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## **A STAKEHOLDER FRAMEWORK FOR ANALYZING AND EVALUATING CORPORATE SOCIAL PERFORMANCE**

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This article presents conclusions from a 10-year research program, the purpose of which has been to develop a framework and methodology, grounded in the reality of corporate behavior, for analyzing and evaluating corporate social performance. There are three principal sections: (a) a summary of the approaches, models, and methodologies used in conducting more than 70 field studies of corporate social performance from 1983–1993; (b) a discussion of the principal conclusions derived from the data that (1) corporations manage relationships with stakeholder groups rather than with society as a whole, (2) it is important to distinguish between social issues and stakeholder issues, and (3) it is necessary to identify the appropriate level of analysis in order to evaluate CSP; and (c) a discussion of propositions and areas for further research.

A fundamental problem in the field of business and society has been that there are no definitions of corporate social performance (CSP), corporate social responsibility (CSR<sub>1</sub>), or corporate social responsiveness (CSR<sub>2</sub>) that provide a framework or model for the systematic collection, organization, and analysis of corporate data relating to these important concepts. No theory has yet been developed that can provide such a framework or model, nor is there any general agreement about the meaning of these terms from an operational or a managerial viewpoint. Wood's (1991) concern that the "definition of corporate social performance (CSP) is not entirely satisfactory" is shared by many scholars and managers. CSP, together with CSR<sub>1</sub> and CSR<sub>2</sub>, carry no clear meaning and remain elusive constructs. They have defied definition for reasons that are set forth in the second section.

I propose that corporate social performance can be analyzed and evaluated more effectively by using a framework based on the management of a corporation's relationships with its stakeholders than by using models and methodologies based on concepts concerning corporate social responsibilities and responsiveness. The stakeholder framework has been derived from data contained in more than 70 field studies of CSP, conducted from 1983–1993.

During this research program there have been three principal stages in the development of the methodologies for data collection, analysis,

and evaluation: (a) 1983–1985: 30 field studies; (b) 1986–1988: 28 studies; and (c) 1989–1993: 20 studies.

## A RESEARCH PROGRAM TO ANALYZE AND EVALUATE CSP

### Stage 1: 1983–1985

When this research and teaching program on CSR<sub>1</sub> was initiated in 1983, there had been only one significant empirical study of CSP in Canada, *Corporate Social Performance in Canada* (the Royal Commission on Corporate Concentration [RCCC], 1977). The situation in the United States was very much the same: "actual empirical research designed to test the multitude of definitions, propositions, concepts, and theories that have been advanced has been scarce" (Aupperle, Carroll, & Hatfield, 1985). To develop a methodology in 1975, the researchers in Canada had used the corporate social response matrix, which had been developed by Preston (1977), who was then the academic consultant to the group responsible for the research and writing of *Corporate Social Performance in Canada*. The focus of Preston's matrix or framework was the management of social issues by corporations. It was assumed that managers followed stages of a process identified as *corporate social involvement*. The stages of this process were defined by Preston as follows: (a) awareness or recognition of an issue, (b) analysis and planning, (c) response in terms of policy development, and (d) implementation.

This analytic framework was implemented using survey instruments and guidelines developed by Kelly and McTaggart (1979). These materials provided the basis for the methodology that was developed for use in 1983. The nine companies selected initially for study at that time had been among those studied seven years earlier, thus providing the opportunity for noting changes and trends in performance. (A more detailed description can be found in Clarkson, 1988.)

Preston's (1975) framework, however, provided no definition of what was, or was not, a social issue; nor was there guidance for a corporation's managers or researchers in determining whether a social issue was one about which the company should become concerned and involved. In 1983, at the beginning of the research program, several human resource issues were identified as important enough for most corporations to regard them as issues to be managed:

communications with employees; training and development; career-planning; retirement and termination counseling; layoffs, redundancies and plant closings; stress and mental health; absenteeism and turnover; health and safety; employment equity and discrimination; women in management; performance appraisal; day care. (Clarkson, 1988: 52)

Because these are all issues, the assumption was made that they are also social issues. Consequently, the next assumption was made: Corporations and their managers should be concerned about, and responsive

to, these *social* issues if they were to be evaluated as *socially* responsible. As researchers, we had introduced, without explicit acknowledgment or understanding, a set of normative assumptions about how corporations should behave and how their performance should be evaluated.

## Stage 2: 1986–1988

The development of Carroll's (1979) original model represented an advance over Preston's (1975) framework and introduced a new conceptualization of CSP. Carroll was attempting to (a) reconcile the achievement of both corporate social and economic objectives, (b) to reconcile CSR<sub>1</sub> with CSR<sub>2</sub>, and (c) to focus on the most important element, CSP.

Carroll's model was both comprehensive and integrative. The strength of its influence can best be judged by its longevity and that of its progeny. The model defined CSR<sub>1</sub> in terms of principles or categories and CSR<sub>2</sub> in terms of processes or strategies toward both social responsibilities and social issues. Social issues were defined by Carroll as consumerism, the environment, discrimination, and so on, and were used as surrogates for actual performance. It was plausible that corporations were expected to "do something" about these issues. But why they were expected to do something and what they were expected to do were not easily explained. Carroll's model, in the form of a three-dimensional cube, was complex and difficult to test. It did not lend itself to the development of a methodology that could be used in the field to collect, organize, and evaluate corporate data.

Wartick and Cochran (1985), building on Carroll's integrative view of CSP, also rejected earlier views that social responsibility, social responsiveness, and the management of social issues were separate, alternative corporate concerns. Their model, based on Carroll's, recognized and incorporated economic performance as the first among the dimensions or elements of social responsibility, without excluding the other responsibilities defined by Carroll: legal, ethical, and discretionary. Their model, again like Carroll's, was an attempt to show that there is an underlying and continuous interaction between and among the principles of social responsibility, the processes of social responsiveness, and the policies and programs developed to address social issues.

