Positive Economics and the Normativistic Fallacy: Bridging the Two Sides of CSR

Philipp Schreck
Dominik van Aaken
University of Munich

Thomas Donaldson
University of Pennsylvania

ABSTRACT: In response to criticism of empirical or "positive" approaches to corporate social responsibility (CSR), we defend the importance of these approaches for any CSR theory that seeks to have practical impact. Although we acknowledge limitations to positive approaches, we unpack the neglected but crucial relationships between positive knowledge on the one hand and normative knowledge on the other in the implementation of CSR principles. Using the structure of a practical syllogism, we construct a model that displays the key role of empirical knowledge in fulfilling a firm's responsibility to society, paying special attention to the implications of the "ought implies can" dictum. We also defend the importance of one particular class of empirical claims; namely, claims from the field of economics. Even positive economic theory, which is often criticized for endorsing profits rather than values, can cooperate in intriguing ways with non-economic concepts in the implementation of CSR goals.

KEY WORDS: Corporate Social Responsibility, practical syllogism, positive economics, normative ethics, political CSR, philosophy of science

IN THEORIZING ABOUT CORPORATE SOCIAL RESPONSIBILITY (CSR), the role of positive research has been controversial. By "positive" we mean research that uses social science methods akin to those of the natural sciences in a search for empirical laws, causal relations and other regularities (Hollis, 1994: chap. 3; Treviño & Weaver, 1994). Positive research approaches vary, but all share the feature of being non-normative; in other words, they are not designed to determine the norms or goals that ought to guide behavior.

Although we acknowledge limitations to positive approaches, we want to reveal their special importance for the practical application of normative CSR theories. In one sense, our claim is uncontroversial, since everyone grants that moral precepts must be applied to the real world, not to an empirical vacuum. Here, however, we expand this argument to suggest that any approach that ignores the indispensable role of positive knowledge commits what can be called the "normativistic fallacy," i.e., the fallacy of supposing that norms alone constitute a sufficient basis for ac-

©2013 **Business Ethics Quarterly** 23:2 (April 2013); ISSN 1052-150X pp. 297–329
DOI: 10.5840/beq201323218

tion. More specifically, we formulate a model that helps explain the special role of empirical knowledge for implementing a firm's responsibility to society, and we defend the relevance of a particular class of empirical claims, namely, claims deriving from the field of positive economics, to this issue.

In our view, the importance of positive research in the pursuit of workable CSR has been systematically underestimated. On the one hand, and especially during the last two decades, CSR scholars have embraced positive approaches. According to one survey, 108 out of 114 (95%) CSR-related articles published in leading management journals between the years 1992 and 2002 took a non-normative (empirical or theoretical) approach (Lockett, Moon, & Visser, 2006: 126). One field of study within positive research that has enjoyed particular attention has been the analysis of a possible link between corporate social and financial performance (de Bakker, Groenewegen, & Hond, 2005; Margolis & Walsh, 2003; Orlitzky, 2011). The search for such a link has been motivated by the wish to determine empirically whether there is a "business case for CSR" (Kurucz, Colbert, & Wheeler, 2008).

On the other hand, the overall adequacy of positive approaches to CSR has been repeatedly challenged. Moreover, some scholars have wondered whether positive approaches can ever be logically integrated with the normative requirements of CSR theory (Donaldson, 1994). The critics' main concerns refer to alleged epistemological limits that hinder critical reflection on the role and responsibilities of firms (Banerjee, 2003; Scherer, Palazzo, & Baumann, 2006; Swanson, 1995: 50; Windsor, 2001). Put generally, positive approaches to CSR are said to suffer from a lack of normative power simply because they fail to "provide a good moral grounding for the issue of CSR" (Scherer & Palazzo, 2007: 1097).

Much of this criticism targets positive approaches that offer an "instrumental" account of the motives companies have for adopting CSR, that is, accounts that see CSR as either a help or hindrance in maximizing profit or market value (Mackey, Mackey, & Barney, 2007; McWilliams & Siegel, 2001). The critics allege that instrumental accounts smuggle in normative assumptions such as "firms ought to maximize shareholder value" and that these assumptions lack normative justification. Instrumental accounts imply that firms ought to treat all stakeholder interests as mere instruments toward the end of profit maximization (Gond, Palazzo, & Basu, 2009; Margolis & Walsh, 2003: 280; Swanson, 1995: 50). Orlitzky (2011: 410) notes in his recent quantitative review on the corresponding literature, that "instrumental stakeholder theory . . . has come under attack." To overcome the alleged normative deficiencies of the prevailing positive CSR research, including those with an instrumental focus, some critics have advocated a "paradigmatic shift" (Scherer & Palazzo, 2007: 1098) towards non-positive theories of the firm.

Nevertheless, while many of the criticisms of instrumental views and, more broadly, of the normative naiveté of empirical CSR-related research, are well-founded, we believe that the contribution of empirical research to CSR has been neglected and misunderstood. To develop our arguments, we proceed in three steps. First, we formulate a model that schematizes the integration of positive and normative CSR knowledge. We analogize ethical reasoning to a practical syllogism containing distinct, ordered parts: the *normative-justificatory*, the *positive*, and the *prescriptive*.

In contrast to the positive stage, both the normative-justificatory and the prescriptive stages are normative. While research at the normative-justificatory stage aims to justify what is ethically desirable, the prescriptive stage aims to implement the ethically desirable outcome. We demonstrate that any functioning theory of CSR must encompass all three stages in order to achieve its aims. The syllogistic structure helps display both the effectiveness and the limitations of positive approaches to CSR research. By allowing for the distinction between two different kinds of normative propositions, this structure clarifies precisely where positive research can, and where it cannot, inform normative CSR research.

The next two sections of our paper demonstrate the model's effectiveness. Although our model is not formally restricted to a particular positive approach to CSR, we focus on the approach of positive economics. We do so in order to display the strength of our argument within a single, consistent theoretical perspective, and to show the relevance of certain kinds of economic knowledge. For this reason, we begin with the second, *positive stage* of the practical syllogism, incorporating insights there from positive economics. Taking for granted the existence of at least some ethically justified principles and goals in the first, *normative-justificatory stage*, we demonstrate how a positive, economic approach to CSR offers a coherent, albeit sometimes challengeable, framework for analyzing how and to what extent profit-maximizing companies are able to engage in ethically desirable behavior. This framework separates CSR-related choices *within* economic constraints from *higher-level* CSR-related choices of the constraints themselves.

In the final section we proceed to the third, prescriptive stage and show how the results obtained through positive analysis can inform practical, "action-guiding" conclusions. Propositions at this stage constitute practical conclusions drawn from the first two stages that aim to implement what is ethically desirable under factual conditions. Our attempt answers recent calls for frameworks that can "guide both normative and positive research from a single conceptual lens" (van Oosterhout, 2010: 253–54; see also Treviño & Weaver, 1994). Throughout the paper we demonstrate how positive economics can, despite its "normative deficiencies" (Scherer & Palazzo, 2007: 1099), serve normative aims in intriguing ways.

TOWARDS AN INTEGRATED CSR MODEL: ETHICAL REASONING AS A PRACTICAL SYLLOGISM

In order to understand how normative and positive perspectives can work in tandem to unfold their full potential, we analogize ethical arguments, as noted above, to a *practical syllogism* (Homann & Pies, 1994: 4; Mothersill, 1962; Suchanek, 2001: 22). This allows us to demonstrate how normative and positive approaches are capable of mutually compensating their respective limitations with regard to CSR research.

A practical syllogism is a philosophical concept for practical reasoning that can be traced to Aristotle. It can be defined as a form of "reasoning which leads to something different from the premises yet [is] necessitated by them" (Thornton, 1982: 57). We intend to replicate not a traditional theoretical syllogism that references only facts—i.e., "All B is A," "C is B," "therefore, C is A" (e.g., "All men are

https://doi.org/10.5840/beq201323218 Published online by Cambridge University Press

mortal"; "Socrates is a man"; therefore "Socrates is mortal.")—but rather a practical syllogism, the conclusion of which is not a logical truth but a prescription for action. While a theoretical syllogism logically combines two factual propositions, a practical syllogism combines factual and normative propositions (Kenny, 1966). More precisely, the practical syllogism involves a normative premise of what is desirable in the first premise, the positing of factual conditions in the second premise, and a prescription for action in the conclusion (Mothersill, 1962: 453–56). Thus, the practical syllogism is a form of reasoning that builds on the interplay of the desirability of one premise and the empirical truth of a second premise. If both premises are accepted, it follows that the conclusion is logically valid, i.e., it is a practical truth. For example, it is true that Siemens *ought* not to be corrupt, if the following premises (1) and (2) are accepted:

(1) Firms *ought not* to be corrupt (premise about normative principle).
(2) Siemens is a firm (premise about factual conditions).
(3) Siemens *ought not* to be corrupt (prescription for action).

A premise about empirical circumstances in a practical syllogism can take different forms. In the example above, the syllogism has the form of a rule/case syllogism, i.e., the second premise—if true—guarantees that it is correct to apply the first universal premise to the particular case at hand (Thornton, 1982: 60). Even more important for our purposes, a practical syllogism might also come in the form of an end/means syllogism (von Wright, 1963). In that case, the second premise expresses a belief about empirical means for reaching a given, desirable end. An end/means syllogism might state:

(1) Firms ought not to be corrupt (premise about normative principle).
(2) Industry-wide rules are the best means against corruption (premise about factual conditions).
(3) All firms ought to engage in efforts to establish industry-wide rules (prescription for action).

As in the rule/case syllogism, the prescription for action is logically valid so long as premise (1) is seen as ethically justified and premise (2) as factually true. Note that the first premise of a practical syllogism makes no explicit reference to empirical constraints; those constraints must be embodied in the second premise. Note also that it is proper to speak of the "selection" of the second premise because more than one means can often be used to achieve the value specified in the first premise—we select the means to fit the end. This logic is reflected in Aristotle's *Nicomachean Ethics*:

> We deliberate not about ends but about means. For a doctor does not deliberate whether he shall heal, nor an orator whether he shall persuade, nor a statesman whether he shall produce law and order, nor does any one else deliberate about his end. They assume the end and consider how and by what means it is to be attained; and if it seems to be produced by several means they consider by which it is most easily and best produced. . . . And if we come on an impossibility, we give up the search, e.g., if we need money and this cannot be got; but if a thing appears possible we try to do it. . . . We deliberate about things that are in our power and can be done; and these are in fact what is left. (Aristotle, 1925/1998: Book 3, chap. 3)

To sum up, a practical syllogism combines normative propositions about what is desirable with propositions about factual conditions in order to reach prescriptive conclusions. Hence, a practical syllogism consists of three distinct stages, as summarized in Figure 1.

	Stage of Analysis	Research Aim
[Premise 1]	Normative-Justificatory	Ethical justification of principles and goals
[Premise 2]	Positive	Descripitions, explanations, and predictions of empirical constraints
[Conclusion]	Normative-Prescriptive	Action-guiding prescription

Figure 1: Ethical Reasoning as a Practical Syllogism

The first stage provides answers to the question of what *ought* to be. Since here the goal of CSR research is to ethically justify normative principles and goals, we label this the "normative-justificatory" stage of analysis. The second stage of the syllogism provides answers to the question of *what actually is*. This stage includes positive analyses of empirical facts that must be taken into account when determining which means are suitable for achieving the normative ends. We label this the "positive" stage of analysis. The third stage of the syllogism contains a synthesis of the first and second stages that allows the deduction of prescriptions for further action (such as policy implications, etc.). As the aim at this stage of analysis is to provide prescriptions, i.e., action guidance, we label it the "normative-prescriptive" stage. Both the normative-justificatory and the prescriptive stage are normative in that they assert what "ought" to be: the former involves the justification of what is ethically desirable (the end), and the latter the specification of the act(s) that are prescribed (the means towards the end).

The practical syllogism elucidates the necessity of both a positive and normative stage in order to derive prescriptive, "action-guiding" implications (Mothersill, 1962). Our next task is to frame the different aims of CSR research within a syllogistic structure and demonstrate how a particular combination of both normative and positive stages is necessary for CSR research.

