors also asked the question what corporate responsibility might look like in the future. They touch upon evolving and expanding conditions such as globalization (domestic and global changes, initiatives and interactions), developing economies (growing global trade and world-wide consumer demand), information technology (instant communication), and the evolution of the law (corporate regulation). Finally, Carroll et al. developed three plausible scenarios ("not prophecy but realistic forethought") for the future development of corporate responsibility.

I found the book by Carroll et al. (2012) to be exceptionally well-structured and -written. It is not only a fascinating read chapter-after-chapter about the key events in American history that influenced our understanding of corporate responsibility, but it is also a book that can easily captivate the reader on a level that he does not want to stop reading until he reached the final chapter and conclusion. The quality of the text is further enhanced by the presentation of 119 mostly colored plates (located in the middle of the book) that depict, for example, portraits of Adam Smith and John Locke, cartoons of "The Bosses of the Senate" and "The Monster Monopoly," posters of the "National Child Labor Committee" and the "Non-Sweat-Shop-Make" label, as well as photographs of "Unemployed men ... during the Great Depression," NASA's "Earthrise," "Experimental electric cars," "The first Apple Macintosh computer," and "Solar panels at Google headquarters." The book also contains a Foreword written by General Mills' CEO Ken Powell, a Preface written by the book's executive editor Kenneth E. Goodpaster, an index for keyword searches, and a 44-pages long list of references useful for further reading.

In my opinion, Carroll et al. (2012) wrote a one-of-a-kind book that must be recognized as a very special contribution to the published literature on the topic "corporate responsibility" as it relates to the American point of view. I believe this book is useful not only for the education of students in professional business schools but also for the training of students enrolled in programs such as industrial and organizational psychology and development, political science, public policy, and law. It can also serve as a textbook for advanced students enrolled in executive leadership education. Furthermore, this book can be of great value to current business practitioners and established scholars and researchers who show an interest in American history in general and in issues associated with corporate responsibility in particular.

References

- Campbell, L., Gulas, C. S., & Gruca, T. S. 1999. Corporate giving behavior and decision-maker social consciousness. *Journal of Business Ethics*, 19(4): 375-383.
- Carrigan, M., McEachern, M., Moraes, C., & Bosangit, C. 2016. The fine jewellery industry: Corporate responsibility challenges and institutional forces facing SMEs. *Journal of Business Ethics*, Published online: 18 February 2016.

- Carroll, A. B. 1979. A three-dimensional conceptual model of corporate performance. *Academy of Management Review*, 4(4): 497-505.
- Carroll, A. B., Lipartito, K. J., Post, J. E., Werhane, P. H., & Goodpaster, K. E. 2012. *Corporate responsibility: The American experience*, Cambridge, UK: Cambridge University Press.
- Carroll, A. B., & Shabana, K. M. 2010. The business case for corporate social responsibility: A review of concepts, research and practice. *International Journal of Management Reviews*, 12(1): 85-105.
- Friedman, M. 1970. The social responsibility of business is to increase its profits. *New York Times*, September 13.
- Gautier, A., & Pache, A.-C. 2015. Research on corporate philanthropy: A review and assessment. *Journal of Business Ethics*, 126(3): 343-369.
- Godfrey, P. C. 2005. The relationship between corporate philanthropy and shareholder wealth: A risk management perspective. *Academy of Management Review*, 30(4): 777-798.
- Griffin, J. J., & Prakash, A. 2014. Corporate responsibility: initiatives and mechanisms. *Business & Society*, 53(4): 465-482.
- Husted, B. W. 2015. Corporate social responsibility practice from 1800-1914: Past initiatives and current debates. *Business Ethics Quarterly*, 25(1): 125-141.
- Kurian, G. T. 2013. *Corporate responsibility*. AMA Dictionary of Business and Management, New York, AMACOM.
- Mulligan, T. 1986. A critique of Milton Friedman's essay 'The social responsibility of business is to increase its profits. *Journal of Business Ethics*, 5(4): 265-269.
- Panwar, R., Rinne, T., Hansen, E., & Juslin, H. 2006. Corporate responsibility: Balancing economic, environmental, and social issues in the forest products industry. *Forest Products Journal*, 56(2): 4-12.
- Scherer, A. G., & Palazzo, G. 2011. The new political role of business in a globalized world: A review of a new perspective on CSR and its implications for the firm, governance, and democracy. *Journal of Management Studies*, 48(4): 899-931.
- Teti, E., Dell'Acqua, A., Etro, L. L., & Andreoletti, L. B. 2015. Corporate social performance and portfolio management. *Journal of Management Development*, 34(9): 1144-1160.
- Wang, Y., & Berens, G. 2015. The impact of four types of corporate social performance on reputation and financial performance. *Journal of Business Ethics*, 131(2): 337-359.
- Wheelen, T. L., & Hunger, J. D. 2002. *Strategic management and business policy* (8th ed.), Upper Saddle River, NJ: Prentice Hall/Pearson Education.

Published at <http://aib.msu.edu/JIBS/BookReviews/HTML/2016-01.html>

Reviewed on: March 29, 2016

(c)2016 - Academy of International Business

[About JIBS Book Reviews](#)