Models and frameworks are helpful for clarifying theories and abstract concepts or constructs. But to be useful in practice, a model or framework must be applicable to the conditions that it is attempting to describe, analyze, or predict. Empirical testing of a model is important to establish its validity. Whereas Preston's corporate social response matrix was limited to policies and programs responding to social issues, the Wartick and Cochran model, based on the Carroll construct, included the dimensions of corporate social responsibility and the processes of corporate social responsiveness. By the end of the third year of field research, 30 studies had been completed using the initial methodology based on Preston's matrix.

Changing methodologies is not done lightly, because data obtained previously must be reorganized to be useful. But because the Wartick and Cochran model appeared to be suitable for testing in the field and, in terms of the management of social issues, was compatible with Preston's approach, the decision was made to revise the methodology to use the new model for studies beginning in 1986. Details of the methodology developed for using and testing the model in the field have been described elsewhere (Clarkson, 1988). Only the most important conceptual difficulties and problems are discussed in the second section.

**The principles of social responsibility.** Under the heading of principles of social responsibility in the Wartick and Cochran model, the elements or dimensions of social responsibility are defined as economic, legal, ethical, and discretionary, following Carroll's original classification. Consequently, the methodology developed for the field studies required that data be gathered on each of these four dimensions.

Obtaining economic data presented few problems, with annual reports and data on industry profitability usually available. Being profitable for the preceding five years was established as the measure that a company had been fulfilling its economic responsibilities.

Databases of the financial press were checked to provide data about litigation and allegations of illegal corporate behavior. Government departments, unions, and municipalities in company towns were also checked to discover data about environmental or safety problems. If no evidence was found, the assumption was made that the company was fulfilling its legal responsibilities. This, of course, was an easy test to pass.

Ethical responsibilities were more difficult to define and test. There are no generally accepted ethical principles that can be cited or enforced, as with accounting principles. The existence of a corporate code of conduct, practice, or ethics is certainly evidence that a company is aware of some responsibilities but does not tell the researcher how the code is being implemented or whether it is simply window dressing. Many company codes were primarily defensive, aimed at protecting the company and its property from its employees (Clarkson & Deck, 1993).

It was also difficult to define discretionary responsibilities, except in terms of the extent of the corporation's philanthropic activities and the nature of its involvement in the communities in which it did business. As Carroll (1979) noted, "discretionary responsibilities of business are volitional or philanthropic in nature, and, as such, are also difficult to ascertain and evaluate."

Given the four dimensions of corporate social responsibility defined by the model, the corporate studies provided little empirical data to show that a company was not socially responsible, unless there was a history of unprofitability, coupled with evidence of illegal or unethical corporate behavior. It developed that the model did not provide a satisfactory means by which the concept of social responsibility could be tested with

reasonably accessible corporate data. Votaw's (1973) criticism of the term *corporate social responsibility* remained valid:

The term is a brilliant one; it means something, but not always the same thing, to everybody. To some it conveys the idea of legal responsibility or liability; to others it means socially responsible behavior in an ethical sense; to still others, the meaning transmitted is that of "responsible for", in a causal mode; many simply equate it with a charitable contribution. (Votaw, 1973: 11)

**The processes of social responsiveness.** The processes of social responsiveness were defined by both models in terms of corporate strategy or posture toward social issues. Carroll (1979) identified these processes of response as being reactive, defensive, accommodative, or proactive. Wartick and Cochran's model (1985) used the same four categories of social responsiveness. As Wood (1991: 703) correctly observed: "These approaches may indeed characterize various organizational responses to social pressure, but they are not themselves processes." Consequently, the research question for the field studies became one of determining the types of behavior that could serve as reliable indicators of, or surrogates for, these differing characterizations of corporate postures or strategies toward social responsiveness and social issues.

In an attempt, therefore, to describe a corporation's social responsiveness and analyze its elements, the methodology that was developed in 1986 included the following descriptions of the data to be gathered:

A corporation's statement of mission or purpose, its code of conduct or ethics, and the structure of its processes for managing issues in such areas as environmental scanning and analysis, the integration of social issues into policy and planning, and the internal linkages in a corporation whereby strategic decisions about social issues are integrated into operations by means of objective setting, performance appraisal and rewards; and the extent of public policy involvement, either directly or through trade associations. (Clarkson, 1988)

When questions arose from student researchers and managers in the field, it became apparent that there was no logical explanation for the inclusion of statements about corporate mission or purpose, together with evidence of public policy involvement, under the heading of social responsiveness rather than under the management of social issues. It was not clear whether policies, programs, and performance data concerning codes of ethics, conduct, or practice should be included under the headings of ethical responsibilities or management of social issues.

The fundamental problem was, and remains, that no definition of social responsiveness provides a framework for the systematic collection, organization, and analysis of corporate data. The term *social responsiveness* carries no clear meaning for managers, students, or academic researchers and scholars. Consequently, much time, energy, and paper have been consumed in attempts to explain the term. But it remains an

elusive construct, lacking both logic and rigor, which limits seriously its usefulness for empirical research.

Although the categories were confusing, the terms used by the model to describe a corporation's strategy or posture toward the management of issues were helpful in the field. Strategies, posture, and behavior that are reactive, defensive, accommodative, or proactive can be demonstrated by the presence or absence of policies and programs concerning relevant issues and by the corporation's performance in implementation. The following extract, from the field study of Canada's second largest bank in 1986, illustrates this point:

A characterization of the company's attitude towards social responsiveness can be summed up by a couple of statements from interviews with the Bank's representatives. The Manager of Media Relations said of the Bank: "We are not a government, we are a bank. We do not set social policy, we look to government for social policy." In another interview with a Vice President of Human Resources, it was said: "The government is into every nook and cranny of our business." These statements, and many others, indicate that the social orientation of the company, using the RDAP scale, is, at best, accommodative. (Vincent, Olliers, & Starasts, 1986: 6)

Performance and nonperformance are concrete, measurable criteria. If an issue is being managed, there will be data. The terms *reactive*, *defensive*, *accommodative*, and *proactive* have been incorporated into the RDAP scale, which was developed to evaluate corporate performance and is discussed in the second section.

