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CORPORATE SOCIAL RESPONSIBILITY: A THREE-DOMAIN APPROACH

Mark S. Schwartz and Archie B. Carroll

Abstract: Extrapolating from Carroll's four domains of corporate social responsibility (1979) and Pyramid of CSR (1991), an alternative approach to conceptualizing corporate social responsibility (CSR) is proposed. A three-domain approach is presented in which the three core domains of economic, legal, and ethical responsibilities are depicted in a Venn model framework. The Venn framework yields seven CSR categories resulting from the overlap of the three core domains. Corporate examples are suggested and classified according to the new model, followed by a discussion of limitations and teaching and research implications.

For the past several decades, the debate over the proper relationship between business and society has focused on the topic of corporate social responsibility (CSR) (Klonoski 1991). In the modern era, the stage was set for this debate by Keith Davis, who posed two intriguing questions in the 1960s: "What does the businessperson owe society?" (Davis 1967) and "Can business afford to ignore its social responsibilities?" (Davis 1960). Although many have attempted to define CSR over the years, the concept has remained vague and ambiguous to some (Makower 1994: 12). Definitions of CSR fall into two general schools of thought, those that argue that business is obligated only to maximize profits within the boundaries of the law and minimal ethical constraints (Friedman 1970; Levitt 1958), and those that have suggested a broader range of obligations toward society (Andrews 1973; Carroll 1979; Davis and Blomstrom 1975; Epstein 1987; McGuire 1963).

An important attempt to bridge the gap between economics and other expectations was offered by Archie Carroll (1979). His efforts culminated in the following proposed definition of corporate social responsibility:

> The social responsibility of business encompasses the *economic, legal, ethical,* and *discretionary* expectations that society has of organizations at a given point in time. (1979: 500, emphasis added)

As a helpful way of graphically depicting the components of his CSR definition and expounding upon them, he later incorporated his four-part categorization into a "Pyramid of Corporate Social Responsibility" (1991; 1993). Carroll's Pyramid of CSR is presented in Figure 1.

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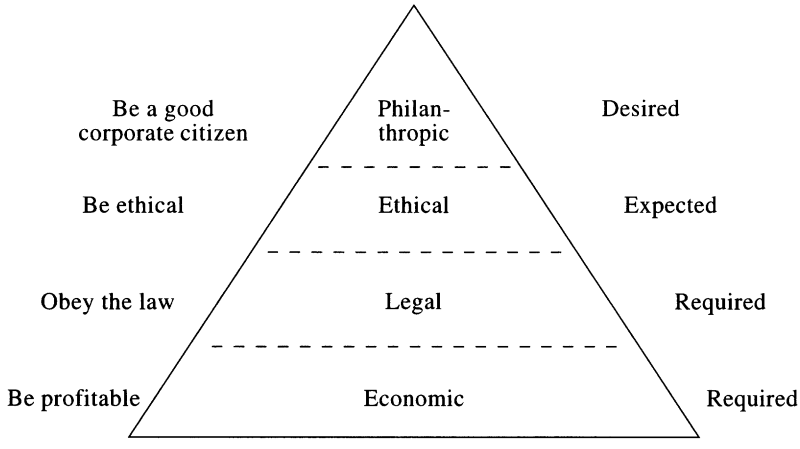
Figure 1
Carroll's (1991) Pyramid of Corporate Social Responsibility



Source: A. B. Carroll, "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders," *Business Horizons* (July–August 1991): 39–48.

Carroll's four categories or domains of CSR have been utilized by numerous theorists (Wartick and Cochran 1985; Wood 1991; Swanson 1995, 1999) and empirical researchers (Aupperle 1984; Aupperle, Carroll, and Hatfield 1985; Burton and Hegarty 1999; Clarkson 1995; Ibrahim and Angelidis 1993, 1994, 1995; Mallott 1993; O'Neill, Saunders, and McCarthy 1989; Pinkston and Carroll 1996; Smith, Wokutch, Harrington, and Dennis 2001; Spencer and Butler 1987; Strong and Meyer 1992). Several business and society and business ethics texts have incorporated Carroll's CSR domains (Boatright 1993; Buchholz 1995; Weiss 1994) or have depicted the CSR Pyramid (Carroll and Buchholtz 2000, 2003; Jackson, Miller, and Miller 1997; Sexty 1995; Trevino and Nelson 1995). According to Wood and Jones (1996: 45), Carroll's four domains have "enjoyed wide popularity among SIM (Social Issues in Management) scholars." Such use suggests that Carroll's CSR domains and pyramid framework remain a leading paradigm of CSR in the social issues in management field. Due to the acceptance and impact of Carroll's CSR contributions, it may be appropriate to re-examine his model to determine whether it can be modified or improved or if there is a possible alternative approach to conceptualizing corporate social responsibility.

In a quest to propose an alternative approach to CSR that strives to augment and amend the Carroll model, the following paper will consist of four parts: (1) a brief discussion of some issues or limitations of Carroll's model; (2) a presentation of the new alternative model, the "Three-Domain Model of CSR"; (3) a discussion of the limitations of the new model; and (4) future teaching and research implications of the new model.

Issues with Carroll's Model

Three issues with respect to the Carroll model are identified and discussed as they are items upon which the proposed three-domain model proposes changes. The three issues include: (1) the use of a pyramid to depict the relationships among the four components of the model; (2) the role of philanthropy as a separate component in the model; and (3) the incomplete theoretical development of the economic, legal, and ethical domains.

Use of a Pyramid Framework

Although there is considerable value in Carroll's four-part model, his use of a pyramid framework to depict his CSR domains may be confusing or inappropriate for some applications. First, to some, the pyramid framework suggests a hierarchy of CSR domains. One may be led to conclude that the domain at the top of the pyramid, philanthropic responsibilities, is the most important or highly valued domain, that should be strived for by all corporations, while the economic domain at the base of the pyramid is the least valued CSR domain. For example, Reidenbach and Robin (1991: 274) use a pyramid to depict their conceptual model of corporate moral development, and suggest that the top of the pyramid represents the highest or most advanced stage of moral development (i.e., the "ethical" corporation), while the base of the pyramid portrays the lowest or least advanced stage (i.e., the "amoral" corporation). This is clearly not the perspective of the pyramid's rankings of CSR priorities that Carroll intended, since he stipulates that the economic and legal domains are the most fundamental while philanthropic responsibilities are considered less important than the other three domains (1991: 42). However, the pyramid framework could lead one to misunderstand the priorities of the four CSR domains.

Second, a pyramid framework cannot fully capture the *overlapping* nature of the CSR domains, a disadvantage recognized by Carroll (1993: 34). Such mutuality is an integral characteristic of CSR (Clarkson 1991: 349) and of such fundamental importance that it must be included and clearly depicted in any proposed CSR model. Carroll's use of dotted lines separating the domains does not fully capture the non-mutually exclusive nature of the domains, nor does it denote two of the critical tension points among them, the tension between the economic and ethical and the economic and philanthropic domains (Carroll 1993: 34).