Stage 1: CSR as Justificatory Research

Despite the long tradition of CSR research (Schwartz & Carroll, 2008), the concept of CSR has been notoriously difficult to define (Matten & Moon, 2008: 405). For the purposes of this paper we employ a stipulative definition of CSR, understanding it simply as "a firm's responsibility to society." Similar definitions can be found in the academic literature (Bowen, 1953: 6; Frederick, 1994: 150). Our definition assumes that "society has certain expectations for appropriate business behavior and outcomes" (Wood, 1991: 695). Under "CSR activities" we subsume the policies, rules, initiatives, and acts that firms undertake individually or collectively in order to fulfill their responsibilities to society, whereas "CSR research" refers to academic attempts to analyze CSR phenomena.

Social values and, in consequence, the social responsibilities of business can vary across time and contexts (Matten & Moon, 2008). Due to our focus on issues of implementation, we will introduce the simplifying assumption that the concept of CSR reflects society's expectation that companies act in line "with well established, widely recognized moral principles" (Bowie & Dunfee, 2002: 386), sometimes referred to as "hypernorms" (Donaldson and Dunfee, 1999). Note that our definition of CSR does not imply a specific normative conception. A firm's responsibilities may or may not go beyond the satisfaction of the economic interests of owners (Friedman, 1970) and obeying the law (McWilliams & Siegel, 2001).

In addressing its diverse aims, CSR research has been informed by other related streams of research. Indeed, CSR research can be viewed as a subset of the broader area of business ethics research (see Beauchamp, Bowie, & Arnold, 2009; Green & Donovan, 2010: 23), and philosophically inspired normative theories from other subfields of business ethics have influenced the development of the CSR literature. Normative concepts of business ethics, often informed by ideas from the discipline of philosophy, are relevant to the discussion of the scope of the social responsibilities of corporations. In a similar vein, the disciplines of economics, political science, psychology, or sociology have become relevant to CSR research, contributing to an understanding of individual, group, or organizational behavior in CSR.

What is important in our context is that from the early CSR writings of the 1930s and 1940s (Carroll, 2008) to today's most influential conceptual works, the central debate has been on what companies *should* do, which makes this debate inherently *normative*. Scholars who study CSR have devoted considerable energy to the ethical justification of whether and, if so, to what extent companies should assume social responsibilities. Most of these approaches fit within the categories typically used to classify traditional ethical theories. In the tradition of utilitarianism brought forward by philosophers such as Jeremy Bentham or John Stuart Mill, some scholars have taken a consequentialist perspective on CSR, arguing that the ethical quality of business is determined by the extent to which it maximizes economic welfare (Henderson, 2001; Jensen, 2002). In contrast, in line with deontological ethical theories such as those of Kant or Habermas, other scholars have argued that the rational quality of intentions and rules that drive the activities of companies is the measure of ethical legitimacy (Bowie, 1999; Scherer & Palazzo, 2007).

A further class of normative theories concerned with business responsibilities stem from the contractualist approaches developed by philosophers and economists such as Hobbes, Rawls, Gauthier, and Buchanan. These approaches share the view that corporate behavior is ethically correct to the extent that it accords with implicit and explicit social contracts (Blair & Stout, 1999; Donaldson & Dunfee, 1999; Sacconi, 2011). Finally, some scholars have used the perspective of Aristotelian virtue ethics to argue that companies should contribute to society (Sison, 2008; Solomon, 2002).

The need for normative ethics in CSR research has rightly been emphasized, especially with regard to the justification of moral principles and the need to reflect critically on and ultimately change the status quo of the role of business in modern societies. Without normative direction, positive approaches fail to go beyond what "is" in order to develop an understanding of what "ought" to be (Dunfee & Donaldson, 2002a). Thus, CSR scholars have often worried about the normative failure of positive management research. As Scherer and Palazzo put it, "theorizing the ethical behavior of firms is not a matter of explaining and continuing the status quo" (Scherer & Palazzo, 2007: 1104; similarly: Margolis & Walsh, 2003). Other scholars have gone even farther, arguing that positive research approaches are "overtly hostile to ethics" (Wicks & Freeman, 1998: 123). The rationale for such skepticism often invokes what is known in moral philosophy as the "naturalistic fallacy" (Moore, 1903/1993):[1]

> To suppose that one can deduce an "ought" from an "is," or, what amounts to the same thing, that one can deduce a normative ethical conclusion from empirical research, is to commit a logical mistake some dub the "naturalistic fallacy." (Donaldson & Dunfee, 1994: 253)

The concept of a naturalistic fallacy precisely identifies the limitations of positive research: such research is incapable of providing normative guidance on its own. Hence, normative theory is crucial; positive theory is sterile without it.

Stage 2: CSR as Positive Research

Positive research on CSR can be informed by a variety of disciplines. Theories from psychology, for example, have been used to describe the elements of ethical decision-making and to analyze why there might be a gap between an individual's intention to act and his or her actual behavior (Kish-Gephart, Harrison, & Treviño, 2010; Messick, 1999; Treviño, Weaver, & Reynolds, 2006). Insofar as these approaches help explain how individual decision-making can support or hinder corporate efforts to act in line with social values, they are relevant to the study of CSR and help clarify the second or "positive" stage of the practical syllogism.

On the corporate level, sociology has proven to be a useful theoretical lens for the analysis of CSR-related corporate behaviors. For example, institutional theory has been used to analyze how institutional pressure can shape corporate social action (Campbell, 2007; Marquis, Glynn, & Davis, 2007) and van Aaken, Splitter, and Seidl (2013) mobilize Bourdieu's theory of practice to explain CSR as attempts to gain social power. Other researchers have used economic theory to analyze corporate social behavior. For example, McWilliams and Siegel (2001) and Mackey et al. (2007) use standard economic assumptions to examine how rational, value-maximizing firms choose certain levels of social performance even in the absence of intrinsic motivation (i.e., an inherent preference) for social causes. In contrast to such traditional approaches, other economists have followed the trend of behavioral economics to incorporate social preferences in the economic agents' utility function. In this vein, they include an inherent preference for social causes into the economic

https://doi.org/10.5840/beq201323218 Published online by Cambridge University Press

calculus of firms and stakeholders in order to analyze how this preference can help explain certain corporate social behavior (Baron, 2001, 2009).

Irrespective of their conceptual background, positive approaches focus on the explanation and prediction of corporate social behavior. For example, Simnett, Vanstraelen, and Wai Fong (2009: 964) found in their empirical study that a company's choice to include assurance statements in its sustainability report had been determined by factors such as the company's size, industry, or legal environment; in other words, their research sought to identify regularities of the empirical world, and to *explain* under which circumstances firms assure reports.

Explanations can often be turned into *predictions*. For example, on the basis of his explanation of the drivers of socially responsible corporate behavior, Campbell (2007: 952) predicts that corporations "will be less likely to act in socially responsible ways when they are experiencing relatively weak financial performance." Explanatory and predictive statements about CSR behavior can be viewed broadly as forms of conditional statements with "if", "then" structures. Although such conditional statements go beyond simple description, in principle they are not in themselves action-guiding and belong to the realm of positive, not normative, science.[2]

The same logic applies to "instrumental" CSR research, which, as we saw earlier, asks whether and how companies use responsible behavior as a means towards the end of conventional corporate performance objectives (Donaldson & Preston, 1995: 71; Windsor, 2006). Instrumental CSR research typically seeks to provide evidence for propositions such as "if a company improves its social performance, under certain conditions this engagement will lead to improved customer satisfaction and higher firm market value" (see, e.g., Luo & Bhattacharya, 2006; Mackey et al., 2007). As long as instrumental CSR research treats the (normative) objective of profit-making as exogenously given without, however, subjecting that objective to normative justification, it remains non-normative in nature. However, positive research, whether economic or not, can make statements *about* normative principles and goals without normatively evaluating or endorsing them (Blaug, 1980: 129–55).

To be sure, positive research is often used in an attempt to justify normative guidance. For example, some researchers have used their own positive CSR research as a justification for their normative conclusion that managers "should" consider CSR only insofar as it enhances profits (McWilliams & Siegel, 2001; Siegel, 2009). Such a questionable move from explanation/prediction to prescription corresponds to traversing an "epistemic fault line" (Donaldson, 2012).

Stage 3: CSR as Prescriptive Research

In addition to searching for both the "is" and the "ought" of corporate behavior, CSR research has sought to discover ways to *implement* the "ought." For example, when scholars seek ways to end corruption and bribing (e.g., Misangyi, Weaver, & Elms, 2008), they build their work on the assumption that a normative evaluation of corruption and bribing has deemed these practices ethically undesirable (see Dunfee & Donaldson, 2002b). Such research is of relevance to two special audiences interested in changing the status quo: business managers ("how can we live up to our social responsibilities?") and members of society ("how can we make companies live up to their social responsibilities?"). If researchers want to provide guidance for these two audiences, they need to seek not only to justify *why* corporate behavior should change, but also *how* it can be changed; in short, they need to address the issue of "implementation."

The overall goals of CSR research have thus been normative in two broad senses: (1) to identify what is ethically desirable, (2) to implement what is desirable. While normative-justificatory theories have moved researchers closer to the first goal, they cannot deliver by themselves the second. CSR requires well-justified normative arguments to defend ethical judgments such as "bribery is illegitimate" (Dunfee & Donaldson, 2002b), or human beings "should never be treated merely as a means" (Bowie, 2002), or "business has obligations to protect the natural environment" (Hoffman, 1991). But CSR research also requires empirical knowledge to specify the conditions under which such propositions can be implemented.

By analogizing CSR to a form of *practical syllogism* we are able to understand better the limits of purely justificatory theory towards the goal of implementation, and the significance of positive approaches to compensate these limitations. Just as a denial of normative reasoning at the first stage bears the risk of committing the "naturalistic fallacy," an analogous problem emerges when one ignores the second stage of positive analysis and risks committing the "normativistic fallacy" (Suchanek, 2004: 171).

The naturalistic fallacy, as described above, involves the illicit move from "is" to "ought." The normativistic fallacy, the obverse concept, involves the illicit move from an "ought" at the justificatory stage to an "ought" at the prescriptive stage without considering what actually "is." It refers to conceptions of a prescriptive "ought" unaided by an effective theory of what actually "is." Because implementing an "ought" requires the utilization of sets of facts, including facts that permit the possibility of implementation, the identification and justification of a normative "ought" in contrast to an empirical "is" forms a necessary but not sufficient step for responsible behavior (Homann, 1999, 2002; von Wright, 1971: chap. 1.9).

If an ethical theory justifies the principle that firms *ought* to prevent bribery (stage 1); and if—for the sake of implementation—it develops prescriptions for how firms ought to prevent bribery (stage 3), then a firm must have the means to act accordingly (stage 2). At a minimum, a good act must be possible, something often expressed through the dictum that "ought implies can." To return to the earlier example: if it is (descriptively) true that any company that individually abandons bribery (i.e., in the absence of other firms abandoning bribery) will be squeezed out of the market by corrupt competitors, then the prescription that a particular firm must as a part of its permanent overall strategy abandon bribery entails the normativistic fallacy (whereas justifying bribery based on the observation that "everybody does it" would entail the naturalistic fallacy). Note, however, that if it were true that collective, enforceable anti-bribery rules could ensure that no competitor would exploit another firm's practices, a given firm might well have the responsibility to act collectively by helping establish such rules. In short, the practical syllogism is only valid if it avoids prescriptions that the actors are unable to effect (see also Nussbaum, 1985: 190). Again, this factual precondition is often expressed by moral philosophers through the dictum, "ought implies can." Multiple versions of the dictum exist.

Although some aspects of it are debated (see, e.g., Kekes, 1984; Littlejohn, 2009), its underlying truth is widely accepted (Beirlaen, 2011; Streumer, 2007; Vranas, 2007): simply put, it cannot be said that I *ought* to do something, unless I *can* do it.