### **Stage 3: A New Framework is Developed**

From 1986–1988, researchers gathered case study data about 28 companies, using the new methodology. Data had now been collected from more than 50 corporations about policies, programs, and issues concerning the social and physical environments, public affairs and government relations, community relations and charitable donations, employee relations, and human resource management, as well as customer and shareholder relations. In short, the data that were being collected fit into categories that could be classified, as later became apparent, in terms of the management of a corporation's relationships with its stakeholder groups. The methodology, however, required that the data be organized to fit the Wartick and Cochran model, which was based on distinctions among the principles of corporate social responsibility, the processes of corporate social responsiveness, and the management of social issues. These distinctions, which had intuitive appeal on the printed page, failed the test of practicality.

Attempts were made to fit the data to the methodology, but finally it became clear that the categories of the model were not applicable to the data that were being gathered and that the classifications of the model were not grounded in the realities of corporate practice. As the volume of

data and the number of studies grew, it became increasingly difficult to achieve consistency in the collection and classification of these data to conform with the methodology.

The model and, consequently, the methodology were at variance with the way in which corporations actually manage their relationships with employees, customers, shareholders, suppliers, governments, and the communities in which they operate. Although the term *stakeholder management* was not necessarily in use, it became clear that all the corporations being studied had relationships with various groups or constituencies, which could be defined as stakeholder groups, and that these relationships were either being managed, or not being managed, for better or worse. Whether these groups of customers, employees, shareholders, etc., were classified as internal or external stakeholders was irrelevant, just as it was irrelevant for the companies themselves whether these groups were described as stakeholders at all. What was relevant to the research program was that the data that had been collected and analyzed corresponded with the concepts and models of stakeholder management (Freeman, 1984), rather than with the concepts and models of corporate social responsibilities, responsiveness, and performance.

The data showed that, in the normal course of conducting their business, corporate managers do not think or act in terms of the concepts of corporate social responsibilities and responsiveness, nor of social issues and performance. The following statement from *Corporate Social Performance in Canada* illustrates this point and also provides an early example of the use of the term *stakeholder issues*.

It is also worth pointing out that in many cases public affairs departments were not established to handle social responsibility issues as such but to help the organization respond more competently to a whole range of "stakeholder issues," including the company's relationships with employees, media, and with government. (RCCC, 1977: 81)

CSR<sub>1</sub> and CSR<sub>2</sub> are concepts that have been generated outside business. They have normative connotations lacking clarity and specificity and have the disadvantage of sounding like jargon. "Socially responsible to whom?", "Socially responsive about what?", "Social performance judged by whom and by what standards?": These are legitimate questions to which business people have not received satisfactory or meaningful responses. Understandably, they have resisted attempts to make them responsible for social issues that they do not perceive as corporate or business issues.

Managers are trained in the management of the processes of production, marketing, finance, accounting, and human resources. Managers understand the meaning of responsibility in the context of these functional disciplines, and they understand the meaning of accountability for the results of their decisions. Obligations and responsibilities to customers, shareholders, employees, and other important constituencies are



defined by most companies, together with corresponding accountabilities. Consequently, there are data concerning the management of corporate relationships with these constituencies or stakeholder groups.

Managers do not find it difficult to understand the concepts and models of stakeholder management. They recognize that important issues of concern to groups of stakeholders may be identified as stakeholder issues as well as social issues. For example, occupational health and safety or employment equity and discrimination are issues of sufficient concern to society as a whole to result in legislation and regulation, but they are also issues of concern for all corporations in terms of their relationships with employee stakeholder groups and government. Similarly, the social issues of product safety or truth in advertising have also led to legislation and regulation, but from a corporate perspective, these are stakeholder issues involving obligations and responsibilities to both customers and governments. Social issues concerning environmental pollution are of concern to a variety of government regulatory agencies, as well as to the communities in which corporations have their operations, employees, and customers.

### **Research Design and Data Collection**

From its beginning in 1983, the design of this research has been influenced by several factors. MBA students at the University of Toronto's Faculty of Management provided most of the necessary research time and effort, studying individual companies in groups of two or three and writing the case studies as their term project for a second-year elective course on corporate social responsibilities (Clarkson, 1988, 1991). To describe and evaluate a company's performance, the researchers had to gain the confidence of the relevant managers so as to be able to ask the right questions and obtain written material about policies and programs. Both researchers and managers needed a framework and guide to facilitate the provision, analysis, and evaluation of data. It was essential for such a framework and guide to be expressed in terms that would be understood in a corporation as well as in a classroom.

Proceeding from the conclusion that a "stakeholder management" model provided the most appropriate organizing principle, an inventory of representative stakeholder issues was developed from the data contained in the field studies. This inventory, or index, of approximately 50 issues is shown in Table 1. This index is described as "representative" because it lists the issues identified most frequently in the studies. It is reasonably comprehensive, but not exhaustive. It can serve as a stimulus to some managers to consider a wider range of stakeholder issues than has been their practice.

This index provides a uniform entry and coding system and is central to the organization of the data in each study for the computerized database. Information pertinent to each of the stakeholder issues is organized into four areas: description, performance data, evaluation, and analysis.