Use of a Separate Philanthropic Category

In addition to the possible misunderstandings inherent in using a pyramid, Carroll's use of a "philanthropic/discretionary" category can be confusing and may be seen as unnecessary to some. Carroll acknowledges that it may in fact be "inaccurate" (1979: 500) or a "misnomer" (1993: 33) to call such activities "responsibilities" due to their voluntary or discretionary nature. Others agree that philanthropy cannot be considered a responsibility in itself (L'Etang 1994; Stone 1975). In this respect, philanthropy is not considered a duty or social

responsibility of business (i.e., an expected act based on what Kantians might refer to as a "perfect" duty), but something that is merely desirable or beyond what duty requires (e.g., a supererogatory act based on what Kantians might refer to as an "imperfect" duty).

The new model proposes that such a category, if it were believed to exist, would better be subsumed under ethical and/or economic responsibilities. The central reasons for this placement are that, first, it is sometimes difficult to distinguish between "philanthropic" and "ethical" activities on both a theoretical and practical level, and second, philanthropic activities might simply be based on economic interests.

At the theoretical level, the ethical principle of utilitarianism can be used to justify many philanthropic activities, including all of the examples Carroll (1993: 33) refers to (e.g., giving to charity, adopting a school, providing a day-care center for working mothers, conducting in-house programs for drug abusers). For example, Shaw and Post (1993: 746) argue that rule utilitarianism supports corporate philanthropy as a means of complying with a "rule" which maximizes the public welfare.

In this vein, it could be argued that philanthropic activities are simply an example of an ethically motivated activity. One formulation of Kant's categorical imperative is that one should treat people as an end in themselves and not merely as a means to an end. If a company provides a day-care center for working mothers or conducts in-house programs for drug abusers, is it not possible that they are treating their employees as ends in themselves and not merely as a means?

When Carroll says that the essence of these philanthropic activities is that they are "not generally *expected* of business in an ethical sense" (1993: 33, emphasis added), this raises the question of exactly when an activity can be considered ethical as opposed to philanthropic according to Carroll's treatment of these two domains. For example, is a corporation's contribution to a charitable organization an ethical activity (i.e., expected by society) or a philanthropic activity (i.e., merely desired by society)? Evidence currently indicates that the majority of companies donate to charitable organizations (Carroll 1993: 387), with a majority of the population expecting that companies make charitable donations (Sexty 1995: 274). Do these findings not suggest that society now *expects* corporate philanthropic contributions? According to Carroll's definitions, the paramount example of a philanthropic activity, giving to charitable organizations, could arguably fall under the ethical domain, rather than needing to be separated into a philanthropic domain as currently defined.

Even if one is able to make a theoretical distinction between ethical and philanthropic activities, there is still an issue as to whether such a distinction could be applied by empirical researchers in the field. Clarkson (1995: 95), for example, raises concerns over the ability to define and measure discretionary activities in the actual corporate world. Aupperle, Carroll, and Hatfield (1985: 455) state that Carroll's philanthropic domain is "difficult to ascertain and evaluate." Strong and Meyer conclude in their study that while there was strong support for the existence of the economic, legal, and ethical components of corporate social

responsibility, it may be appropriate for the philanthropic category to be removed from Carroll's framework when attempting to measure managerial perceptions of responsibility. They state: "The results for discretionary (philanthropic) responsibility do not support the survey's use as a general measure of managerial perception of responsibility *of this component* of social responsibility" (1992: 92, emphasis added). Although many researchers have found support for a philanthropic component, the concerns raised by other researchers suggest that its use as a distinct component of CSR might be re-examined.

In addition to ethical reasons, corporate philanthropy might also be based primarily on economic motives (Shaw and Post 1993: 748), often referred to as "strategic giving" or "strategic philanthropy" (Yankee 1996: 9–10). Whether to increase sales, help improve public image, or to improve employee morale, corporate community involvement or corporate giving to charitable organizations can help sustain the bottom line for business in the long-term. When corporations engage in philanthropy for these reasons, they are simply acting out of economic motives, based on their economic responsibility, as opposed to a distinct philanthropic obligation.

Incomplete Development of Economic, Legal, and Ethical Domains

Another issue with Carroll's model is the incomplete discussion and inclusion of criteria for assessing corporate activities or motives as falling into each of the domains, especially the legal and ethical domains. Carroll provides little discussion of how corporations may engage in multiple domains other than by suggesting that a toy manufacturer making safe toys would be complying simultaneously with its economic, legal, and ethical responsibilities (1979: 501). Such a cursory discussion limits the theoretical foundation that is necessary to utilize the model for certain kinds of empirical study and for teaching purposes. The economic, legal, and ethical domains will now be expounded upon.

Economic domain. Carroll defines the economic domain of CSR as follows (1991: 40–42): "Perform in a manner consistent with maximizing earnings per share, being as profitable as possible, maintaining a strong competitive position and high level of operating efficiency." It may be that this definition fails to capture certain economic activities. The new model will clarify the economic domain below.

Legal domain. Carroll's category of legal responsibility is defined as obeying or complying with the law (1979, 500; 1993: 33). The legal responsibility is depicted as reflecting a view of "codified ethics" in the sense that law embodies basic notions of fairness as established by our lawmakers. It is stressed that it is business's responsibility to comply with these laws. A broader appreciation of the legal system and its influence on corporate activities indicates a much wider range of legally-based activities that ought to be discussed. For example, legality may be broken down into three general categories: (i) compliance; (ii) avoidance of civil litigation; and (iii) anticipation of the law. Each of these will be more fully discussed in the presentation of the new model.

Ethical domain. The ethical domain of CSR includes those activities that are based on their adherence to a set of ethical or moral standards or principles. Carroll's definition of the ethical domain is not broadly developed (1991: 41). He defines the ethical domain of CSR as any activities or practices that are expected or prohibited by society members although not codified into law. They are responsibilities which "embody those standards, norms or expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just, or in keeping with the respect or protection of stakeholders' moral rights." Superimposed on such ethical expectations are the implied levels of ethical performance suggested by consideration "of the great ethical principles of . . . justice, rights, and utilitarianism" (1991: 40–42). Though Carroll names the various ethical postures, they are not completely discussed. In short, though Carroll appropriately identifies the legal and ethical categories of CSR, he does not flesh them out as broadly or as completely as they need to be articulated.