The obligations of organizations are no exception. In establishing an organizational obligation such as "firms ought to take action to prevent bribery," we must first know that it is *possible* to fulfill the obligation, and this presupposes knowing *how* to fulfill the obligation. Moreover, because changing prevalent behavioral patterns in organizations towards a normative goal requires knowledge about actual organizational behavior in markets, positive theories of organizational behavior and economics are necessary in order to fulfill the obligation and to move from "is" to "ought" (Margolis & Walsh, 2003: 284; Treviño & Weaver, 1994). Otherwise, we commit the "normativistic fallacy."

Our argument requires qualification, however. Due to the presumed truth of the principles in the first stage of the syllogism, the "ought implies can" argument applies only to the third stage. Although a company may be exempted from fulfilling its moral obligation in one way, it is not excused from its duty of fulfilling it in other ways. So even if a given firm cannot be said to have the responsibility to individually abandon bribery while remaining in business, it still bears a responsibility to seek other ways to discharge its moral obligation to fight corruption. Put more generally, the unconditional "ought" at the first stage implies the obligation to discover a "can" that allows for an implementable prescription. Empirical constraints cannot entirely disburden the bearer of a responsibility.

In conclusion, the concept of the normativistic fallacy identifies one of the key limitations of purely normative research. Although such research is needed to identify the ethically desirable, it is incapable of incorporating restrictions on the means, to implement the ethically desirable. We can reverse the earlier proclamation. Earlier we noted that "normative theory is crucial; positive theory is sterile without it." Now we can also say "positive theory is crucial; normative theory is sterile without it."

In the remainder of this article, we shall treat ethically justified principles and goals (stage 1) as exogenous. We shall choose one established research area of social science, namely economics, to investigate CSR at the positive stage of analysis. This will illustrate how our proposed integrated CSR model allows for the development of prescriptive implications that avoid both the naturalistic and the normativistic fallacies. We proceed to offer a positive *economic* account of CSR.

THE POSITIVE STAGE: A POSITIVE ECONOMIC APPROACH TO CSR

It is at the second stage of the practical syllogism that the key role of positive approaches emerges, which is to explain consistently why, when, and how companies engage in CSR activities. In this section we reach four main conclusions: first, firms do not systematically engage in inefficient CSR over time; second, under given constraints, companies can engage in socially responsible behavior while making a profit; third, firms can induce changes on the level of constraints so that previously unprofitable kinds of CSR become profitable; fourth, under certain determinable conditions, firms will have no incentives to induce changes on the level of constraints, as desirable as such changes would be. Before we elaborate these points, we must first justify our intended use of standard positive economics.

Applying Standard Economic Theory to CSR

Why choose positive economics to illustrate how a positive theory can help derive far-reaching prescriptive implications? We acknowledge that this choice is debatable. Critics might reply that doing so is arbitrary: there are positive approaches other than economics capable of describing and explaining CSR behavior. We do not deny that other positive approaches can fulfill a similar function. Real-world insights not only from economics, but also from psychology (e.g., Messick, 1999) or sociology (e.g., Ingram & Clay, 2000; Marquis et al., 2007) are highly relevant to our understanding of CSR activities. Nevertheless, we restrict our analysis to positive economics in the present instance for three reasons.

First, much of the current work on CSR is based on standard economic assumptions and offers an instrumental account of CSR (Garriga & Melé, 2004: 53; Orlitzky, 2011: 413). Consequently, much of the existing criticism of positive research explicitly focuses on economic accounts of CSR (e.g., Gond et al., 2009; Scherer & Palazzo, 2011; Ulrich, 2009; Windsor, 2001). Second, economists have repeatedly addressed the distinction between positive (explanatory) and normative theory for the sake of implementation. As Keynes stated in his analysis of the *Methodenstreit* during the late nineteenth century, economics consists of three kinds of enquiries, which roughly correspond to the three stages of our syllogism:

> [A] *positive science* may be defined as a body of systematized knowledge concerning what is; a *normative* or *regulative science* as a body of systematized knowledge relating to criteria of what ought to be, and concerned therefore with the ideal as distinguished from the actual; and *art* as a system of rules for the attainment of a given end. The object of a positive science is the establishment of *uniformities*, of a normative science the determination of *ideals*, of an art the formulation of *precepts*. (Keynes, 1917: 31)

Third, positive economics is particularly helpful in light of the issues surrounding contemporary corporate behavior. The theoretically powerful core of mainstream economics offers a well-established, coherent framework for understanding corporate behavior and, by offering a simplifying lens, it allows for a rigorous analysis of those phenomena (Friedman, 1953: 14; Keynes, 1917: 142–45; Lazear, 2000: 99). Indeed, standard economic models have been repeatedly used for positive analyses of CSR (Lyon & Maxwell, 2008; Mackey et al., 2007). In sum, we do not claim that economics is the only viable approach for examining empirical constraints and opportunities for CSR. We do not even claim that it is the best. We claim only that standard positive economics offers a legitimate, internally consistent and promising way of explaining and predicting CSR behavior.

Positive economics, at least as normally practiced, implies a particular understanding of corporate behavior. Firm motives are assumed univocally to be profit-driven, and thus even CSR is interpreted as a means towards the end of profits. In consequence, CSR is understood as merely another factor of firm choice, along with product portfolio, market strategy, level of R&D investment, ownership structure, and the like (Reinhardt, Stavins, & Vietor, 2008: 232). For example, even in the context of charitable giving (Lev, Petrovits, & Radhakrishnan, 2010; Navarro, 1988), CSR becomes just another aid or hindrance to profits. From a strictly economic perspective, firms do not knowingly engage in inefficient CSR (Baron, 2001, 2009).

Note that this concept of the value-maximizing firm is an axiomatic, heuristic, and analytical tool. It constitutes a methodological assumption rather than an ontological statement (Becker, 1993: 385; Keynes, 1917: 115; Menger, 1985: 82). In this narrow sense, we assume for present purposes that companies behave *as if* CSR were a means of maximizing firm value. The quality of empirical theories in explaining and predicting corporate behavior is not dependent on the accuracy of those theories' assumptions. Thus, the adequateness of the economic approach ought not to be assessed by the realism of its assumptions but by the validity of its predictions (Friedman, 1953: 8–30; Hollis, 1994: 53–59; Mayer, 1999).[3]

We now are able to turn to the question of how the emergence of CSR can be explained despite the standard economic assumptions outlined above. To do this, it is useful to differentiate between two levels of analysis that are commonly identified in economic reasoning: choices *of* constraints on the one hand, and choices *within* constraints on the other (Buchanan, 1987: 585). On the first—the *constitutional*—level, the analysis focuses on "explicit or implicit, formally or informally enforced rules" (Vanberg, 2007: 200), which constitute the constraints under which economic agents make choices to maximize their utility. The second—the *operational* or *action*—level refers to human action performed under given environmental constraints (Brennan & Buchanan, 1985; Vanberg & Buchanan, 1988). The distinction between choices of constraints as opposed to choices within constraints helps distinguish two mechanisms that can yield socially responsible corporate behavior. Value-maximizing companies engage in CSR in one of two ways: either they identify profitable CSR strategies under given constraints or they engage in CSR on the constitutional level to align moral and economic rationality. The impetus for CSR can thus arise at either the firm or the constitutional level.

Choices within Constraints: Why Economic Value-Maximizing Firms Engage in CSR

If, from a strictly economic perspective, unprofitable CSR activities cannot exist and if we, on the other hand, systematically *do* observe CSR activities, these have to be instances where ethical desirability and economic rationality are well aligned. To illustrate this, Figure 2 depicts the possible relations between ethical desirability and economic rationality.

Companies have no incentives to engage in activities located in quadrant III, and while they do have economic incentives for quadrant IV activities, these are not desirable from an ethical point of view. Analogously, quadrant II refers to ethically desirable but economically inefficient activities, which we do not expect to observe systematically. Quadrant I includes the only kind of ethically desirable behavior (i.e., CSR) that can be systematically anticipated within a strictly economic approach,

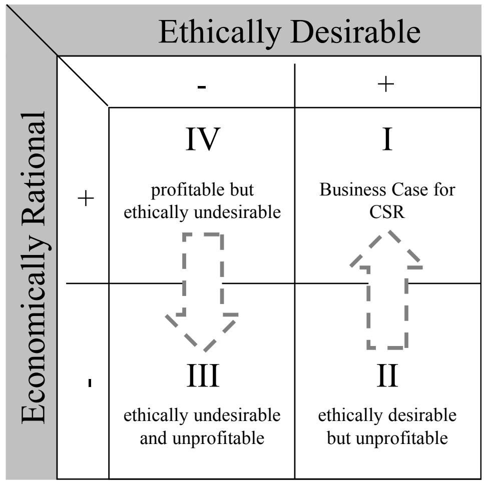

Figure 2: Economic Rationality, Ethical Desirability, and Effects of Institutional Changes

as outlined above. Because of its characteristic combination of ethical desirability and economic rationality, this kind of CSR has been labeled "the business case for CSR" (e.g., Frank, 1996; Kurucz et al., 2008). The economic approach to CSR aims to identify the determinants of what makes companies succeed or fail in making moral behavior profitable. Rather than dismissing this search for a business case for CSR because it is ideological (Dyllick & Hockerts, 2002; Gond et al., 2009: 66–68), the economic approach seeks to identify how to effect a convergence of moral principles and corporate profit-seeking.

Note that we maintain for present purposes the assumption that companies engage in CSR in expectation of enhanced profits. Our working hypothesis is that firms strategically provide CSR "only when pressured or sufficiently rewarded" (Baron, 2009: 9). Put differently, we focus on approaches that treat CSR as the *explanandum*, i.e., a phenomenon that needs to be explained, rather than the *explanans*, i.e., a phenomenon that is part of the explanation (Hempel & Oppenheim, 1948). Just as economists have been successful in explaining the emergence of moral behavior among egoistic individuals (Axelrod, 1981; Vanberg & Buchanan, 1988), CSR scholars have produced insights into how companies without an *ex ante* interest in CSR still engage in CSR activities.

In view of the above, the key challenge at the action level is to use economic theory in order to open up options in quadrant I of Figure 2. Companies occupy this quadrant only when engaging in CSR activities whose benefits outweigh their costs. In analyzing why companies engage in CSR from an economic perspective, then, the focus lies on the impact that a given CSR measure has on the firm's costs and its revenues (Ambec & Lanoie, 2008: 47). Such an impact can reside either inside or outside the firm, and a voluminous body of positive research already illuminates specific ways in which CSR affects financial performance. This research has analyzed precisely how CSR can cause financially desired effects, e.g., by enhancing employee motivation, lowering a company's cost of capital, increasing customer satisfaction, etc. Table 1 provides a detailed list of positive research studies that connect CSR to enhanced profits.