To facilitate data collection and comparisons, it was necessary to define clearly the issues identified in Table 1. It was also important to define the performance data that were being requested from the companies being studied. This guide for researchers and managers is illustrated in the appendix. Clarkson described the data as follows:

The corporations are asked to provide the descriptive data covering the company itself and relevant stakeholder and social issues. This material is then edited and returned to the company with requests for the performance data identified in the guide. Interviews with appropriate executives are then held in order to check and explore the implications of the performance data that have, and have not, been supplied . . . Experience shows that corporations find this task worthwhile. Few have hitherto identified stakeholder and social issues so comprehensively. (1991: 344)

Sixty-five of the more than 70 corporations that have been studied are among the largest 250 companies in Canada, in terms of sales or assets, or are subsidiaries of companies listed in the *Fortune* 500. Ten of the 14 largest financial institutions in Canada have been studied, as well as the two largest transportation companies, the two largest steel companies, the three largest publishing companies, the three largest breweries, the largest electric and gas utilities, and the largest nickel, auto parts, pulp and paper, and telecommunications companies, together with four of the five largest integrated oil companies and six large retail companies. The universe of companies studied is large and diverse, containing companies with various forms of ownership: Canadian, U.S. and foreign, public and private. Most companies in the sample were large, but several small companies were studied as well.

## DISCUSSION OF CONCLUSIONS FROM THE RESEARCH

The principal conclusions drawn from the research program are as follows:

1. It is necessary to distinguish between *stakeholder* issues and *social* issues because corporations and their managers manage relationships with their *stakeholders* and not with *society*.
2. It is necessary to conduct analysis at the appropriate level: institutional, organizational, or individual.
3. It is then possible to analyze and evaluate both the social performance of a corporation and the performance of its managers in managing the corporation's responsibilities to, and relationships with, its stakeholders.

### Distinguishing Between Social Issues and Stakeholder Issues

A multitude of issues have been described as social issues in the CSP literature. Under the rubric of the Social Issues in Management division of the Academy of Management, an extraordinarily wide range of subjects

**TABLE 1**  
**Typical Corporate and Stakeholder Issues**

- 
- |       |  |
|-------|--|
| 1     | <b>Company</b>                                   |
| 1.1.  | Company history                                  |
| 1.2.  | Industry background                              |
| 1.3.  | Organization structure                           |
| 1.4.  | Economic performance                             |
| 1.5.  | Competitive environment                          |
| 1.6.  | Mission or purpose                               |
| 1.7.  | Corporate codes                                  |
| 1.8.  | Stakeholder and social issues management systems |
| 2     | <b>Employees</b>                                 |
| 2.1.  | General policy                                   |
| 2.2.  | Benefits   |
| 2.3.  | Compensation and rewards                         |
| 2.4.  | Training and development                         |
| 2.5.  | Career planning                                  |
| 2.6.  | Employee assistance program                      |
| 2.7.  | Health promotion                                 |
| 2.8.  | Absenteeism and turnover                         |
| 2.9.  | Leaves of absence                                |
| 2.10. | Relationships with unions                        |
| 2.11. | Dismissal and appeal                             |
| 2.12. | Termination, layoff, and redundancy              |
| 2.13. | Retirement and termination counseling            |
| 2.14. | Employment equity and discrimination             |
| 2.15. | Women in management and on the board             |
| 2.16. | Day care and family accommodation                |
| 2.17. | Employee communication                           |
| 2.18. | Occupational health and safety                   |
| 2.19. | Part-time, temporary, or contract employees      |
| 2.20. | Other employee or human resource issues          |
| 3     | <b>Shareholders</b>                              |
| 3.1.  | General policy                                   |
| 3.2.  | Shareholder communications and complaints        |
| 3.3.  | Shareholder advocacy                             |
| 3.4.  | Shareholder rights                               |
| 3.5.  | Other shareholder issues                         |
| 4     | <b>Customers</b>                                 |
| 4.1.  | General policy                                   |
| 4.2.  | Customer communications                          |
| 4.3.  | Product safety                                   |
| 4.4.  | Customer complaints                              |
| 4.5.  | Special customer services                        |
| 4.6.  | Other customer issues                            |
| 5     | <b>Suppliers</b>                                 |
| 5.1.  | General policy                                   |
| 5.2.  | Relative power                                   |
| 5.3.  | Other supplier issues                            |
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TABLE 1 (continued)

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<b>6</b>	<b>Public Stakeholders</b>
6.1.	Public health, safety, and protection
6.2.	Conservation of energy and materials
6.3.	Environmental assessment of capital projects
6.4.	Other environmental issues
6.5.	Public policy involvement
6.6.	Community relations
6.7.	Social investment and donations

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pertaining to business and society is discussed at conferences and written about in journals. It has become difficult, if not impossible, to define what is, or what is not, a social issue. The difficulties that have been encountered in defining CSR<sub>1</sub>, CSR<sub>2</sub>, and CSP can be attributed in part to the broad and inclusive meaning of the word *social*. The connotation of *social* is society, a level of analysis that is both more inclusive, more ambiguous, and further up the ladder of abstraction than a corporation itself. Preston noted that

corporate social performance was intended to suggest a broad concern with the impact of business behavior on society. The concern is with ultimate outcomes or results, not simply with policies or intentions; moreover there is some implication that these outcomes are to be evaluated, not simply described. (1988: xii)

There has been general agreement with this definition of CSP and the objective, but the underlying assumptions have not been questioned rigorously. It has been assumed that, because there is a "broad concern," it would therefore be possible to evaluate the impact of business on society. The impact of a business or corporation on society is a different matter from the impact of business in general on society as a whole. Wood (1991: 691) observed that "the concept of corporate social performance has received serious theoretical and empirical attention, . . . but the concept's theoretical framework and impact have not moved significantly beyond Wartick and Cochran's (1985) articulation." The principal reason for this failure has been the lack of clarity about the appropriate level of analysis.