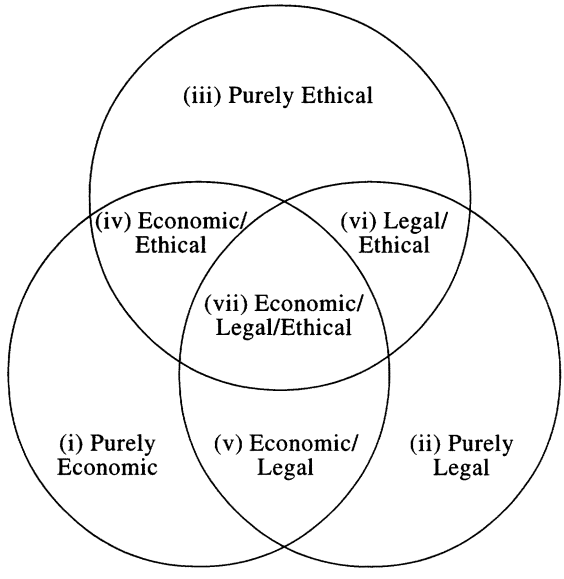
The Three-Domain Model of CSR

The three-domain model of CSR is composed of the three responsibility areas: economic, legal, and ethical. In general, these domain categories are defined in a manner consistent with Carroll's four-part model, with the exception that the philanthropic category is subsumed under the ethical and/or economic domains, reflecting the possible differing motivations for philanthropic activities. Further, in our discussion, the domains are developed more completely both in terms of what each means or implies and in terms of the overlapping categories that are identified when the three domains are depicted in a Venn diagram format. By using a Venn diagram, the model initially suggests that none of the three CSR domains (i.e., economic, legal, or ethical) is prima facie more important or significant relative to the others. Following a discussion of the model's components, a brief treatment of its limitations will be presented. Figure 2 presents the three-domain model of CSR.

Economic Domain

For the purposes of the three-domain model, the economic domain captures those activities which are intended to have either a direct or indirect positive economic impact on the corporation in question. In this sense, it is similar to the Carroll formulation of this component. The positive impact is based on two distinct but related criteria (Poitras 1994): (i) the maximization of profits and/or (ii) the maximization of share value. Examples of direct economic activities include actions intended to increase sales or avoid litigation. Examples of possible indirect economic activities include activities that are designed to improve employee morale or the company's public image. Any activity that is pursued with improving profits and/or share value in mind is deemed to be economically motivated.

Figure 2:
The Three-Domain Model of Corporate Social Responsibility



It is to be expected that the vast majority of corporate activities will be economic in nature. However, there may be some activities that would not be included. A corporation's actions would fall outside of the economic domain if (i) they are not intended to maximize profit (or minimize loss) when a more profitable alternative exists, or (ii) they are engaged in without any real consideration of the possible economic consequences to the firm. In terms of the outcome or results, if the activity produces a decline in profits or share value, this may be an indication of a non-economic motive, but may also merely represent a flawed business decision (and the action would still be considered to fall within the economic domain).

Legal Domain

The legal category of CSR pertains to the business firm's responsiveness to legal expectations mandated and expected by society in the form of federal, state, and local jurisdictions, or through legal principles as developed in case law. In this context, legality may be viewed in terms of three general categories: (1) compliance, (2) avoidance of civil litigation, and (3) anticipation of the law. The first legal category, compliance, can be further sub-divided into three types: *passive*, *restrictive*, and *opportunistic*. The first type of compliance is of a *passive* or accidental nature—the company is doing what it wants and just happens to be complying with the law. For example, if the speed limit is fifty-five miles per hour and one drives at or below fifty-five miles per hour because one believes it is safer to do so and not because of the speed limit, one is *passively*

complying with the law. If there is a safety standard for a certain product that a company would have adhered to even if the legal requirement did not exist, the company is in a passive compliance mode. If the *motivations* of the corporation are being analyzed by the newly proposed model, passive compliance by the corporation, due to its unintentional nature, would place it outside of the legal domain. This would be the case despite such motives being potentially labeled as legal under Carroll's Pyramid Model. If *outcomes* were being analyzed, the corporation would fall within the legal domain even if it passively or accidentally complied with the law.

The second type of compliance, referred to as *restrictive* compliance, occurs when a corporation is legally compelled to do something that it would not otherwise want to do. If one is in a hurry and would like to drive sixty-five miles per hour but one does not do so because of the fifty-five miles per hour speed limit, one is *restrictively* or intentionally complying with the law. The payment of taxes, tariffs, or duties is often done reluctantly and, therefore, restrictively. Although a company may want to pollute at higher levels or sell goods with fewer safety warnings, the law may prohibit it from doing so, leading to restrictive compliance. The adjective *restrictive* is used to reflect the idea that the legal system is limiting, constraining, or modifying otherwise intended behavior in a restrictive fashion.

The third type of compliance is that of *opportunistic* compliance. There are two general modes of opportunistic compliance. First, a corporation may actively seek out and take advantage of loopholes in the legislation to be able to engage in certain activities. In such cases one typically finds that the corporation is abiding by the letter of the law but not the spirit of the law. Second, a corporation may choose to operate in a particular jurisdiction because of its weaker legal standards. In such a case, the corporation has based its decision on

Table 1: Examples of Legal Motives and Possible Responses

Type of Legal Motive	Typical Corporate/Managerial Response
Passive Compliance (Outside Legal Domain)	"Well, looking back on it, we did happen to comply with the law."
Restrictive Compliance	"We wanted to do something else but the law prevented us." "We did it in order to comply with the law."
Opportunistic Compliance	"Well, the law allows us to do it." "We operate in that jurisdiction because of the less stringent legal standards."
Avoidance of Civil Litigation	"We did it because we might get sued otherwise." "Lawsuits will be dropped."
Anticipation of the Law	"The law is going to be changed soon." "We wanted to pre-empt the need for legislation."

the legal system, and is still technically complying with the law. Corporations which decide to operate in developing nations because of less stringent environmental, employee-welfare, or consumer-protection legislation are opportunistically complying with the law. The decision to test drive one's new sports car on a highway because of its higher speed limit entails opportunistically complying with the law. The decision has been based in this case on a consideration of the legal system.

Carroll's treatment of the legal domain appears to embrace these types of legal motives although he does not distinguish between or elaborate upon them. There are, however, other legal dimensions as well. The second general legal category, *avoidance*, relates to corporate activities that are motivated by the desire to avoid possible current or future civil litigation for negligent conduct. In response to such fears, corporations may, for example, disengage in the manufacture of dangerous products, voluntarily recall products, or cease non-environmentally friendly activities. Companies that act in ways despite being aware that they will most likely be sued as a result (e.g., for negligent activity) would fall outside of the legal domain, despite being in compliance with laws and regulations. Often these companies engage in a legal defensive strategy whereby they attempt to settle all lawsuits.