As all studies represented in Table 1 share the basic methodological assumption of economic value-maximizing, they provide insights into the incentives that may lead companies—in the absence of an intrinsic motivation for CSR—to engage

Table 1: Examples of Positive Knowledge on CSR on the Action Level

Effects of CSR on	Economic motivation	Theoretical results	Empirical evidence
operations	May reduce production and operating costs.	Hart (1995): through pollution prevention, companies can realize significant savings, resulting in a cost advantage relative to competitors.	Christmann (2000): given heterogeneity in firm resources and capabilities, environmental management may enable firms to simultaneously protect the environment and reduce costs.
		Heal (2005): CSR may reduce waste and thus costs.	Klassen & Whybark (1999): manufacturing performance is significantly better when management investment is allocated toward pollution prevention technologies.
employees	May increase employee productivity while decreasing wages and turnovers.	McWilliams & Siegel (2001): firms that satisfy employee demand for CSR may be rewarded with increased worker loyalty, morale, and productivity.	Montgomery & Ramus (2007): employees are willing to forgo financial benefits if a company has a good CSR reputation.
		Reinhardt & Stavins (2010): employees may be willing to sacrifice part of the returns to labor to further the social good.	Riordan, Gatewood & Bill (1997): a company's CSR reputation increases employees' job satisfaction and lowers turnover.
cost of capital	May grant access to, and lower costs of, equity.	Baron (2009): through the provision of CSR, companies can attract investors who prefer corporate philanthropy over direct charitable giving.	Doh, Howton, Howton & Siegel (2010): social investors are a growing share of the overall investment community, and attention to their interests can broaden the pool of capital available to firms.
		Mackey, Mackey & Barney (2007): equity holders may prefer to invest in firms pursuing socially responsible activities.	Dhaliwal, Li, Tsang & Yang (2011): firms that voluntarily initiate the publication of CSR reports enjoy a subsequent reduction in the cost of equity capital. This especially applies to firms with superior social performance.
customers	May increase customers` willingness to pay and attract additional customers.	Bagnoli & Watts (2003): companies will provide CSR for which consumers have high participation value.	Brown & Dacin (1997): CSR associations influence the overall evaluation of the company, which in turn can affect how consumers evaluate a company's product.
		Besley & Ghatak (2007): CSR reputation can attract additional customers and increase their willingness to pay.	Du, Bhattacharya & Sen (2007): consumers of a brand identify with the brand to a greater extent when it is a CSR brand than when it is not.
potential employees	May increase employer attractiveness.	Lyon & Maxwell (2008): companies try to attract and retain the best employees by making environmental commitments that are aligned with employees' environmental values.	Luce, Barber & Hillman (2001): corporate social performance may be important to attractiveness as an employer through its contribution to familiarity with the firm.
		Portney (2008): most people would rather work for an employer that is highly respected than one that is widely reviled.	Greening & Turban (2000): corporate social performance gives potential employees a signal on working conditions and thus increases employer attractiveness.

https://doi.org/10.5840/beq201323218 Published online by Cambridge University Press

business community	May enable profitable contracting with suppliers, peers, and local communities.	Grant & Keohane (2005): organizations that are poorly rated by their peers are likely to have difficulty in persuading them to cooperate.	Carter & Jennings (2002): increased socially responsible activities lead to improved trust in and commitment to suppliers and to increased supplier performance.
		Reinhard & Stavins (2010): through CSR a firm may be able to differentiate itself in the input markets in a way that enhances profits.	Hillman & Keim (2001): corporate social performance may lead to better relations with primary stakeholders, which could lead to increased shareholder wealth.
risk management	May help to avoid undesired events (such as NGO attacks, negative media coverage etc.).	Lange, Lee & Dai (2011): a good reputation may give organizations the benefit of the doubt when new negative information comes to light.	Godfrey, Merril & Hansen (2009): in the context of a negative event, the decline in shareholder value is smaller for firms that engage in CSR activities than for firms that do not.
		Peloza (2006): companies may use CSR to develop a strong reputation, which helps them withstand negative CSR events.	King & Soule (2007): corporate targets are less vulnerable to protest when the media has given substantial coverage to the firm prior to the protest event.

in CSR. While conceptual works explain why CSR might trigger economically positive effects inside and outside the firm, empirical research investigates whether such effects exist in reality. For example, it has often been argued that investments in CSR can allow companies to sustain price premiums through a better reputation in customer markets (Bagnoli & Watts, 2003; Besley & Ghatak, 2007). As several empirical studies suggest, this effect indeed exists, albeit only under certain company-specific, product-specific, and customer-specific conditions (e.g., Brown & Dacin, 1997; Du, Bhattacharya, & Sen, 2007; Luo & Bhattacharya, 2006).

Our aim is not to provide an exhaustive overview of all positive economic research about CSR for the action level, but only to demonstrate how positive research in a field such as economics can yield findings that can subsequently be used for prescriptive purposes. As the works referred to in Table 1 show, there are consistent economic explanations for the existence of CSR that also provide a clue about when we do *not* expect companies to engage in CSR. To the extent that value-maximizing companies reject CSR in the absence of a business case, and to the extent that positive CSR research can show when business cases do or do not exist, positive CSR research can illuminate the precise nature of the CSR challenge and indicate when alternative strategies should be sought. One such strategy is change on the "constitutional" level.

Choices of Constraints: Translating Morality into Economic Incentives

Unfortunately, the business case for all worthy CSR goals cannot be assumed. Indeed, it may be the exception rather than the rule, although this is hotly debated (Margolis & Walsh, 2001, 2003). While CSR on the action level "pays" in some instances, there clearly are other instances where the adherence to ethical norms conflicts with economic rationality (Vogel, 2005).

If desirable forms of CSR are inefficient on the action level, the only way that desirable behavior can be achieved from the standpoint of economic rationality is through changes on the constitutional level that affect the economic evaluation of a given CSR measure. Put differently, constitutional changes can translate the ethically desirable into the economically rational. In general, such changes are brought about through the establishment of various formal and informal institutions that ensure that moral behavior is not exploited and that immoral behavior is not economically rewarded. Such changes are not restricted to laws and legal procedures but also include other kinds of collective agreements. The point here is that companies have opportunities to induce constitutional changes by themselves.

Figure 1 shows how constitutional changes, represented by arrows, correspond to shifts from one quadrant to another. It is important to note that the arrows refer not to all conceivable shifts, but only to all desirable ones. Constitutional changes that incentivize ethical behavior and discourage unethical behavior change the economic value of a given action. In this vein, the arrows illustrate how constitutional changes can affect the economic utility of corporate behavior so that undesirable behavior will become unprofitable, and desirable behavior will become profitable.[4] The most obvious formal institution that can induce desirable shifts is legal regulation. For example, in a situation where it is cheaper for companies to emit carbon (quadrant IV) rather than to avoid such emissions through investments in green technologies (quadrant II), a tax on carbon emissions will reduce the economic incentives for environmental pollution (a shift from IV to III) and increase the pay-offs from investments in greener technologies (a shift from II to I).

The problem with legal regulation is that in many instances it is not an option. Scholars in the CSR field have convincingly argued that globally operating firms often find themselves in environments where adequate regulations either do not exist or cannot be enforced, causing “regulatory gaps” (Homann, 2007; Scherer & Palazzo, 2008). However, there are ways to fill the gap. Most important in our context, companies themselves can bring about constitutional changes when they engage in rule finding and rule setting processes (Goodpaster, 2010: 146–50). For instance, companies and environmental groups have teamed up in the United States Climate Action Partnership (USCAP) to push for national legislation to ensure a reduction of greenhouse gas emissions.

Overall, we can distinguish two fundamentally different kinds of constitutional changes depending on their economic value for companies. In the first kind of case, there is a business argument for improving the rules of the game through various forms of collective self-commitment. At the cross-industry level such engagement includes voluntary international agreements such as the UN Global Compact (Williams, 2004) in which companies commit themselves to certain standards of ethical conduct. At the industry level, for instance, major toy producers jointly established a common industry code of conduct (CoC) to implement common standards on working conditions in developing countries (Biedermann, 2006). In that way, they established functional equivalents to state regulation to ensure the legitimacy of their economic activities. Another example is provided by the *collective action* program of Siemens. Here, the company, together with NGOs, tries to convince all participants in a contract award procedure to eliminate corruptive practices (Siemens AG, 2012). Such initiatives are grounded in the understanding that (1) companies often cannot fight corruption individually and (2) many companies prefer non-corrupt systems over corrupt systems for economic reasons.

The common characteristic of these forms of constitutional change is that, by ensuring commitment on the level of constraints, it becomes possible to reduce the need for ethical choices within these constraints. Corporations, in effect, assume new responsibilities previously considered the exclusive domain of governmental responsibilities (Margolis & Walsh, 2003; Scherer & Palazzo, 2011), but they do so in a way that is fully consistent with economic rationality: by means of collective self-commitments, companies voluntarily impose constraints on themselves for their mutual benefit.

Beyond the examples mentioned above, there is a growing body of positive research on different forms of corporate engagement on the constitutional level. Table 2 (next page) summarizes the results of a number of studies that provide evidence about the economic incentives that led companies to address ethical problems through collective self-commitments.

Again, it is not our aim to provide an exhaustive overview of such research. Rather, we hope to demonstrate that positive research—even if it assumes self-oriented, economic value-maximizing firms—is capable of producing knowledge that can inform normative theories. Before turning to the prescriptive implications of these findings at the positive stage of analysis, we shall explore briefly the second kind of constitutional change.

Although there are instances in which companies have incentives to push for ethically desirable constitutional changes, such incentives do not always exist. If, as positive economics would predict, corporations apply the same economic value-maximizing calculus both to choices *within* the rules and choices *among* the rules, they will influence rule-setting processes so that these promote their value-maximizing interests (Barley, 2007; Bonardi, Hillman, & Keim, 2005). As works on political lobbying suggest, such strategic behavior can result in efforts to prevent ethically desirable changes or even to push for undesirable changes (e.g., see Hillman, Keim, & Schuler, 2004).

What is more, CSR scholars warn that collective self-commitments may be "cheap talk" that aims to deceive consumers and other stakeholders, with companies advertising the fact that they subscribe to voluntary standards and disclosing information about their ethical conduct, even as they fail to live up to either (Roberts, 2003). Arguably, the probability of collective corporate "green-washing" or "blue-washing" (Laufer, 2003) depends on the expected costs and returns that such behavior entails. The efficacy of commitments as functional equivalents to effective governmental regulation depends on the economic incentives that can potentially induce companies to adhere to their promises—for example, the probability of NGOs or consumers detecting unacceptable behavior, the expected costs of adhering to particular principles of ethical conduct, and the probability that individual companies break their own and thus the collective self-commitment. Therefore, just as there is no reason to assume an unconditional business case for CSR on the action level, it would be naïve to assume that all ethically desirable constitutional changes are in the economic interest of companies. In these cases, even if it might be desirable for companies to

Table 2: Examples of Positive Knowledge on Self-Commitment on the Constitutional Level

Prime addressee	Example of collective self-commitment	Economic motivation	Theoretical and/or empirical evidence
Society	Adherence to the principles of the Global Compact.	Secure collective legitimacy.	Through voluntarily susbscribing to certain ethical standards, companies try to positively influence societal perceptions of economic globalization (Williams, 2004).
	Chemical companies commit themselves to improvements in health, safety and environmental performance.	Avoid spillover effects.	Companies protect their reputation against spillover effects that occur when the whole industry is held responsible for the accidents caused by irresponsible companies (Barnett & King, 2008).
State	Voluntary emissions-reduction in an industry.	Avoid state regulation.	If the thread of mandatory regulation is high while the marginal cost of self-regulation is relatively low, it makes good sense for firms to engage in voluntary emissions-reduction (Maxwell, Lyon, & Hackett, 2000).
	Collectively organized voluntary environmental programs.	Influence state regulation.	Through their involvement in voluntary environmental programs, companies may be able to leverage their participation to influence future regulation (Borck & Coglianese, 2009).
Customers	Market-based social governance schemes (e.g., fair-trade labels).	Increase consumer demand by reducing uncertainty about product quality.	Stringency and enforcement of market-based social governance schemes in the context of fair-trade coffee positively affect consumer purchasing behavior (Schuler & Christman, 2011).
	Collective adoption of environmental management standard ISO14000.	Leverage reputational effects.	By collectively adopting environmental standards, companies gain reputational benefits which they would not be able to create individually (Potoski & Prakash, 2005).
Supply-chain Partners	Local collective action, articulated through industry associations.	Reduce costs; secure and enhance market access.	Especially when value chains are highly visible, suppliers in developing country export industries collectively respond to externally generated CSR pressures to secure continued access to markets (Lund-Thomson & Nadvi, 2010).
	Collective adoption of environmental management standard ISO14000.	Reveal to supply-chain partners credible information about organizational attributes and behaviors.	Organizations apply environmental management standards to reduce information asymmetries with supply-chain partners (King, Lenox, & Terlaak, 2005).
Competitors	Self-regulation in the commercial nuclear power industry.	Maintain conditions necessary for the industry to survive.	In response to a dramatic nuclear power plant accident, companies in the commercial nuclear energy sector created a system of self-regulation to compensate for the state's lacking capacity for solving their problems (Campbell, 1989).
	Environmental industry self-regulation.	Raise barrier to entry and reduce competitive pressure.	Maintaining high environmental standards raises the barrier of entry for new competitors and thus reduces competition (Stoeckl, 2004).

engage in CSR as political actors, positive economics suggests that companies will not support the changes, regardless of whether they should support them.