This failure, together with the confusion and misunderstanding about the definition and meaning of corporate social responsibility, corporate social responsiveness, and corporate social performance, is a direct result of the inclusive and vague meaning of the word *social*. Friedman (1970) took advantage of this ambiguity and semantic confusion in his criticism of "those who speak eloquently about the 'social responsibilities of business' in a free-enterprise system." He continued:

The discussions of the "social responsibilities of business" are notable for their analytical looseness and lack of rigor . . . The first step towards clarity in examining the doctrine of the social responsibility of business is to ask precisely what it implies for whom.

Friedman chose to interpret *social issues* and *social responsibilities* to mean nonbusiness issues and nonbusiness responsibilities. He, like so many neoclassical economists, separated business from society, which enabled him to maintain that "the business of business is business." By placing the two abstractions of business and society into separate compartments, Friedman (1970) was able to deny the necessity, or even the validity, of the concept of CSR, decrying it as "a fundamentally subversive doctrine":

[Businessmen who believe that] business has a "social conscience" and takes seriously its responsibilities for providing employment, eliminating discrimination, avoiding pollution . . . are preaching pure and unadulterated socialism.

The move from the innocuousness of *social* to the taint of *socialism* was made skillfully by this master of rhetoric.

Neither business in general nor specific corporations in particular can properly be made responsible for dealing with all social issues. Before responsibilities can be assigned and before corporations and their managers can be held accountable for the results of their actions, it is necessary to develop a systematic method of determining what is and what is not a social issue for a corporation.

From the data in the field studies of corporate performance, an inventory of issues was developed. These issues have been identified as typical *stakeholder* issues rather than as typical *social* issues. The reason for this distinction is that all these issues are of concern to one or more stakeholder groups, although these issues are not necessarily of concern to society as a whole. The positions being advanced here are:

1. A particular society (municipal, state, or national) determines, usually over an extended period of time, what is a *social* issue, and, when it is considered necessary, the relevant polity enacts legislation and regulation.
2. When there is no such legislation or regulation, an issue may be a *stakeholder* issue, but it is not necessarily a *social* issue. A test of whether an issue has become a *social* issue is the presence or absence of legislation or regulation.

In Table 1, 20 different issues are shown under the stakeholder heading of employees. Several, but by no means all, of these issues have been of sufficient concern to society as a whole, in the United States and Canada, that legislation and regulations have been enacted. Occupational health and safety and employment equity and discrimination are such *social* issues. (It is interesting to note in this context that some opposition to the North American free trade agreement [NAFTA] appears to have occurred because these are *not* *social* issues in Mexico.) No legislation has yet been enacted concerning the majority of the employee issues, such as employee assistance programs and career planning. But each can be identified as a *stakeholder* issue, when the level of analysis is the corporation itself.

Defining the appropriate level of analysis is important, as Wood (1991: 695) has shown:

Once these three levels of analysis are distinguished (institutional, organizational, and individual) then several formerly competing concepts can be melded together to explain three corresponding principles of corporate social responsibility.

Using the same levels of analysis—institutional, organizational, and individual—Table 2 proposes a framework that is different from Wood's and is grounded in the data of the corporate case studies. The level of business and society is shown as the *institutional* level, the level that is appropriate for discussions of CSR<sub>1</sub> and CSR<sub>2</sub>. The *organizational* level is identified as that of the corporation and its stakeholder groups, the level appropriate for analysis and evaluation of CSP. The *individual* level is shown as that of managers who manage stakeholder issues and relationships with stakeholders, the level appropriate for analyzing and evaluating management performance.

Confusion arises when terms from one level are applied at another level. For example, whether the *stakeholder* issues of employee assistance plans and career planning are *social* issues is a question that should properly be discussed and answered at the level of society. Corporate managers certainly should be cognizant of such discussions and concerns in society, but the position being advanced here is that a particular society and its polity determine what is a social issue, and, when it is considered necessary, legislation and regulations are enacted.

By applying this analytic approach, it becomes evident that managers of a corporation cannot be expected to accept the claim that they have a *social* responsibility to institute an employee assistance plan or career planning or to provide day care, although an interesting discussion could take place about whether they have any responsibility to their stakeholders to implement such programs. Employee assistance plans, career planning, and day care are stakeholder issues at the corporate level of analysis and management issues at the level of stakeholder issues and relationships. It is the responsibility of the corporation's managers to determine whether policies and programs will be implemented to manage these issues. Whether these are social issues is not relevant in this

**TABLE 2**  
**Levels of Analysis**

Corporate social responsibility and responsiveness (CSR <sub>1</sub> and CSR <sub>2</sub> )	Institutional	Business	Society
Corporate social performance (CSP)	Organizational	Corporations	Stakeholder groups
Stakeholder management	Individual	Managers	Issues/relationships

context. This approach makes it clear that all social issues are not necessarily stakeholder issues, just as all stakeholder issues are not necessarily social issues.

A company and its management are free to decide the extent to which they will acknowledge, recognize, or pursue obligations and responsibilities to their stakeholders concerning the issues shown in Table 1, and, of course, any additional issues identified by the corporation or its stakeholders. Their performance can then be evaluated in terms of the RDAP Scale as reactive, defensive, accommodative, or proactive.

Clearly, there are legal requirements regarding certain social issues, as defined previously. *Social* issues, such as occupational health and safety, shareholder rights, and product safety, have generated significant regulation, but there are no legal requirements for a company to assume any responsibilities to its employees for training and development or career planning, or to its customers for communications and complaints.