The third legal category consists of the *anticipation* of changes to legislation. The legal process is often slow in nature, and corporations may wish to engage in activities that will result in immediate compliance upon the legislation's eventual enactment. Changes to legislation in other jurisdictions often serve as an indication of forthcoming similar legislation in one's own jurisdiction. If laws are anticipated, companies may engage in voluntary activities to help prevent, modify, or slow down the pace of new legislation being enacted, and are thus acting based on a consideration of the legal system.

Activities would fall outside of the legal domain when they take place despite (i) an awareness of non-compliance with the law, (ii) an awareness of actual or potential civil negligence, or (iii) merely passive compliance with the law. Table 1 indicates examples of the various types of legal motives and the typical responses one might hear from a corporation.

Ethical Domain

The ethical domain of the three-domain model refers to the ethical responsibilities of business as expected by the general population and relevant stakeholders. This domain includes responsiveness to both domestic and global ethical imperatives. Based on this general definition, the three-domain model both broadens and refines Carroll's concept of the ethical domain by including only three general ethical standards: (a) conventional; (b) consequentialist; and (c) deontological.

(a) *Conventional standard*: The standard of conventions can be explained by the moral philosophy known as ethical relativism (Pojman 1995: 31). The manner by which Carroll defines the standard of conventions as noted above appears

to limit it to a concern for justice or moral rights. For the purposes of the new model, the standard of conventions will be defined as those standards or norms which have been accepted by the organization, the industry, the profession, or society as necessary for the proper functioning of business. Society is defined as embodying the corporation's stakeholders, including shareholders, employees, consumers, competitors, suppliers, and the local community, in addition to general citizens. Societal norms can vary depending on one's reference point (i.e., different stakeholder groups). To minimize this limitation, and to enhance the standard's practical application, reference should be made to formal codes of conduct or ethics (e.g., organizational, industrial, professional, or international) to establish whether a company is acting ethically according to the conventional standard.

Many objections and concerns have been raised by philosophers to the use of relativism in providing a moral justification to the actions of an individual or organization. As a result, the conventional standard is relevant for the purposes of the ethical domain with respect to only those formal codes of conduct or ethics that remain grounded in (or at least do not directly conflict with) either or both of the ethical standards discussed below (i.e., consequentialist or deontological). This approach is similar to those who suggest that although "context matters when deciding what is right and what is wrong," actions must still comply with a set of "minimum ethical standards" (Donaldson 1996: 6–7). Personal standards are rejected as representing an ethical principle that is too relativistic and arbitrary to stand as an ethical standard (De George 1986; Freeman and Gilbert 1988; Pojman 1995).

(b) *Consequentialist standard*: The consequentialist standard (sometimes referred to as "teleological") focuses on ends or consequences. Although there are several types of consequentialism, the form that is relevant for the purposes of the ethical domain suggests that "the morally right thing to do is to promote the good of persons" (Hoffman, Frederick, and Schwartz 2001: 26). In this respect, consequentialism includes both egoism (promoting the good of an individual) and utilitarianism (promoting the good of society). Although egoism can be used as a moral justification for the economic domain, only utilitarianism is considered relevant for the purposes of the ethical domain under the consequentialist standard. As a result, an action is considered ethical according to consequentialism when it promotes the good of society, or more specifically, when the action is intended to produce the greatest net benefit (or lowest net cost) to society when compared to all of the other alternatives (Velasquez 2002: 75).

(c) *Deontological standard*: The deontological standard, as opposed to focusing on consequences, is defined as embodying those activities which reflect a consideration of one's duty or obligation (De George 1999: 80). This category would embrace two of Carroll's ethical principles, moral rights and justice. Rights are defined as an individual's "entitlement to something" (De George 1986: 79) and can be of a positive or negative nature (Feinberg 1973: 59–61). Justice can be of several different types, distributive (whether benefits and burdens have

been distributed equitably), compensatory, or retributive (Velasquez 1992: 90). Instead of only relying on the principles of moral rights and justice, the three-domain model utilizes the category of deontological principles because it has the potential to more specifically capture a broader range of potential ethical justifications that have been suggested in the literature as duty-based in nature. Examples include: religious doctrine (see Herman 1997; De George 1999: 80); Kant's categorical imperative (Kant 1988); Ross's prima facie obligations (Ross 1930); or more specific core values such as trustworthiness (i.e., honesty, integrity, reliability, loyalty); responsibility (i.e., accountability); caring (i.e., avoid unnecessary harm); and citizenship (i.e., assist the community, protect the environment) (Josephson 1997).

Activities would fall outside of the ethical domain when they (i) are amoral in nature (i.e., with an unawareness or indifference to the morality of the action), (ii) take place despite an awareness that the action conflicts with certain moral principles (i.e., are unethical), or (iii) are only intended to produce a net benefit for the corporation and not for the affected stakeholders (i.e., are only supported by egoism) (De George 1986: 45; Freeman and Gilbert 1988: 72).

Overlapping Domains

A major feature of the three-domain model is the depiction of economic, legal, and ethical domains of responsibility in a Venn diagram which highlights the overlapping nature of the domains and the resultant creation of seven categories in which CSR may be conceptualized, analyzed, and illustrated. The ideal overlap resides at the center of the model where economic, legal, and ethical responsibilities are simultaneously fulfilled, but other pure and overlapping segments of the model create situations which also must be explored and illustrated because they represent situations decision makers may face in the business world.

For purposes of better understanding the model and for illustration, several corporate examples entailing business ethics will be described and categorized as best falling within each of these seven CSR categories. The three-domain model is especially useful for analyses that focus on the forces that come into play in ethical decision making as opposed to more general discussions of CSR, where philanthropy might assume a more prominent role.

Each of the seven segments will be described and illustrated. It should be kept in mind that it is extremely difficult to identify examples that ideally and perfectly illustrate each theoretical segment of the model. In spite of this, it is helpful to suggest examples that may very well fit and illustrate the tensions inherent in the various model segments.

i) Purely Economic

Activities which are purely economic in nature must have a direct or indirect economic benefit, be illegal (criminally or civilly) or passively comply with the law, and be considered amoral or unethical (other than based on egoism, i.e., the corporation's best interests). Many of the most highly criticized corporate activities

fall into this category. For example, Film Recovery Systems, a company involved in the extraction of silver from old x-ray film, failed to take legally required steps which would have prevented the death of an employee in the early 1980s. The employee died of cyanide toxicity despite the company having been previously warned of its gross violations of worker safety standards (Reidenbach and Robin 1991: 276). Other companies falling within this domain by intentionally breaking the law include General Electric, which engaged in illegal price fixing during the 1950s (Velasquez 1992: 199–206), and Lockheed Aircraft, which made secret payments to Japanese government officials from 1972–1975 in order to obtain business (Velasquez 1992: 207–209). One could well argue that the recently revealed actions and decisions of Enron—such as deceiving its stakeholders by shifting debt from its balance sheet—and Arthur Andersen—ordering the shredding of documents—illustrate business decision making which took only the economic domain of responsibility into consideration (Financial Times 2002).