In sum, our analysis at the positive stage of the practical syllogism has identified two mechanisms by means of which corporate social behavior can persist even under the assumption of economic value-maximizing companies. Either companies find a business case for CSR on the action level, or they push for constitutional changes to ensure that ethically desirable behavior will be aligned with economic rationality. However, both mechanisms have limits. These limits can be identified by positive analyses and should be referenced by any normative CSR theory. We now turn to the prescriptive consequences that follow from our positive analysis.

THE PRESCRIPTIVE STAGE: COMBINING "IS" AND "OUGHT" TO DERIVE PRESCRIPTIVE IMPLICATIONS

As summarized in Figure 3, we can finally combine results at the justificatory stage (considered exogenous) with those at the positive stage (derived in the previous section) to deduce implications at the prescriptive stage. Here, the principal benefit of positive economics for CSR lies in illuminating the persistent problem of implementation. A positive analysis cannot justify *why* companies should assume social responsibilities, but can help show *how* to implement them. To see how prescriptive conclusions—in the form of ascribed responsibilities—can be derived, we draw again on the distinction between choices of constraints and choices within constraints. Accordingly, we can distinguish two scenarios involving two types of responsibilities. The first concerns situations where the rules of the economic game ensure the convergence of ethical desirability and private benefits. The second concerns situations where market failures damage constitutional settings, resulting in economically efficient but ethically bad behavior.

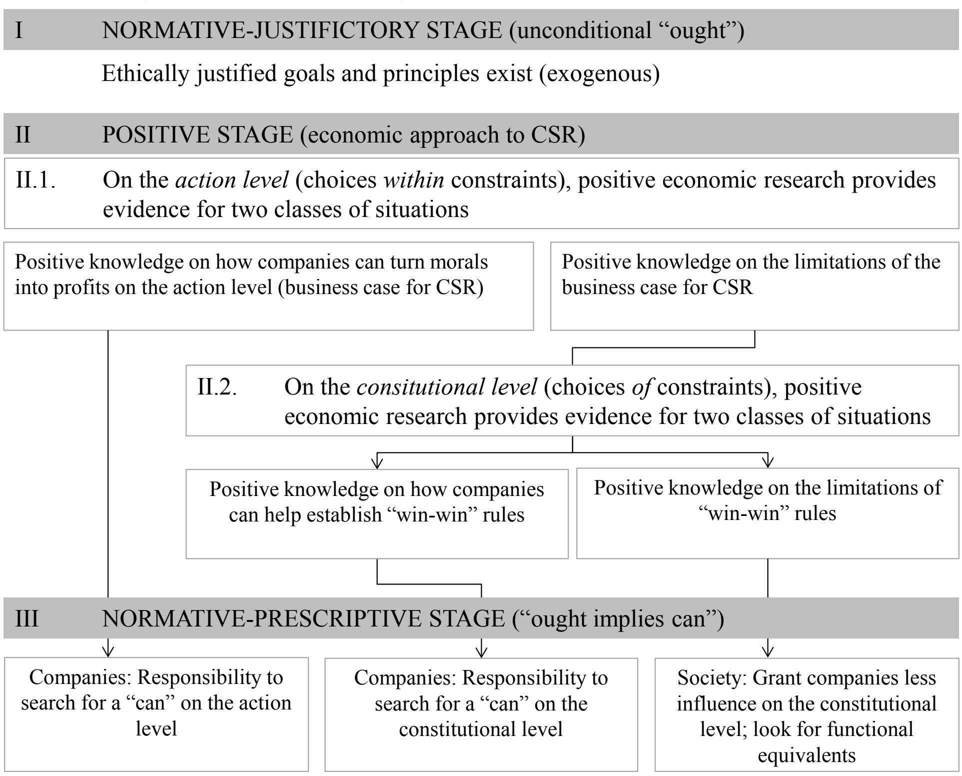

Figure 3: The Role of Positive Economics in Normative CSR Research

https://doi.org/10.5840/beq201323218 Published online by Cambridge University Press

Responsibilities within a Functioning Framework

Companies with profit-seeking owners have a responsibility to offer goods and services at a profit. As our positive analysis of the business case for CSR has revealed, companies in some instances succeed in developing successful CSR strategies at the action level and in this way turn moral concerns into market opportunities. Such cases provide impressive examples of the successful convergence of profits and ethically desirable goals.

Using the device of the practical syllogism once more, we can derive the following prescriptive conclusion: assuming ethically justified principles and goals exist, and given positive knowledge about the possibilities and probabilities of aligning these principles and goals with economic rationality on the action level (see Table 1), it is a corporation's *ethical* responsibility to search for the type of opportunities that appear in quadrant I of Figure 1. Put differently, it is a corporation's responsibility to identify a "can" on the action level in order to allow for an implementation of an ethically desirable "ought."

There are, however, caveats relevant to this conclusion. As mentioned earlier, in some instances the constitutional setting can reward ethically *un*desirable behavior. Given the goal of implementation, how can a theory of CSR find a remedy? In terms of the syllogism, how can it develop implementable precepts? One option is simple moral suasion. This involves stressing the argument that certain behavior (such as bribing) is ethically wrong and needs to be unconditionally abandoned. We interpret the call for a "paradigmatic shift" in the corporations' self-perception (Gond & Matten, 2007; Scherer & Palazzo, 2007: 1098) as such an effort. Here the aim is to shift the underlying preferences of corporate actors.

Such calls for change, however, can court the normativistic fallacy. The focus on changing the underlying motivation of corporate actors can backfire because it does not account for incentives on the constitutional level that are causally responsible for undesirable behavior. Economic agents are sometimes incapable of *individually* enforcing moral norms without being driven out of the market. In such a situation, demanding that economic actors refrain from, say, bribing, without at the same time changing the conditions on the constitutional level, reveals a confusion of the actors' principles and their actual ability: even if actors wanted to comply with moral rules, they could not do so over time if their behavior led to bankruptcy. The limits of moral suasion in shaping CSR are suggested by the dictum, "ought implies can." Note that this does not mean that bribing would be morally justified from any perspective, or that an economic actor would be unburdened morally. Bribery is commonly defined as involving either a breach of trust or an illegal action, both of which are *prime facie* wrong (Transparency International, 2009). Given the unconditional moral truth identified at stage 1, the economic agent still bears moral responsibilities, but now on a different level. The distinction between "ought" at the justificatory stage and "ought" at the prescriptive stage (introduced during our discussion of the "normativistic fallacy") helps identify what might be called the "locus of responsibility" in CSR research. An economic approach to CSR, including the demonstration of the limitations of the business case for CSR on the action level, does not absolve companies from responsibility. Rather, it elucidates the need for and the existence of other possibilities to implement what is ethically desirable.

Responsibilities in the Face of Market Failure

Any company's inability to compensate morally for certain market failures forms the point of departure for conclusions at the prescriptive stage of the syllogism. When certain moral principles, such as "bribery is wrong," are ethically justified but not self-enforced by markets, corporate responsibilities shift from the action level to the constitutional level (Homann & Blome-Drees, 1992). Rather than demanding compliance with norms that contradict economic rationality, the economic approach directs attention to solutions on the level of the rules of the game (Buchanan, 1987; Vanberg, 2007).

This approach focuses on higher levels of self-commitment by companies, i.e., initiatives that push for constitutional change. It disallows a company's simple excuse that "the market made me do it." Economic pressures on the action level cannot excuse a company's failure to adhere to moral norms, and require, in turn, its efforts at the constitutional level. Although it may not be possible for a firm to enforce individually the desirable norm, it bears the responsibility to "make an effort—or to participate in the efforts of others in seeking a collaborative resolution" (Goodpaster, 2010: 147). If a host country government has established a "pay-to-play" system that demands payments to government officials in return for the ability to bid for commercial contracts, corporations trapped in such a constitutional dilemma have obligations to coordinate efforts with other companies so as to effect constitutional change—for example, by agreeing to introduce a "publish what you pay" norm (Transparency International, 2008).

This is why positive research on collective self-commitments as functional equivalents to regulation is so important for normative CSR theories. We need to ask how companies might develop incentives to assume political co-responsibilities and to contribute to ethical improvements of the constitutional framework. Inspired by the many examples we discussed above (see Table 2), we conclude that more research is needed to analyze how companies can find and establish "win-win" rules that serve the interests of both business and society (Pies, Hielscher, & Beckmann, 2009). In other words, more research is needed to help devise cooperative strategies that allow economic actors to build both private and social value. We acknowledge the often herculean difficulty of this task, but regard it as necessary.

These considerations, then, help derive a second, important prescription from our syllogism: assuming that ethically justified principles and goals exist, and given positive knowledge about the possibilities and probabilities of aligning these principles and goals with economic rationality through changes on the constitutional level, it is a corporation's *ethical* responsibility to initiate changes on the constitutional level to bring about such alignments. Put differently, it is a corporation's responsibility to identify a "can" on the constitutional level that allows the implementation of the ethically desirable "ought."

The Limits of Corporate Social Responsibility

Again, however, we acknowledge limits to this responsibility. Just as the business case implies limits on the action level, that same argument suggests limits to win-win

https://doi.org/10.5840/beq201323218 Published online by Cambridge University Press

possibilities on the constitutional level. Such limits coincide, not surprisingly, with the constraints of economic incentives. Considered within an economic perspective, ethically desirable constitutional changes through self-commitments cannot occur when companies have no economic incentives whatsoever to bring them about. To take an analogous example: if monopolies are considered undesirable, from an economic perspective we should not expect the monopolists to abandon their monopoly (Jensen, 2002: 246).

One approach to addressing this problem is to question whether economic constraints are as powerful on the constitutional level as they are on the action level. In this vein, some CSR scholars have argued that companies should not apply the same logic to both levels, and should switch from an economic to a discursive mode (Ulrich, 2009) that aims at "[re-] forming the *mindset* of the meta game" (Pies et al., 2009: 387). Yet caution is in order. By ignoring the economic prediction that companies have profit-maximizing preferences throughout the levels of their behavior, calls for a new political responsibility (Scherer & Palazzo, 2011) may risk committing the normativistic fallacy once more. Companies may not change their stripes simply because it is ethically desirable to do so, even when contemplating collective action. To avoid naïve expectations and counter-productive behavior, the economic approach to CSR implies caution. In fact, when companies have no incentives for collective self-commitments to their mutual benefit, the economic perspective suggests that they should be granted fewer rather than more opportunities to shape the rules of the game.

This brings us to our third and last prescriptive conclusion. Whereas the first two prescriptive conclusions were meant to provide guidance to companies, the third is directed at external stakeholders who are interested in changing corporate behavior towards ethical goals and principles. Assuming that ethically justified principles and goals exist, but assuming also an absence of adequate means to align those principles and goals with economic rationality on either the action or the constitutional level, the economic approach suggests that CSR per se has reached the limits of its power of implementation. Here, economic considerations argue in favor of alternative means such as externally-determined rules and incentives. They argue for state regulation and its functional equivalents, such as the influence of powerful pressure groups.

Powerful stakeholders can sometimes tip the scales in favor of CSR behavior, including constitutional initiatives. Working in a dynamic setting, consumers, employees, and investors, can often succeed in transforming moral concerns into economic incentives strong enough to influence companies' decision-making. A growing number of ethically aware consumers, employees, and investors can turn previously inefficient CSR strategies into profitable ones. And a growing ability of NGOs and activist groups to put pressure on companies can make it impossible for the latter—whether they like it or not—to ignore new forms of constitutional responsibilities.