An outside observer, a financial analyst, or an academic researcher might consider such programs to be socially desirable or socially responsible on the part of a corporation, but these are in fact matters of policy and choice for each corporation to decide. Such corporate decisions are usually made on the basis of market forces, for example, employee productivity or customer satisfaction, not necessarily because they are socially desirable. Managers are interested in results, first and foremost.

Performance is what counts. Performance can be measured and evaluated. Whether a corporation and its management are motivated by enlightened self-interest, common sense, or high standards of ethical behavior cannot be determined by the empirical methodologies available today. These are not questions that can be answered by economists, sociologists, psychologists, or any other kind of social scientist. They are interesting questions, but they are not relevant when it comes to evaluating a company's performance in managing its relationships with its stakeholder groups.

### **Defining Stakeholders and Stakeholder Groups**

The definitions of stakeholders and *primary* and *secondary* stakeholders that are proposed here are straightforward. Freeman's (1984) landmark work provided a solid and lasting foundation for many continuing efforts to define and to build stakeholder models, frameworks, and theories. His account of the historical roots of the stakeholder approach gave credit to SRI International for its definition of stakeholders in 1963. Preston's (1990) account, however, is different. He traced the origins of the stakeholder approach, if not the actual use of the term, as having occurred some 30 years earlier, during the Depression, when the General Electric Company identified four major "stakeholder" groups: shareholders, employees, customers, and the general public. In 1947, Johnson & Johnson's president listed the company's "strictly business" stakeholders as customers, employees, managers, and shareholders. Using this

approach, Robert Wood Johnson developed the well-known business credo of Johnson & Johnson. In 1950, General Robert Wood, who led Sears' rapid postwar growth, listed the "four parties to any business in the order of their importance" as "customers, employees, community, and stockholders" (Preston 1990: 362). He maintained that if the appropriate needs and interests of the first three groups were looked after effectively, the company's stockholders would be the beneficiaries. Profit, in General Wood's view, was a by-product of success in satisfying responsibly the legitimate needs and expectations of the corporation's primary stakeholder groups.

*Stakeholders* are persons or groups that have, or claim, ownership, rights, or interests in a corporation and its activities, past, present, or future. Such claimed rights or interests are the result of transactions with, or actions taken by, the corporation, and may be legal or moral, individual or collective. Stakeholders with similar interests, claims, or rights can be classified as belonging to the same group: employees, shareholders, customers, and so on.

A *primary stakeholder group* is one without whose continuing participation the corporation cannot survive as a going concern. Primary stakeholder groups typically are comprised of shareholders and investors, employees, customers, and suppliers, together with what is defined as the public stakeholder group: the governments and communities that provide infrastructures and markets, whose laws and regulations must be obeyed, and to whom taxes and other obligations may be due. There is a high level of interdependence between the corporation and its primary stakeholder groups.

If any primary stakeholder group, such as customers or suppliers, becomes dissatisfied and withdraws from the corporate system, in whole or in part, the corporation will be seriously damaged or unable to continue as a going concern. For example, the inability of Dow Corning in 1991 to keep its customer and public stakeholder groups satisfied with the safety of one of its products led to the collapse of the stakeholder system for that product and complete withdrawal of that division from its leading position in the breast implant market. The refusal of suppliers of capital to continue investing in Olympia and York's commercial paper in April 1992 resulted in its bankruptcy filing the following month. Earlier in the 1980s, the top managers of A. H. Robins and the Manville Corporation did not acknowledge that there were justifications for the health concerns and lawsuits of many of their customers. The disruption of their stakeholder systems and the ensuing bankruptcies were the consequences of their inability to manage satisfactorily their relationships with primary stakeholder groups. The breakup of AT&T can be attributed to this giant corporation's inability to satisfy two primary stakeholder groups, customers and the public, whose interests were represented by the Department of Justice.

From this perspective, the corporation itself can be defined as a



system of primary stakeholder groups, a complex set of relationships between and among interest groups with different rights, objectives, expectations, and responsibilities. The corporation's survival and continuing success depend upon the ability of its managers to create sufficient wealth, value, or satisfaction for those who belong to each stakeholder group, so that each group continues as a part of the corporation's stakeholder system. Failure to retain the participation of a primary stakeholder group will result in the failure of that corporate system.

Secondary stakeholder groups are defined as those who influence or affect, or are influenced or affected by, the corporation, but they are not engaged in transactions with the corporation and are not essential for its survival. The media and a wide range of special interest groups are considered as secondary stakeholders under this definition. They have the capacity to mobilize public opinion in favor of, or in opposition to, a corporation's performance, as demonstrated in the cases of the recall of Tylenol by Johnson & Johnson (favorable) and the Exxon Valdez oil spill (unfavorable).

The corporation is not dependent for its survival on secondary stakeholder groups. Such groups, however, can cause significant damage to a corporation. As Freeman commented:

Some groups may have as an objective simply to interfere with the smooth operations of our business. For instance, some corporations must count "terrorist groups" as stakeholders. As unsavory as it is to admit that such "illegitimate" groups have a stake in our business, from the standpoint of strategic management, it must be done. (1984: 53)

Secondary stakeholders may be opposed to the policies or programs that a corporation has adopted to fulfill its responsibilities to, or to satisfy the needs and expectations of, its primary stakeholder groups. For example, the issue of "red-lining" by banks and insurance companies to reduce exposure and losses often forced people living in urban ghettos into the role of secondary stakeholders, if they wanted to obtain a mortgage or property insurance. They could not become part of a bank's or an insurance company's primary stakeholder group of customers until legislation was enacted and enforced to require these companies to provide services for them.