Other corporations falling within this category are passively complying with the law, but are acting unethically for economic motives. For example, Nestle continued selling infant formula in the third world, despite knowledge that the use of the product was increasing infant mortality. Nestle was passively complying with the law and appeared to act based purely on economic motives (Velasquez 1992: 304). The Johns Manville Corporation appeared to be operating in this category when it "legally" allowed employees to continue working despite the company's knowledge of the health hazards of asbestos (Silverstein 1987). Chisso, a Japanese industrial corporation, discharged mercury into the ocean during the 1970s knowing it posed a danger to local residents, but remaining secure in the knowledge that its emission levels complied with Japanese government guidelines (Donaldson 1982: 1–2). The Ford Motor Company continued to manufacture its Pinto model car during the 1970s despite knowledge of its dangerous defect and knowing that it would be sued as a result (Velasquez 1992: 110–114).

More recently, Firestone, as well as Ford, appears to fall within the purely economic domain based on tire blowouts and rollovers involving Firestone tires placed on Ford Explorers (Naughton and Hosenball 2000). Tobacco companies may have fallen within this domain for decades, in knowingly producing and marketing a dangerous and addictive product without providing full disclosure to smokers. Another corporate example might include Dow Corning, which allegedly for economic gain "failed to fully apprise women of the known risks of breast implants," irrespective of the obligations stipulated in its own code of ethics (Byrne 1996: 10). This category could relate to what Reidenbach and Robin (1991: 275) call the "amoral" corporation, meaning a corporation unconcerned about the law or ethics, or what Carroll terms "amoral management" (Carroll 1987: 9).

ii) Purely Legal

Corporate actions that are not considered ethical and have no direct or indirect economic benefit fall into this category. The activity must take place because of the legal system and not in spite of it. A response that one of the reasons for the act was "because it's the law" might be enough to support a degree of consideration for the legal system. Very few activities can be considered purely legal as most activities that are considered legal are also considered ethical. In addition, most activities which are legally required also possess an economic incentive (Posner 1986). Companies that hesitantly place warnings on their products (e.g., tobacco manufacturers), or abide by holiday shopping legislation despite financial loss, could conceivably fall into this category.

The activities of Napster, at least in its early stages, may fall within this domain, in that its actions were legal, yet not intended to produce revenue and undertaken despite the ethical concerns raised. The founder, Shawn Fanning, established a website allowing users to share music files. The program was given away for free and users were not charged anything, and thus the initial actions of Napster fall outside of the economic domain. Fanning argued that Napster "was not doing anything illegal," and in this respect he appears to have opportunistically taken advantage of the law (although the service was later declared to be legally problematic). Fanning appeared to be acting despite an awareness of the ethical concerns, in that the service was providing its users with the opportunity to infringe copyright (a violation of moral rights) held by musicians and music companies (Velasquez 2002: 61–63).

iii) Purely Ethical

Any purely ethical activity that has no direct or indirect economic or legal implications would fall into this theoretical category. Such activities are performed because they are considered ethical based on at least one moral principle (e.g., conventions, deontological, consequential) despite their lack of positive economic impact. Other than corporate philanthropic activities that are not based on economic interests, few corporate activities currently fall into this category. The primary reason is that many activities that are considered ethical can somehow be linked to long term, indirect economic benefits.

A number of corporate examples falling within the purely ethical domain may be suggested, however. For example, 3M's decision to retire its pollution credits despite economic loss might be viewed as a purely ethical activity (Carroll 1993: 343). When Sir Cadbury decided to honour a contract to supply English soldiers in the Boer War with chocolates at cost (indicating a passive or neutral economic motive), despite his personal opposition to the war, he was making a purely ethical decision (Cadbury 1987; Reidenbach and Robin 1991). Restaurant chain Chick-fil-A, which does not operate on Sundays, is abiding by a religious deontological principle while forgoing additional revenue, and can be considered purely ethical (Zigarelli, 2000). Although debatable, the act of immediately recalling millions of bottles of Tylenol in 1982 by Johnson & Johnson

upon being informed of several deaths, despite facing significant economic loss, appears to have been based on ethical motives alone due to its corporate credo that placed the safety of the users of its products before stockholder interests (Davis and Frederick 1984: 549–560; Reidenbach and Robin 1991: 280). The decision by Levi Strauss and Timberland in 1993 to pull out of China in protest of human rights abuses, despite the loss of potential profits, appears to place these companies within this category (Kaltenheuser 1995: 21). Merck and Co. engaged in an ethical act during the 1980s by developing and distributing for free a pill curing millions of people living in developing nations of river blindness, despite an awareness that no sales revenue would be generated (Bollier and Weiss 1991). In the final analysis, it is difficult to find and defend corporate practices or decisions that illustrate purely ethical motives because it is impossible to fully know all the motives that went into a decision and the resulting consequences.

iv) Economic/Ethical

In this category the corporate activity is not based on legal considerations, but is ethical and economic simultaneously. This category would include many corporate activities motivated by the often repeated maxim, "good ethics is good business." To be considered ethical, the activity must go beyond rational egoistic concerns and be based on conventionalist, consequentialist, or deontological principles. Virtually all activities in this category will involve passive compliance with the law because almost all illegal activities would be considered unethical. Corporations which give to charity for both economic and ethical reasons (Carroll 1993: 382) would fall within this category. Corporations in the environmental sector (Smith 1990), the "social" or "environmental" mutual fund industry (Ellmen 1996; Lowry 1991), or involved in the sale of "green" products, such as The Body Shop (Shearer 1990), can be considered directly economic while simultaneously ethical. The decision by StarKist, a unit of H. J. Heinz, to use dolphin-safe nets (Rice 1990), or 3M's introduction of a waste-reduction program (Carroll 1993: 356), could be considered ethical while providing indirect economic benefits.

Following a severe fire destroying several of its factory buildings, textile manufacturer Malden Mills remained in Massachusetts and continued paying its employees their wages and health benefits until the factories were rebuilt, despite no legal obligation to do so. The CEO of Malden Mills appeared to be acting on the basis of both ethical (i.e., deontological) and indirect economic reasons (e.g., retaining quality employees, improving morale and productivity, etc.) (Teal 1996).