CONCLUSION, OBJECTIONS, AND REPLIES

Using the structure of the practical syllogism we have unpacked the neglected but crucial relationship between positive knowledge on the one hand and normative knowledge on the other in the implementation of CSR principles. More specifically, we have shown how even positive economic theory, a theory often criticized for endorsing profits over values, can cooperate with non-economic concepts to implement CSR goals. To be sure, some positive theorists might commit the "naturalistic fallacy." However, as we have shown, normative theorists can also commit the opposite, namely, the "normativistic fallacy." Utilizing three distinct stages of a practical syllogism, we have illuminated the special role of the "ought implies can" dictum in the implementation of CSR goals.

We have shown how positive economic knowledge can be useful for understanding why, how, and when corporations can engage in CSR behavior. Such knowledge helps direct attention to the obligation to look for constitutional possibilities for implementing ethically desirable "oughts." At the same time, positive economics does not unburden managers from their responsibility to reflect on their actions beyond merely economic interests. Our consideration of the various economic incentives that underlie corporate initiatives at the constitutional level sheds light on recent calls for companies to assume new political co-responsibilities.

Of course, critics can question these conclusions. First, they can argue that our use of positive economics is not value-free. They can assert that rather than merely identifying factual conditions at the second stage of the syllogism, positive economics implies an unacknowledged normative assumption that firms *ought* to maximize profits. Hence, if a normative "ought" residing at the first stage must pass through a second-stage "reality-test" dominated by economic considerations before it is finally formulated as a valid prescription at the third stage, ethics turns out to have been trumped by profits. This criticism deserves response.

We acknowledge that the use of economic theory almost unavoidably carries normative stipulations (Harris & Freeman, 2008; Ulrich, 2009). However, we have not argued for the dominance of (positive) economics over (normative) ethics. On the contrary, we have sought to identify ways to instrumentalize economic theory as a means towards the end of ethical reasoning. In the process, we have identified the boundary conditions of our approach; namely, cases from which the economic "can" allowing for the implementation of the ethical "ought" is missing. In these cases we did not argue for abandoning the moral obligation but emphasized that the ethical "ought" persists unconditionally. In this respect, we explicitly acknowledged the limitations of our approach, noting, for example, that powerful stakeholder groups may sometimes be required to pressure companies in a way that aligns the ethical "ought" with the economic "can." Consequently, our argument is not that companies should maximize their economic profit, but rather that researchers and company managers alike should avoid economic naïveté and employ whatever economic tools are at their disposal to effect corporate responsibility.

We acknowledge an important limitation. The usefulness of our account in the latter part of this paper is contingent upon the ability of positive economics to explain and predict CSR behavior, i.e., to deliver on the second stage of the syllogism. Ultimately, the capability of positive economics to inform normative CSR research will be judged by the extent to which it is able to produce factual and realistic propositions about actual CSR behavior, and to comprehensively understand the corporate phenomenon. Although we argued that positive economics offers a powerful theoretical framework, we do not pretend to deny the importance of other rival forms of positive knowledge, such as sociology or psychology, in working to achieve corporate responsibility.

Nonetheless, the underlying logic of the way in which other positive approaches such as sociology or psychology can cooperate in the implementation of CSR goals will follow the same broad syllogistic structure we have mapped in our use of positive economics. For example, to the extent that organizational psychology might reveal deep-seated tendencies in companies to rationalize environmentally destructive behavior, it follows that any CSR-inspired attempt to implement environmental education within companies must adjust its educational design to reflect that psychological reality. "Ought" implies "can," whether the "can" is economic, sociological, or psychological.

NOTES

We acknowledge comments from Ryan Burg, Tobias Hahn, Karl Homann, Hans-Ulrich Küpper, Dirk Matten, Andreas Georg Scherer, and the participants of the Wittenberg Ordnungsethik Workshop on earlier drafts of this paper.

1. The term "naturalistic fallacy"—as used by Moore—has been subject to debate (for example, see Frankena, 1939). We use it in the sense proposed by Donaldson (1994) and Goodpaster (1985): one cannot deduce "ought"-statements from pure "is"-statements.

2. We grant that any research is value-laden in the sense that it generally builds on normative stipulations that reflect underlying value judgments of the researcher and the society he or she lives in. Choices such as the selection of research topics and methods are contingent and inherently normative and lead to fundamentally different discourses (Deetz, 1996). However, although research is percolated with subjective judgments in this sense, we agree with Gordon's conclusion (1991: 620) that "there is no warrant for the view that the social sciences are irredeemably subjective, or culture-relative to a degree that prevents them from arriving at reasonably objective inferences about social phenomena."

3. The methodological status of this assumption can be exemplified with the (methodological) structuralist theory of empirical science (see Balzer, Moulines, & Sneed, 1987; Balzer, Sneed, & Moulines, 2000). Put simply, the structuralist view suggests that the inner core of theories consists of formal structures rather than empirical statements. Empirical theories gain their predictive power through applications of the formal structure on specific empirical situations. For example, Newton's laws of motion are, in fact, unrealistic assumptions, as frictionless planes are non-existent constructions. But they create a realistic picture of the behavior of physical objects. The fifth postulate of Euclid (the parallel postulate) is a formal axiom which makes no ontological claim but plays a crucial role in reflecting the reality of the behavior of light. Analogously, the assumption of the homo oeconomicus belongs to the formal core of the economic approach and is not an empirical statement about the real world (Hahn & Hollis, 1979: 4; O'Neill, 1998: 189). Nevertheless, it predicts human behavior in reality.

4. Of course, an alignment of economic rationality and ethical desirability could also take place via changes in morality. For example, the social acceptance of child labor might change over time or across cultures. However, as we assume morality (stage 1) to be exogenously given in our analysis, such changes do not fall into this paper's scope.

REFERENCES

Ambec, S., & Lanoie, P. 2008. Does it pay to be green? A systematic overview. ***Academy of Management Perspectives***, 22: 45–62. http://dx.doi.org/10.5465/AMP.2008.35590353

Aristotle. 1925/1998. ***The Nicomachean ethics***, trans. W. D. Ross. New York: Oxford University Press.

Axelrod, R. 1981. The emergence of cooperation among egoists. ***The American Political Science Review***, 75: 306–18. http://dx.doi.org/10.2307/1961366

Bagnoli, M., & Watts, S. 2003. Selling to socially responsible consumers: competition and the private provision of public goods. ***Journal of Economics and Management Strategy***, 12: 419–45. http://dx.doi.org/10.1162/105864003322309536

Balzer, W., Moulines, C. U., & Sneed, J. D. 1987. ***An architectonic for science: the structuralist approach***. Dordrecht: Reidel. http://dx.doi.org/10.1007/978-94-009-3765-9

Balzer, W., Sneed, J. D., & Moulines, C. U. (Eds.). 2000. ***Structuralist knowledge representation: paradigmatic examples***. Amsterdam: Rodopi.

Banerjee, S. B. 2003. Who sustains whose development? Sustainable development and the reinvention of nature. ***Organization Studies***, 24: 143–80. http://dx.doi.org/10.1177/0170840603024001341

Barley, S. R. 2007. Corporations, democracy, and the public good. ***Journal of Management Inquiry***, 16: 201–15. http://dx.doi.org/10.1177/1056492607305891

Barnett, M. L., & King, A. A. 2008. Good fences make good neighbours: A longitudinal analysis of an industry self-regulatory institution. ***Academy of Management Journal***, 51: 1150–70. http://dx.doi.org/10.5465/AMJ.2008.35732609

Baron, D. P. 2001. Private politics, corporate social responsibility, and integrated strategy. ***Journal of Economics and Management Strategy***, 10: 7–45. http://dx.doi.org/10.1162/105864001300122548

__________. 2009. A Positive Theory of Moral Management, Social Pressure, and Corporate Social Performance. ***Journal of Economics & Management Strategy***, 18: 7–43. http://dx.doi.org/10.1111/j.1530-9134.2009.00206.x

Beauchamp, T. L., Bowie, N. E., & Arnold, D. G. (Eds.) 2009. ***Ethical theory and business*** (8th ed.) Upper Saddle River, N.J.: Prentice Hall.

Becker, G. S. 1993. Nobel lecture: The economic way of looking at behavior. ***The Journal of Political Economy***, 101: 385–409. http://dx.doi.org/10.1086/261880

Beirlaen, M. 2011. Ethical consistency and the logic of ought. ***Theoretical & Applied Ethics***, 1: 45–51.

Besley, T., & Ghatak, M. 2007. Retailing public goods: the economics of corporate social responsibility. ***Journal of Public Economics***, 91: 1645–63. http://dx.doi.org/10.1016/j.jpubeco.2007.07.006

Biedermann, R. 2006. From a weak letter of intent to prevalence: The toy industries' code of conduct. ***Journal of Public Affairs***, 6: 197–209. http://dx.doi.org/10.1002/pa.234

Blair, M. M., & Stout, L. A. 1999. Team production in business organizations: An introduction. ***Journal of Corporation Law***, 24: 743.

Blaug, M. 1980. ***The methodology of positive economics***. Cambridge: Cambridge University Press.

Bonardi, J.-P., Hillman, A. J., & Keim, G. D. 2005. The attractiveness of political markets: Implications for firm strategy. ***Academy of Management Review***, 30: 397–413. http://dx.doi.org/10.5465/AMR.2005.16387895

Borck, J. C., & Coglianese, C. 2009. Voluntary environmental programs: Assessing their effectiveness. ***Annual Review of Environment and Resources***, 34: 305–24. http://dx.doi.org/10.1146/annurev.environ.032908.091450

Bowen, H. R. 1953. ***Social responsibilities of the businessman***. New York: Harper & Row.

Bowie, N., & Dunfee, T. 2002. Confronting morality in markets. ***Journal of Business Ethics***, 38: 381–93. http://dx.doi.org/10.1023/A:1016080107462

Bowie, N. E. 1999. ***Business ethics: A Kantian perspective***. Malden, Mass.: Blackwell.

__________. 2002. A Kantian approach to business ethics. In R. A. Frederick (Ed.), ***A companion to business ethics***: 3–16. Oxford: Blackwell.

Brennan, G., & Buchanan, J. M. 1985. ***The reason of rules: Constitutional political economy***. Cambridge: Cambridge University Press.

Brown, T. J., & Dacin, P. A. 1997. The company and the product: corporate Associations and consumer product responses. ***Journal of Marketing***, 61: 68–84. http://dx.doi.org/10.2307/1252190

Buchanan, J. M. 1987. Constitutional economics. In P. Newman, J. Eatwell, & M. Milgate (Eds.), ***The new Palgrave: A dictionary of economics***, 1: 585–88.

Campbell, J. L. 1989. Corporations, collective organization, and the state: Industry response to the accident at Three Mile Island. ***Social Science Quarterly***, 70: 650–66.

__________. 2007. Why would corporations behave in socially responsible ways? An institutional theory of corporate social responsibility. ***Academy of Management Review***, 32: 946–67. http://dx.doi.org/10.5465/AMR.2007.25275684

Carroll, A. B. 2008. A history of corporate social responsibility: Concepts and practices. In A. Crane, A. McWilliams, D. Matten, J. Moon, & D. S. Siegel (Eds.), ***The Oxford handbook of corporate social responsibility***: 19–46. Oxford: Oxford University Press.