Recently, the Federal Reserve Board

shocked the banking world by denying Shawmut National Corp.'s application to acquire New Dartmouth Bank in Manchester, N.H., because of questions about its minority lending record . . . Attorney General Janet Reno made clear that the mild [settlement] penalty recognizes that Shawmut has made considerable progress in seeking out potential minority borrowers and adjusting its lending procedures to help more applicants qualify for loans. Shawmut took these actions after 1990 data showed that black and Hispanic mortgage

applicants were twice as likely to be turned down as whites.  
(*Wall Street Journal*, 1993: A2)

The cause of this shock to the banking world was the belated enforcement of the Community Reinvestment Act, a 1979 law that was meant to require banks to lend money in the areas in which they do business.

### **Evaluating Corporate Performance**

The usefulness and value of a system of evaluation depends upon its validity. Although the use of the RDAP Scale obviously introduces qualitative terms such as *reactive* and *proactive*, such terms are appropriate for the purpose of characterizing a management's strategy or posture toward a particular stakeholder group concerning one or more stakeholder issues. Strategy or posture are made manifest as the data are analyzed.

As a consequence of shifting the level of analysis from business and society to the corporation and its stakeholders, as shown in Table 2, data gathering can be focused on a corporation's management of the stakeholder issues identified in Table 1. The heart of the problem of evaluating performance lies in obtaining the data, not in the use of a system or a scale to apportion rankings or values. Performance data describe what a company is actually doing or has done with reference to specific issues. The stakeholder management methodology that has been in use since 1989 in more than 20 studies includes a detailed guide to the descriptions and definitions of the stakeholder issues and the data that are required to demonstrate performance in the management of each issue (Clarkson, 1991: Appendix 2).

If data about an issue are not available, that fact in itself is important in evaluating a company's strategy or posture. When no data are available, that issue is not being managed. There may or may not be valid reasons. Performance data are available whenever a particular stakeholder issue is considered by a company to be of sufficient importance to justify being managed. The data also show the levels within a company at which reports are made. A factor in evaluating the posture of a company toward a stakeholder issue, such as employee safety, is to know if cumulative data about accidents are reported only to the first or second levels of management, senior levels, or the Board.

Wartick and Cochran (1985), following Carroll (1979), used the terms *reactive*, *defensive*, *accommodative*, and *proactive* to characterize corporate strategy or posture toward social responsiveness. This approach was converted into the RDAP Scale and is described by Clarkson (1988, 1991) and summarized in Table 3. This performance scale is based on the concepts identified by Carroll and Wartick and Cochran in their models of social performance. Further refinements were added by Starik, Pinkston, and Carroll (1989).

To make this RDAP Scale more practical and useful in terms of the

**TABLE 3**  
**The Reactive-Defensive-Accommodative-Proactive (RDAP) Scale**

Rating	Posture or Strategy	Performance
1. Reactive	Deny responsibility	Doing less than required
2. Defensive	Admit responsibility but fight it	Doing the least that is required
3. Accommodative	Accept responsibility	Doing all that is required
4. Proactive	Anticipate responsibility	Doing more than is required

concepts of stakeholder relationships and responsibilities, another element, Posture or Strategy, has been added to the earlier scale. This addition provides a means of characterizing a company's posture or strategy toward the management of stakeholder issues. Posture thus becomes one of the two central elements in applying a measure to and evaluating the level of responsibility that a company demonstrates in its management of stakeholder relationships and issues. This managerial approach can also be expressed in the terms used by McAdam (1973) and quoted by Carroll (1979: 502):

- |                             |                 |
|-----------------------------|-----------------|
| 1. Fight all the way        | (Reactive)      |
| 2. Do only what is required | (Defensive)     |
| 3. Be progressive           | (Accommodative) |
| 4. Lead the industry        | (Proactive)     |

The second element, performance, applies a measure of stakeholder satisfaction by evaluating the data concerning the actions and record of the company with regard to the management of particular stakeholder issues and the levels of responsibility that the company has assumed or defined. Details of the application of this approach to stakeholder satisfaction in the field are contained in Clarkson, Deck, and Shiner (1992). The concept of acceptance or rejection of responsibility for results and for effects on stakeholders is central to the characterization and evaluation of a company's strategy or posture.

Under performance, the phrase "doing less, or more, than is required" invites the question: "Required by whom?" In the example of Shawmut National Corporation's lending practices, the requirements are specified by legislation. Another form of requirement occurs when a company states specifically, in a code or by other means of communication such as advertising, that it undertakes certain responsibilities and obligations toward specific stakeholder groups. There are also obligations that occur as transactions are made with stakeholders. As well, there is the general requirement for a corporation to keep its principal stakeholder groups reasonably satisfied so that they continue as part of the corporate stakeholder system.

By characterizing and evaluating posture, the revised RDAP scale provides the means by which the concept of social responsiveness can be

defined more clearly. The conceptual basis of Carroll's three-dimensional model of corporate social performance (1979) and of Wartick and Cochran's model (1985) was the interaction between and among (a) the categories of corporate social responsibility (economic, legal, ethical, and discretionary); (b) the philosophy, posture, or strategy of social responsiveness; and (c) the social issues involved. As a result of shifting to the appropriate level of analysis and examining the data about a corporation's policies and performance as they relate to its management of stakeholder relationships and issues, its philosophy, posture, or strategy of social responsiveness can now be characterized and evaluated by the use of the RDAP Scale.