Many "social marketing" activities fall within this domain. For example, in describing Ben & Jerry's policy of giving away free ice cream, the former CEO describes the simultaneous ethical and economic motivations: "The motivation for giving back had always been genuine. At the same time, it was proving to be an effective marketing strategy. There was no doubt that our customers were

more inclined to buy our ice cream and support our business because of how we, in turn, supported the community" (Lager 1994: 126). This domain would probably contain a high level of corporate activity and might be equated with Reidenbach and Robin's (1991) "emergent ethical" corporation, which they describe as a corporation in which management "actively seeks a greater balance between profits and ethics" (1991: 279).

v) Economic/Legal

Very few activities which corporations engage in are both economic and legal, while also considered unethical. The reason is that activities which are based on a concern for the legal system (i.e., restrictive compliance, avoidance of civil litigation, or anticipation of the law) would most likely be considered ethical as well. The exception might be those companies that opportunistically comply with the law, searching for and using legislative and administrative loopholes for economic gain. Such opportunistic activities are often considered unethical. For example, although the use of bankruptcy laws is not inherently unethical, and can sometimes lead to the saving of jobs, some companies might try to use such laws in an opportunistic manner that can be considered ethically inappropriate. Dow Corning has been criticized for using protective bankruptcy laws to avoid massive litigation due to its breast implants (Reisch 1994). The Canadian retailing giant Eaton's was criticized for using bankruptcy protection in a manner which was not ethical (Brooks 1997: 1).

Other companies operate in third world countries because of lower environmental (i.e., "eco-dumping"), worker safety (i.e., "social dumping"), or product safety standards (Brooke 1995: B8; Nicholson 1997: 292). By doing so these companies are opportunistically taking advantage of the law. For example, Union Carbide acted opportunistically by operating a pesticide plant in Bhopal, India, according to India's relatively weak legal safety standards, despite operating a similar plant in the U.S. according to much more stringent standards. As a result, a poisonous leak in 1984 led to the deaths of over 2,500 people and the injuries of 300,000 others (Trevino and Nelson 1995:188).

An example of restrictive legal compliance would be a company abiding by a country's boycott for economic gain such as Pepsi's refusal to sell its product to Israel in order to maintain its sales in Arab countries (Reingold and Lansing 1994). Companies operating in China such as Chrysler Corporation are being asked to obey laws that often deny basic freedoms to Chinese citizens. Although such companies may prefer not to obey such laws, they do so because of their desire to continue doing business in the country (Freeman and Gilbert 1988: 37; Kaltenheuser 1995: 20–23).

All of the above activities might be considered unethical, economic, and legal in the opportunistic or restrictive compliance sense. This category is similar to Sethi's (1979: 65) "social obligation" corporation, in which corporate behavior is "in response to market forces or legal constraints," Reidenbach and Robin's (1991: 276) "legalistic" corporation, in which management is preoccupied with

compliance with the letter of the law, or with Carroll's concept of "amoral management" (1987: 11). Unlike Reidenbach and Robin's approach however, the three-domain model would not consider a corporation which merely passively complied with the law to be a legalistic corporation.

vi) Legal/Ethical

Certain corporate activities occur not because of any economic benefit, but because they are both legally required and ethical. Activities that are both ethical and legal often provide indirect economic benefits meaning that few corporate activities will fall into this category. The activity of installing an anti-pollution device because it is legally required (i.e., restrictive compliance) and considered ethical even if there is no long term economic benefit would fall within this category.

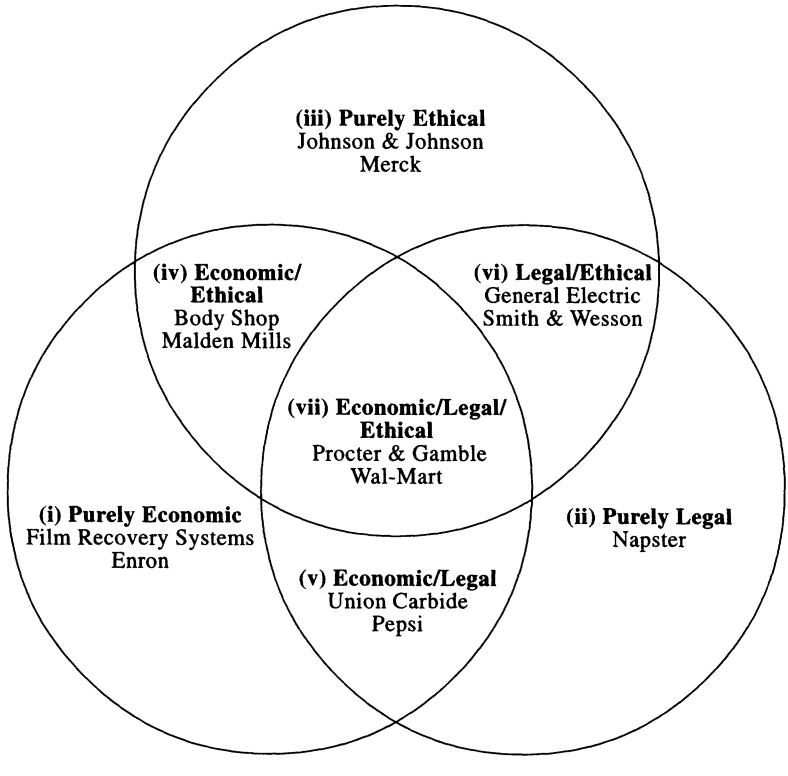
The decision by General Electric to finally support the cost of dredging the Hudson River of PCBs that were released by the company decades ago (at a time when it was legal to do so) might indicate a shift from the purely economic domain to the legal/ethical domain. The company appears to be responding due to legal pressures, from both the U.S. government as well as civil lawsuits. The decision may also reflect a recognition by the company that the action is morally required based on a past injustice, regardless of the additional cost that is required (Hudsonvoice 2002). The pharmaceutical companies that are providing HIV/AIDS drugs at below cost (i.e., non-economic) to African countries might also be considered to be acting ethically (CNN 2000). At the same time their actions also appear to fall within the legal domain in that these companies are trying to avoid patent infringement legislation being enacted that would permit generic manufacturers to make the same drugs (DeYoung 2001: A13). The example of Smith & Wesson adding safety features to its handguns appears to have been based on ethical motives (i.e., the CEO argued that the decision was "the right thing to do") and legal motives (i.e., avoidance of government lawsuits). The decision was taken despite harsh criticism from the gun industry as well as consumers, placing it within the legal/ethical domain (Paulson, 2000).

vii) Economic/Legal/Ethical

An activity which is motivated simultaneously by the bottom line, the legal system, and ethical principles would fall into this category. The decision by Procter & Gamble to pull its Rely tampons from the shelves due to the potential link with toxic shock syndrome may have been motivated by all three CSR domains (Reidenbach and Robin 1991: 278–279). Wal-Mart's decision to stop selling cigarettes in its Canadian stores appears to have been motivated by economic concerns (e.g., public relations), anticipation of changes to legislation, and ethical concerns (Heinzl 1994). This category conforms to Carroll's "moral management," according to which management desires "profitability, but only within the confines of obeying the law and being sensitive to ethical standards" (1987: 10). It also conforms to Lynn Sharp Paine's "integrity strategy" (Paine

1994). Paine's integrity strategy envisions ethics as the driving force in the organization although profits and legal obedience are obviously relevant factors. Carroll and Buchholtz argue that caution is needed in many of the overlapping segments of economics, law, and ethics, but in this central segment the management recommendation is to "go for it," because all three categories of responsibility are met (Carroll and Buchholtz 2003: 175). From a normative point of view, this central segment (economic/legal/ethical) is where firms should seek to operate whenever possible, or in the economic/ethical segment (as long as the company is passively complying with the law). Figure 3 provides a summary of a number of corporate examples discussed above and where they would be situated within the three-domain model.