Carter, C. R., & Jennings, M. M. 2002. Social responsibility and supply chain relationships. ***Transportation Research Part E***, 38: 37–52. http://dx.doi.org/10.1016/S1366-5545(01)00008-4

Christmann, P. 2000. Effects of "best practices" of environmental management on cost advantage: The role of complementary assets. ***Academy of Management Journal***, 43: 663–80. http://dx.doi.org/10.2307/1556360

de Bakker, F. G., Groenewegen, P., & Hond, F. d. 2005. A bibliometric analysis of 30 years of research and theory on corporate social responsibility and corporate social performance. ***Business & Society***, 44: 283–317. http://dx.doi.org/10.1177/0007650305278086

Deetz, S. 1996. Describing differences in approaches to organization science: Rethinking Burrell and Morgan and their legacy. ***Organization Science***, 7: 191–207. http://dx.doi.org/10.1287/orsc.7.2.191

Dhaliwal, D. S., Li, O. Z., Tsang, A., & Yang, Y. G. 2011. Voluntary nonfinancial disclosure and the cost of equity capital: The initiation of corporate social responsibility reporting. ***The Accounting Review***, 86: 59–100. http://dx.doi.org/10.2308/accr.00000005

Doh, J. P., Howton, S. D., Howton, S. W., & Siegel, D. S. 2010. Does the market respond to endorsement of social responsibility? The role of institutions, information, and legitimacy. ***Journal of Management***, 36: 1461–85. http://dx.doi.org/10.1177/0149206309337896

Donaldson, T. 1994. When integration fails: The logic of prescription and description in business ethics. ***Business Ethics Quarterly***, 4: 157–69. http://dx.doi.org/10.2307/3857487

———. 2012. The epistemic fault line in corporate governance. ***Academy of Management Review***, 37: 256–71. http://dx.doi.org/10.5465/amr.2010.0407

Donaldson, T., & Dunfee, T. W. 1994. Toward a unified conception of business ethics: Integrative social contracts theory. ***Academy of Management Review***, 19: 252–84.

———. 1999. ***Ties that bind: A social contracts approach to business ethics***. Boston: Harvard Business School Press.

Donaldson, T., & Preston, L. L. 1995. The stakeholder theory of the corporation: Concepts, evidence, and implications. ***Academy of Management Review***, 20: 65–91.

Du, S., Bhattacharya, C. B., & Sen, S. 2007. Reaping relational rewards from corporate social responsibility: The role of competitive positioning. ***International Journal of Research in Marketing***, 24: 224–41. http://dx.doi.org/10.1016/j.ijresmar.2007.01.001

Dunfee, T. W., & Donaldson, T. 2002a. Social contract approaches to business ethics: Bridging the "is-ought" gap. In R. A. Frederick (Ed.), ***A Companion to Business Ethics***: 38–55. Oxford: Blackwell.

———. 2002b. Untangling the corruption knot: Global bribery viewed through the lens of integrative social contract theory. In N. Bowie (Ed.), ***The Blackwell guide to business ethics***: 61–76. Malden, Mass.: Blackwell.

Dyllick, T., & Hockerts, K. 2002. Beyond the business case for corporate sustainability. ***Business Strategy & the Environment***, 11: 130–41. http://dx.doi.org/10.1002/bse.323

Frank, R. H. 1996. Can socially responsible firms survive in a competitive environment? In D. M. Messick & A. E. Tenbrunsel (Eds.), ***Codes of conduct: Behavioral research into business ethics***: 86–103. New York: Russell Sage Foundation.

Frankena, W. K. 1939. The naturalistic fallacy. ***Mind***, 48: 464–77. http://dx.doi.org/10.1093/mind/XLVIII.192.464

Frederick, W. C. 1994. From CSR1 to CSR2: The maturing of business-and-society thought. ***Business & Society***, 33: 150–64. http://dx.doi.org/10.1177/000765039403300202

Friedman, M. 1953. The methodology of positive economics. In M. Friedman (Ed.), ***Essays in positive economics***: 3–43. Chicago: University of Chicago Press.

———. 1970. The social responsibility of business is to increase its profits. ***New York Times Magazine*** (September 13): 32.

Garriga, E., & Melé, D. 2004. Corporate social responsibility theories: Mapping the territory. ***Journal of Business Ethics***, 53: 51–71. http://dx.doi.org/10.1023/B:BUSI.0000039399.90587.34

Godfrey, P. C., Merrill, C. B., & Hansen, J. M. 2009. The relationship between corporate social responsibility and shareholder value: An empirical test of the risk management hypothesis. ***Strategic Management Journal***, 30: 425–45. http://dx.doi.org/10.1002/smj.750

Gond, J.-P., & Matten, D. 2007. Rethinking the business-society interfact: Beyond the functionalist trap. ***ICCSR Research Paper Series No. 47-2007*** Nottingham.

Gond, J.-P., Palazzo, G., & Basu, K. 2009. Reconsidering instrumental corporate social responsibility through the Mafia metaphor. ***Business Ethics Quarterly***, 19: 57–85. http://dx.doi.org/10.5840/beq20091913

Goodpaster, K. E. 1985. Business ethics, ideology, and the naturalistic fallacy. ***Journal of Business Ethics***, 4: 227–32. http://dx.doi.org/10.1007/BF00381763

———. 2010. Corporate responsibility and its constituents. In G. G. Brenkert & T. L. Beauchamp (Eds.), ***The Oxford handbook of business ethics***: 127–60. Oxford: Oxford University Press.

Gordon, S. 1991. ***The history and philosophy of social science***. London: Routledge. http://dx.doi.org/10.4324/9780203423226

Grant, R. W., & Keohane, R. O. 2005. Accountability and abuses of power in world politics. ***American Political Science Review***, 99: 29–43. http://dx.doi.org/10.1017/S0003055405051476

Green, R. M., & Donovan, A. 2010. The methods of business ethics. In G. G. Brenkert & T. L. Beauchamp (Eds.), ***The Oxford handbook of business ethics***: 21–45.

Greening, D. W., & Turban, D. B. 2000. Corporate social performance as a competitive advantage in attracting a quality workforce. ***Business & Society***, 39: 254–80. http://dx.doi.org/10.1177/000765030003900302

Hahn, F. H., & Hollis, M. 1979. ***Philosophy and economic theory***. Oxford: Oxford University Press.

Harris, J. D., & Freeman, R. E. 2008. The impossibility of the separation thesis. ***Business Ethics Quarterly***, 18: 541–48.

Hart, S. L. 1995. A natural resource-based view of the firm. ***Academy of Management Review***, 20: 986–1014.

Heal, G. 2005. Corporate social responsibility: An economic and financial framework, ***The Geneva Papers on Risk and Insurance: Issues and Practice***. http://dx.doi.org/10.1057/palgrave.gpp.2510037

Hempel, C. G., & Oppenheim, P. 1948. Studies in the logic of explanation. ***Philosophy of Science***, 15: 135–75. http://dx.doi.org/10.1086/286983

Henderson, D. 2001. ***Misguided virtue: False notions of corporate social responsibility***. London: Institute of Economic Affairs.

Hillman, A. J., & Keim, G. D. 2001. Shareholder value, stakeholder management and social issues: What's the bottom line. ***Strategic Management Journal***, 22: 125–39. http://dx.doi.org/10.1002/1097-0266(200101)22:2<125::AID-SMJ150>3.0.CO;2-H

Hillman, A. J., Keim, G. D., & Schuler, D. 2004. Corporate political activity: A review and research agenda. ***Journal of Management***, 30: 837–57. http://dx.doi.org/10.1016/j.jm.2004.06.003

Hoffman, W. M. 1991. Business and environmental ethics. ***Business Ethics Quarterly***, 1: 169–84. http://dx.doi.org/10.2307/3857261

Hollis, M. 1994. ***The philosophy of social science: An introduction***. Cambridge: Cambridge University Press.

Homann, K. 1999. Die Relevanz der Ökonomik für die Implementation ethischer Zielsetzungen. In W. Korff, A. Baumgartner, H. Franz, & J. Genosko (Eds.), ***Handbuch der Wirtschaftsethik***, Vol. 1: 322–43. Gütersloh: Gütersloher Verlagshaus.

———. 2002. Ökonomik: Fortsetzung der Ethik mit anderen Mitteln. In C. Lütge (Ed.), ***Vorteile und Anreize***: 243–66. Tübingen: Mohr Siebeck.

———. 2007. Globalisation from a business ethics point of view. In K. Homann, P. Koslowsi, & L. Christoph (Eds.), ***Globalisation and business ethics***: 3–10. Aldershot: Ashgate.

Homann, K., & Blome-Drees, F. 1992. ***Wirtschafts- und Unternehmensethik***. Göttingen: Vandenhoeck & Ruprecht.

Homann, K., & Pies, I. 1994. Wirtschaftsethik in der Moderne: Zur ökonomischen Theorie der Moral. ***Ethik und Sozialwissenschaften***, 5: 3–14.

Ingram, P., & Clay, K. 2000. The choice-within-constraints new institutionalism and implications for sociology. ***Annual Review of Sociology***, 26: 525. http://dx.doi.org/10.1146/annurev.soc.26.1.525

Jensen, M. C. 2002. Value maximization, stakeholder theory, and the corporate objective function. ***Business Ethics Quarterly***, 12: 235–56. http://dx.doi.org/10.2307/3857812

Kekes, J. 1984. "Ought implies can" and two kinds of morality. ***The Philosophical Quarterly***, 34: 459–67. http://dx.doi.org/10.2307/2219064

Kenny, A. J. 1966. Practical inference. ***Analysis***, 26: 65–75. http://dx.doi.org/10.2307/3326284

Keynes, J. N. 1917. ***The scope and method of political economy*** (4th ed.). London: Macmillan.

King, A. A., Lenox, M. J., & Terlaak, A. 2005. The strategic use of decentralized institutions: exploring certification with the ISO 14001 management standard. ***Academy of Management Journal***, 48: 1091–1106. http://dx.doi.org/10.5465/AMJ.2005.19573111

King, B. G., & Soule, S. A. 2007. Social movements as extra-institutional entrepreneurs: The effect of protests on stock price returns. ***Administrative Science Quarterly***, 52: 413–42.

Kish-Gephart, J. J., Harrison, D. A., & Treviño, L. K. 2010. Bad apples, bad cases, and bad barrels: Meta-analytic evidence about sources of unethical decisions at work. ***Journal of Applied Psychology***, 95: 1–31. http://dx.doi.org/10.1037/a0017103

Klassen, R. D., & Whybark, D. C. 1999. The impact of environmental management on firm performance. ***Academy of Management Journal***, 42: 599–615. http://dx.doi.org/10.2307/256982

Kurucz, E. C., Colbert, B. A., & Wheeler, D. 2008. The business case for corporate social responsibility. In A. Crane, A. McWilliams, D. Matten, & J. Moon (Eds.), ***The Oxford handbook of corporate social responsibility***: 83–112. Oxford: Oxford University Press.

Lange, D., Lee, P. M., & Dai, Y. 2011. Organizational reputation: A review. ***Journal of Management***, 37: 153–84. http://dx.doi.org/10.1177/0149206310390963

Laufer W. S. 2003. Social accountability and corporate greenwashing. ***Journal of Business Ethics***, 43: 253–61. http://dx.doi.org/10.1023/A:1022962719299

Lazear, E. P. 2000. Economic imperialism. ***Quarterly Journal of Economics***, 115: 99–146. http://dx.doi.org/10.1162/003355300554683

Lev, B., Petrovits, C., & Radhakrishnan, S. 2010. Is doing good good for you? How corporate charitable contributions enhance revenue growth. ***Strategic Management Journal***, 31: 182–200.

Littlejohn, C. 2009. "Ought," "can," and practical reasons. ***American Philosophical Quarterly***, 46: 363–72.

Lockett, A., Moon, J., & Visser, W. 2006. Corporate social responsibility in management research: Focus, nature, salience and sources of influence. ***Journal of Management Studies***, 43: 115–36. http://dx.doi.org/10.1111/j.1467-6486.2006.00585.x

Luce, R. A., Barber, A. E., & Hillman, A. J. 2001. Good deeds and misdeeds: A mediated model of the effect of corporate social performance on organizational attractiveness. ***Business & Society***, 40: 397–415. http://dx.doi.org/10.1177/000765030104000403

Lund-Thomsen, P., & Nadvi, K. 2010. Global value chains, local collective action and corporate social responsibility: A review of empirical evidence. ***Business Strategy & the Environment***, 19: 1–13. http://dx.doi.org/10.1002/bse.670

Luo, X., & Bhattacharya, C. B. 2006. Corporate social responsibility, customer satisfaction, and market value. ***Journal of Marketing***, 70: 1–18. http://dx.doi.org/10.1509/jmkg.70.4.1

Lyon, T. P., & Maxwell, J. W. 2008. Corporate social responsibility and the environment: A theoretical perspective. ***Review of Environmental Economics and Policy***, 2: 240–60. http://dx.doi.org/10.1093/reep/ren004

Mackey, A., Mackey, T. B., & Barney, J. B. 2007. Corporate social responsibility and firm performance: Investor preferences and corporate strategies. ***Academy of Management Review***, 32: 817–35. http://dx.doi.org/10.5465/AMR.2007.25275676

Margolis, J. D., & Walsh, J. P. 2001. ***People and profits? The search for a link between a company's social and financial performance***. Mahwah, N.J.: Lawrence Erlbaum Associates, Inc.