Figure 3
The Three-Domain Model of Corporate Social Responsibility: Corporate Examples



Limitations of the Three-Domain Model

Though the proposed model addresses some of the issues raised with the Carroll four-part construct, there also are limitations with the three-domain model that should be stated. The following reflects some of the important concerns.

The new model is based on several major assumptions. The model assumes that the three domains of CSR are somewhat distinct, and that they are all-encompassing. In terms of being somewhat distinct, some might question whether any action can be identified as "purely economic," "purely legal," or "purely ethical." In other words, one might argue that economic, legal, and ethical systems are all interwoven and inseparable. Although our model attempts to create distinctions through the establishment of the "pure" domains, it should be noted that each of these three domains is only "pure" in certain respects. There will still be an overlap with the other domains at least to some extent.

For example, a "purely economic" action can still be in accordance with the law (although not intended to) and could still be supported by the ethical standard of egoism (i.e., in the best financial interests of the corporation). A "purely legal" action, even if restrictive in nature, would still involve economic consequences (such as a loss to the corporation) and would still be supported by the ethical standard of cultural relativism. In fact, many argue that "businesses have a moral obligation to respect legitimate law" (Orts and Strudler 2002: 226). A "purely ethical" action will still have economic consequences (e.g., negative or break-even) and will still either be passively legal or illegal. As opposed to egoism or cultural relativism, however, the action will be supported by other conventional, consequentialist, or deontological moral principles.

In terms of the three-domain model being all encompassing, it is not clear whether there are corporate activities which are engaged in without reference to at least their economic impact, the legal system, or ethical principles. If there are such activities, the model would have to be adjusted to account for them. It is our assumption, however, that the model embraces all relevant aspects of CSR. It is also assumed that philanthropic activities, assumed to be a separate category in the Carroll model, would be seen as part of the ethical and/or economic categories in the three-domain model.

The inherently conflicting nature of the various ethical principles could result in serious difficulties in attempting to classify motives or activities as ethical. For example, activities such as affirmative action and insider trading have received significant debate as to their ethical nature. There may also be other ethical considerations which should be included in the ethical domain, such as moral character (Solomon 1992). These problems are continuously faced by business ethics academics who continue to struggle with methods to resolve the often conflicting principles (Derry and Green 1989).

The complications of international business confound both the ethical and legal domains in terms of which ethical and legal standards to apply. For example, if the motivations of a multinational corporation are being evaluated,

should the standards of the home country be considered, or the host country in which the corporation is operating? The use of the opportunistic legal compliance category and the conventions ethical category address most of these concerns. In such instances, the company is often operating within the legal domain by opportunistically complying with the law, and could be acting ethically based on national conventions. Other ethical principles, such as moral rights or utilitarianism, may be violated in such cases, however. The complexities of international business ethics continue to be addressed by numerous business ethicists (e.g., De George 1993; Donaldson 1989; Donaldson and Dunfee 1999).

Finally, it is expected that certain CSR categories (e.g., purely legal, purely ethical, and economic/legal) will rarely apply, thus limiting the conceptual or practical application of some segments of the model. The major reason for this is due to the presumably high correlation between activities that are both economic and legal, and those that are both legal and ethical. The fact that some reasonable examples can still be provided for each of the seven CSR categories, however, suggests that all of the categories should be included in the conceptual framework, even though several of them will be less important from a practical application point-of-view.

Implications for Teaching and Research

The three-domain model should be useful both for teaching and research in the business ethics and social issues in management fields. As a conceptual model, its primary usefulness will be in the realm of pedagogy—helping others to conceptualize the components of CSR and the nuances involved in their understanding and application. From a research standpoint, the model creates a definition and overlapping segments that may be further explored. Following is a brief discussion of each of these areas.

Teaching Social Issues in Management and Business Ethics

There is an ongoing debate as to appropriate methods for teaching business and society, social issues in management, and business ethics. It is proposed that the three-domain model of CSR provides a scheme for conceptualizing the major issues in one or more of these literatures. Once the model is described and discussed in some detail in a classroom setting, students can apply the model by engaging in practical exercises. Instructors can provide or ask students to find articles in the general or business media which discuss a certain corporate decision or activity. The activity can then be classified by the student or groups of students. This can lead to class discussions on whether students agree with the classification and the implications for the corporation acting in its chosen manner.

The model helps to classify many of the major case studies which have been presented in business ethics literature, for example, the Ford Pinto, Johns Manville and asbestos, Johnson & Johnson and Tylenol, Procter & Gamble and the Rely tampon, Union Carbide and Bhopal, and the activities of Ben & Jerry's

and The Body Shop. Students can debate, for example, whether it is really the case that Johnson & Johnson should fall within the purely ethical domain. Were there not economic or legal motives as well for their actions? Has Ford shifted out of the purely economic domain following its Pinto disaster with respect to its actions involving Firestone tires? What activities of Ben & Jerry's or The Body Shop might be considered purely ethical, if any? The model can also be used as a measure of testing students' understanding of the different CSR domains by providing past or current examples of corporate activities and asking students to justify their classifications of the examples within the CSR framework.

In a related vein, the model should be valuable in the process of analyzing case studies in a classroom setting. The three-domain model assists the student in identifying and analyzing the competing forces at work in a business decision and in assessing the relative mix of economic, legal, and ethical forces and motivations that *are* at work and *ought* to be at work. In this context, the model helps the student to describe and understand *what is going on* and also from a normative perspective to suggest *what ought to be taking place*. Thus, the model has both diagnostic and normative properties.

Although it is not being proposed that the three-domain model provides definitive answers to the following questions, the model may provide a useful construct for beginning to engage in many of the major debates, such as: What is corporate social responsibility? Should it involve dimensions beyond economic, legal, and ethical responsibility? What is the relationship between economics, law, and ethics? Are they ever distinct? Why should corporations be socially responsible? How does one determine social responsibility? Should philanthropy be considered a distinct social obligation of business, or considered to be subsumed under ethical and/or economic responsibilities? What should be included in the ethical domain? Should companies avoid actions when they know they will be subjected to lawsuits as a result? What examples demonstrate that good business ethics is good business? Are there examples of good business ethics being bad business? What is more important, the motivations of companies or the results of their activities and practices?