———. 2003. Misery loves companies: Rethinking social initiatives by business. ***Administrative Science Quarterly***, 48: 268–305. http://dx.doi.org/10.2307/3556659

Marquis, C., Glynn, M. A., & Davis, G. F. 2007. Community isomorphism and corporate social action. ***Academy of Management Review***, 32: 925–45. http://dx.doi.org/10.5465/AMR.2007.25275683

Matten, D., & Moon, J. 2008. "Implicit" and "explicit" CSR: A conceptual framework for a comparative understanding of corporate social responsibility. ***Academy of Management Review***, 33: 404–24. http://dx.doi.org/10.5465/AMR.2008.31193458

Maxwell, J. W., Lyon, T. P., & Hackett, S. C. 2000. Self-regulation and social welfare: The political economy of corporate environmentalism. ***Journal of Law and Economics***, 43: 583–618. http://dx.doi.org/10.1086/467466

Mayer, T. 1999. The domain of hypotheses and the realism of assumptions. ***Journal of Economic Methodology***, 6: 319–30. http://dx.doi.org/10.1080/13501789900000021

McWilliams, A., & Siegel, D. 2001. Corporate social responsibility: A theory of the firm perspective. ***Academy of Management Review***, 26: 117–27.

Menger, C. 1985. ***Investigations into the method of the social sciences with special reference to economics***. New York: New York University Press.

Messick, D. M. 1999. Alternative logics for decision making in social settings. ***Journal of Economic Behavior & Organization***, 39: 11–28. http://dx.doi.org/10.1016/S0167-2681(99)00023-2

Misangyi, V. F., Weaver, G. R., & Elms, H. 2008. Ending corruption: The interplay among institutional logics, resources, and institutional entrepreneurs. ***Academy of Management Review***, 33: 750–70. http://dx.doi.org/10.5465/AMR.2008.32465769

Montgomery, D. B., & Ramus, C. A. 2007. Including corporate social responsibility, environmental sustainability, and ethics in calibrating MBA job preferences. ***Stanford University Graduate School of Business Research Paper No. 1981***. Stanford.

Moore, G. E. 1903/1993. ***Principia ethica:*** (2nd ed.). Cambridge: Cambridge University Press.

Mothersill, M. 1962. Anscombe's account of the practical syllogism. ***The Philosophical Review***, 71: 448–61. http://dx.doi.org/10.2307/2183457

Navarro, P. 1988. Why do corporations give to charity? ***Journal of Business***, 61: 65–93. http://dx.doi.org/10.1086/296420

Nussbaum, M. C. 1985. ***Aristotle's de motu animalium***. Princeton, N.J.: Princeton University Press.

O'Neill, J. 1998. Self-love, self-interest and the rational economic agent. ***Analyse & Kritik***, 20: 184–204.

Orlitzky, M. 2011. Institutional logics in the study of organizations: The social construction of the relationship between corporate social and financial performance. ***Business Ethics Quarterly***, 21: 409–44. http://dx.doi.org/10.5840/beq201121325

Peloza, J. 2006. Using corporate social responsibility as insurance for financial performance. ***California Management Review***, 48: 52–72. http://dx.doi.org/10.2307/41166338

Pies, I., Hielscher, S., & Beckmann, M. 2009. Moral commitments and the societal role of business: An ordonomic approach to corporate citizenship. ***Business Ethics Quarterly***, 19: 375–401. http://dx.doi.org/10.5840/beq200919322

Portney, P. R. 2008. The (not so) new corporate social responsibility: An empirical perspective. ***Review of Environmental Economics and Policy***, 2: 261–75. http://dx.doi.org/10.1093/reep/ren003

Potoski, M., & Prakash, A. 2005. Green clubs and voluntary governance: ISO 14001 and firms' regulatory compliance. ***American Journal of Political Science***, 49: 235–48. http://dx.doi.org/10.1111/j.0092-5853.2005.00120.x

Reinhardt, F. L., & Stavins, R. N. 2010. Corporate social responsibility, business strategy, and the environment. ***Oxford Review of Economic Policy***, 26: 164–81. http://dx.doi.org/10.1093/oxrep/grq008

Reinhardt, F. L., Stavins, R. N., & Vietor, R. H. K. 2008. Corporate social responsibility through an economic lens. ***Review of Environmental Economics and Policy***, 2: 219–39. http://dx.doi.org/10.1093/reep/ren008

Riordan, C. M., Gatewood, R. D., & Barnes, B. 1997. Corporate image: Employees reactions and implications for managing corporate social performance. ***Journal of Business Ethics***, 16: 401–12. http://dx.doi.org/10.1023/A:1017989205184

Roberts J. 2003. The manufacture of corporate social responsibility: Constructing corporate sensibility. ***Organization***, 10: 249–65. http://dx.doi.org/10.1177/1350508403010002004

Sacconi, L. 2011. A Rawlsian view of CSR and the game theory of its implementation (part 1): The multistakeholder model of corporate governance. In L. Sacconi, M. Blair, R. E. Freeman, & A. Vercelli (Eds.), ***Corporate social responsibility and corporate governance: The contribution of economic theory and related disciplines***: 157. London: Palgrave.

Scherer, A. G., & Palazzo, G. 2007. Toward a political conception of corporate responsibility: Business and society seen from a Habermasian perspective. ***Academy of Management Review***, 32: 1096–1120. http://dx.doi.org/10.5465/AMR.2007.26585837

———. 2008. Globalization and corporate social responsibility. In A. Crane, A. McWilliams, D. Matten, J. Moon, & D. S. Siegel (Eds.), ***The Oxford handbook of corporate social responsibility***: 413–31. Oxford: Oxford University Press. http://dx.doi.org/10.1093/oxfordhb/9780199211593.003.0018

———. 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: 899–931. http://dx.doi.org/10.1111/j.1467-6486.2010.00950.x

Scherer, A. G., Palazzo, G., & Baumann, D. 2006. Global rules and private actors: Toward a new role of the transnational corporation in global governance. ***Business Ethics Quarterly***, 16: 505–32. http://dx.doi.org/10.5840/beq200616446

Schuler, D. A., & Christmann, P. 2011. The effectiveness of market-based social governance schemes: The case of fair trade coffee. ***Business Ethics Quarterly***, 21: 133–56. http://dx.doi.org/10.5840/beq20112116

Schwartz, M. S., & Carroll, A. B. 2008. Integrating and unifying competing and complementary frameworks: The search for a common core in the business and society field. ***Business & Society***, 47: 148–86. http://dx.doi.org/10.1177/0007650306297942

Siegel, D. S. 2009. Green management matters only if it yields more green: An economic/strategic perspective. ***Academy of Management Perspectives***, 23: 5–16. http://dx.doi.org/10.5465/AMP.2009.43479260

Siemens AG. 2012. Collective Action.

Simnett, R., Vanstraelen, A., & Wai Fong, C. 2009. Assurance on sustainability reports: An international comparison. ***Accounting Review***, 84: 937–67. http://dx.doi.org/10.2308/accr.2009.84.3.937

Sison, A. J. G. 2008. ***Corporate governance and ethics: An Aristotelian perspective***. Cheltenham: Edward Elgar.

Solomon, R. C. 2002. Business ethics and virtue. In R. A. Frederick (Ed.), ***A companion to business ethics***: 30–37. Oxford: Blackwell.

Stoeckl, N. 2004. The private costs and benefits of environmental self-regulation: Which firms have most to gain? ***Business Strategy and the Environment***, 13: 135–55. http://dx.doi.org/10.1002/bse.405

Streumer, B. 2007. Reasons and impossibility. ***Philosophical Studies***, 136: 351–84. http://dx.doi.org/10.1007/s11098-005-4282-1

Suchanek, A. 2001. ***Ökonomische Ethik***. Tübingen: Mohr Siebeck.

———. 2004. What is meant by consent? In A. van Aaken, C. List, & C. Luetge (Eds.), ***Deliberation and decision: A dialogue between economics, constitutional theory, and deliberative democracy***: 169–80. Cheltenham: Elgar.

Swanson, D. L. 1995. Addressing a theoretical problem by reorienting the corporate social performance model. ***Academy of Management Review***, 20: 43–64.

Thornton, M. T. 1982. Aristotelian practical reason. ***Mind***, 91: 57–76. http://dx.doi.org/10.1093/mind/XCI.361.57

Transparency International. 2008. ***Policy position #5/2008: Enhancing revenue transparency in oil & gas company reporting***. Berlin: Transparency International.

———. 2009. ***Business principles for countering bribery: A multi-stakeholder initiative led by Transparency International*** (2nd ed.). Berlin: Transparency International.

Treviño, L. K., & Weaver, G. R. 1994. Business ETHICS/BUSINESS ethics: One field or two? ***Business Ethics Quarterly***, 4: 113–28. http://dx.doi.org/10.2307/3857484

Treviño, L. K., Weaver, G. R., & Reynolds, S. J. 2006. Behavioral ethics in organizations: A review. ***Journal of Management***, 32: 951–90. http://dx.doi.org/10.1177/0149206306294258

Ulrich, P. 2009. ***Integrative economic ethics: Foundations of a civilized market economy***. Cambridge: Cambridge University Press.

van Aaken, D., Splitter, V., & Seidl, D. 2013. Why do corporate actors engage in pro-social activities? A Bourdieusian approach to corporate social responsibility. ***Organization***. In press.

van Oosterhout, J. H. 2010. The role of corporations in shaping the global rules of the game: In search of new foundations. ***Business Ethics Quarterly***, 20: 253–64. http://dx.doi.org/10.5840/beq201020218

Vanberg, V. J. 2007. Corporate social responsibility and the "game of catallaxy": The perspective of constitutional economics. ***Constitutional Political Economy***, 18: 199–222. http://dx.doi.org/10.1007/s10602-007-9022-4

Vanberg, V. J., & Buchanan, J. M. 1988. Rational choice and moral order. ***Analyse & Kritik***, 10: 138–60.

Vogel, D. J. 2005. ***The market for virtue:. The potential and limits of corporate social responsibility***. Washington, D.C.: Brookings Institution Press.

von Wright, G. H. 1963. Practical inference. ***The Philosophical Review***, 72: 159–79. http://dx.doi.org/10.2307/2183102

———. 1971. ***Explanation and understanding***. New York: Cornell University Press.

Vranas, P. B. M. 2007. I ought, therefore I can. ***Philosophical Studies***, 136: 167–216. http://dx.doi.org/10.1007/s11098-007-9071-6

Wicks, A. C., & Freeman, R. E. 1998. Organization studies and the new pragmatism: Positivism, anti-positivism, and the search for ethics. ***Organization Science***, 9: 123–40. http://dx.doi.org/10.1287/orsc.9.2.123

Williams, O. F. 2004. The UN global compact: The challenge and the promise. ***Business Ethics Quarterly***, 14: 755–74. http://dx.doi.org/10.5840/beq200414432

Windsor, D. 2001. The future of corporate social responsibility. ***International Journal of Organizational Analysis***, 9: 225–56. http://dx.doi.org/10.1108/eb028934

———. 2006. Corporate social responsibility: Three key approaches. ***Journal of Management Studies***, 43: 93–114. http://dx.doi.org/10.1111/j.1467-6486.2006.00584.x

Wood, D. J. 1991. Corporate social performance revisited. ***Academy of Management Review***, 16: 691–718.

https://doi.org/10.5840/beq201323218 Published online by Cambridge University Press