The model might also be used to help analyze and discuss growing trends in the business and society field including: business ethics, corporate citizenship, social investment, social auditing, sustainability, triple bottom-line, social- or cause-related marketing, strategic philanthropy, and stakeholder management. Each of these concepts involves, to some extent, aspects of economics, law, and ethics (including societal impact), such that the three-domain model might provide an initial framework to better understand these new developments and their relationship to each other.

Research Implications

In addition to teaching applications and implications, the three-domain model could be used in a variety of ways with respect to empirical research. Three future research uses of the model include: (1) the development of a research

instrument for measurement of CSR and its component domains, (2) use of the model and instrument to develop CSR "portraits," and (3) use of the model and instrument to investigate future research questions.

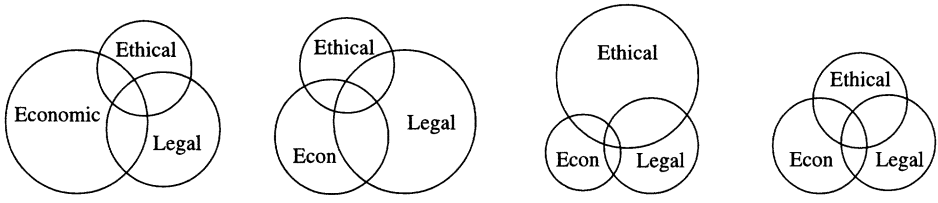
Development of a Research Instrument. The three-domain CSR model, as presented, represents the conceptualization stage in the research process. In this stage, the meaning of the concepts to be studied was described. Two additional decisions needed in the research process include operationalization of the variables under consideration and choice of research method to be used (Babbie 1992: 104). The most logical next step in future research would be the operationalization of the variables and the creation of a valid and reliable data gathering instrument by which data regarding the model could be gathered. Then, this research instrument could be used primarily through survey research.

It is beyond the scope of this paper to present a research instrument that would enable the measurement of CSR in the three-domain model. This is a task for future research. In general terms, however, we can describe that it would be composed of several parts which operationalize the economic, legal, and ethical domains. These could then be used individually to pursue research questions concerning their particular role in CSR, their relationships with other variables, or collectively as an overall measurement of CSR. This procedure would follow the pattern established by Aupperle (1984) in his research instrument designed to collect data on Carroll's four categories of CSR. That instrument has been used in many empirical studies of CSR and it is anticipated that the research instrument patterned after the three-domain model would likewise be useful in exploring a number of interesting and important research questions.

Development of Corporate Social Responsibility (CSR) "Portraits." Once the research instrument is developed, one objective might be to establish the emphasis respondents place on each of the CSR domains (including overlapping domains). Once this takes place, "CSR Portraits" (i.e., graphical representations of one's CSR prioritizations) might be generated for whichever entity is being analyzed (e.g., individuals, stakeholders, corporations).

Individual employee CSR Portraits could be aggregated together to generate a CSR Portrait for a functional area or a company as a whole. CSR Portraits could also be established for stakeholder groups based on the domains they believe the corporation is currently emphasizing ("actual" CSR Portrait) or would prefer the corporation to operate within ("desired" CSR Portrait). Portraits could also be created for the corporation's Board of Directors, subsidiary corporations, or joint venture partners. If CSR Portraits are obtained from several firms in a specific industry, it may be possible to construct an industry CSR Portrait by weighting each firm's portrait by its market share or other financial measure, and then aggregating them together. For instance, a CSR portrait for the tobacco industry might look very different from a CSR portrait for the toy industry. Figure 4 provides a possible way to depict CSR Portraits of a hypothetical toy company. The greater the emphasis placed on a given domain, the larger the area which will be depicted in the CSR Portrait.

Figure 4
Corporate Social Responsibility "Portraits"



Economic Orientation (e.g., CEO of Acme Toy Co.)
Legal Orientation (e.g., Legal Dept.)
Ethical Orientation (e.g., Consumers' "Desired" Toy Co.)
Balanced Orientation (e.g., Toy Industry)

Investigating Future Research Questions. The three-domain model of CSR might be used to further answer a number of possible research questions. Some possible research questions include:

1. What aspects within each of the three domains are, or should be considered, more important relative to each other (e.g., profits vs. share value; legal compliance vs. avoid civil litigation vs. anticipate law; conventions vs. deontological vs. consequences).
2. To what extent do corporate activities fall within each of the seven CSR categories?
3. Are corporate examples used in teaching business more prevalent within certain domains?
4. Is there a difference between those corporate examples used in business ethics courses as opposed to other business school courses with respect to the domains? If there is a difference, might this have an impact on students' perceptions of the responsibilities of business?
5. Do corporations tend to shift from one domain to another (i.e., change their emphasis) following a significant corporate scandal?
6. Do students tend to shift their preference from one domain to another after taking a business ethics or social issues in management course?
7. Do corporate employees tend to shift their preference from one domain to another following legal compliance or ethics training?
8. Is CSR performance (i.e., acting within certain CSR domains such as the economic/legal/ethical category) associated with firm financial performance? Does it lead or lag financial performance? (CSR performance is also referred to as CSP—corporate social performance).

Future research can be greatly facilitated following the three-domain model. One issue is the creation of an instrument designed to measure CSR and its component domains. A second issue is the possible creation of CSR Portraits using data gathered via the research instrument. A third issue is the exploration of existing and future research questions. With the creation and testing of a research instrument, the research process will be greatly advanced as a number of different populations and samples may be studied.

Conclusion

The proposed model, the "Three-Domain Model of CSR," extrapolated from the foundational work of Carroll, is proposed as an alternative means of describing CSR activity and orientations which pervade the business community. The proposed model eliminates the separate philanthropic category and subsumes it within the economic and/or ethical spheres. It is considered that this treatment more appropriately depicts the placement of philanthropy, particularly for business ethics applications. It is proposed that the new model more completely and accurately portrays the relationships between the three central CSR domains: economic, legal, and ethical. The three-domain model also helps eliminate the inherent assumption of a hierarchical relationship among the domains which some perceived in Carroll's pyramidal depiction of CSR. The broadening of the domains' descriptions provides a more complete construct by which to better classify corporate activities. One of the difficulties faced by researchers is the ability to properly classify corporations and their activities within a CSR construct (Clarkson 1995: 96). The new model is intended to provide a more appropriate means and theoretical framework by which to categorize CSR activities. It is anticipated that as corporate managers and business students reflect on corporate actions and where they should be classified within the three-domain model, an improved understanding of the relationship between business and society and more specifically between economics, law, and ethics, might take place.

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