When, for example, companies like Manville or A. H. Robins deny responsibility for the results of their actions toward employees or customers, their posture and performance would be rated as reactive, whereas the response of Johnson & Johnson's managers to the Tylenol crisis by accepting and anticipating responsibility to present and future customers would be characterized as proactive. As a recent news item reported, the Tylenol example of Johnson & Johnson's proactive posture and performance was not unique:

**Family Friendly:** Many companies go farther than the law requires. Non-mandated work and family policies abound. Johnson & Johnson allows employees to bring children to work to get picked up and dropped off for camp during the summer. (*Wall Street Journal*, 1994: A1)

## PROPOSITIONS AND ISSUES FOR FURTHER RESEARCH

The stakeholder framework provides the basis for the following definition of the corporation and its purpose:

1. The corporation is a system of primary stakeholder groups.
2. The survival and continuing profitability of the corporation depend upon its ability to fulfill its economic and social purpose, which is to create and distribute wealth or value sufficient to ensure that each primary stakeholder group continues as part of the corporation's stakeholder system.
3. Failure to retain the participation of a primary stakeholder group will result in the failure of that corporate system and its inability to continue as a going concern.
4. Failure to retain the participation of a primary stakeholder group will be the result of
  - a. the corporation's inability to create and distribute sufficient wealth or value to satisfy one or more primary stakeholder groups, or
  - b. distribution by the corporation of increased wealth or value to one primary stakeholder group at the expense of one or more other primary stakeholder groups, causing their dissatisfaction and withdrawal from the system.
5. Failure, and success, may be lengthy processes. The stakeholder framework can be used to provide data, nonfinancial as well as financial, that can indicate whether stakeholder dissatisfaction has begun

the process of failure, or whether stakeholder satisfaction is pointing toward success.

Based on the foregoing, the following three propositions are advanced for empirical testing:

*Proposition 1: When a corporation has been unable to continue as a going concern or has sought bankruptcy protection, it will be shown that one or more primary stakeholder groups withdrew from participation in that corporate system.*

This proposition can be addressed through a literature survey of large U.S. or Canadian corporations that have been unable to continue as going concerns or have sought bankruptcy protection, to determine whether their failure can be attributed to the complete or partial withdrawal of support by one or more primary stakeholder groups.

*Proposition 2: A corporation whose profits have been above the average of its industry for the preceding five years or more will be shown to have created wealth or value for all its primary stakeholder groups.*

*Proposition 3: A corporation whose profits have been below the average in its industry for the preceding five years or more will be shown to have been unable to create sufficient wealth or value to satisfy one or more groups of primary stakeholders or to have distributed increased wealth or value to one group of stakeholders, causing dissatisfaction on the part of one or more of its other primary stakeholder groups.*

In designing a research program to test Propositions 2 and 3, the following points should be borne in mind. Corporate performance is best evaluated on an industry-by-industry basis to reduce the number of variables when making comparisons. A bank's performance in terms of the management of its stakeholder relationships cannot reasonably be compared with that of an integrated oil company or a manufacturer of chemicals. The criteria of performance, profit, and stakeholder satisfaction should be appropriate to that industry. The measures of profit and other elements of performance will vary by industry and will include consideration of exogenous variables that may affect performance, such as market share and growth patterns in the industry and the economy.

Because, across the range of primary stakeholders, wealth and value are not necessarily and exclusively financial, it is suggested that "stakeholder satisfaction" be used as a common measure. One approach to the development of such a measure would be to survey representatives of primary stakeholder groups to determine their levels of satisfaction with the wealth and value creation of particular companies. Such surveys would provide for each firm an aggregate stakeholder satisfaction rating,

together with satisfaction ratings for each primary stakeholder group. Multivariate statistical analysis could then be applied to isolate the relative importance of stakeholder satisfaction in assessing long-term profitability. Because there would be both time-series and cross-section data, panel data methods could be applied to the analysis.

## CONCLUSION

The measurement of corporate success has traditionally been limited to the satisfaction of and creation of wealth for only one stakeholder, the shareholder. It has been demonstrated that the pursuit of this single measure is self-defeating (Clarkson, 1988). *Stakeholder* is not synonymous with *shareholder*. The economic and social purpose of the corporation is to create and distribute increased wealth and value to all its primary stakeholder groups, without favoring one group at the expense of others. Wealth and value are not defined adequately only in terms of increased share price, dividends, or profits.

Managers can no longer be held responsible for maximizing returns to shareholders at the expense of other primary stakeholder groups. Instead, managers are now accountable for fulfilling the firm's responsibilities to its primary stakeholder groups. This means that managers must resolve the inevitable conflicts between primary stakeholder groups over the distribution of the increased wealth and value created by the corporation. Resolving conflicting interests fairly requires ethical judgment and choices.

Fairness and balance in the distribution to its primary stakeholder groups of the increased wealth and value created by the firm are necessary to preserve the continuing participation of each primary group in the firm's stakeholder system and to avoid favoring one group unduly and at the expense of other groups. If any primary group perceives, over time, that it is not being treated fairly or adequately, whether it is the employee, customer, or shareholder group, it will seek alternatives and may ultimately withdraw from that firm's stakeholder system. If that withdrawal occurs, the firm's survival will be threatened.

The moment that corporations and their managers define and accept responsibilities and obligations to primary stakeholders, and recognize their claims and legitimacy, they have entered the domain of moral principles and ethical performance, whether they know it or not. So long as managers could maintain that shareholders and their profits were supreme, the claims of other stakeholders could be subordinated or ignored. There was no need for the manager to be concerned with fairness, justice, or even truth. The single-minded pursuit of profit justified any necessary means, so long as they were not illegal. But as managers make decisions and act in terms of stakeholder management in resolving inevitable conflicts of interest between stakeholder groups, they can no longer rely on "the invisible hand" to solve problems and, instead, must deal directly

themselves with ethics and moral principles. When ethical judgments and choices may become issues of survival, the management of ethics and ethics programs in a corporation becomes a matter of strategic importance.

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## APPENDIX

### Guide to the Description and Performance Data (Excerpts)

#### 2. Employees

##### 2.1. General Policy

- 2.1.1. *Description:* General philosophy, objectives, code of practice, policies, and performance assessment process.
- 2.1.2. *Performance Data:* Data about employee attitudes, satisfaction, etc. Results of employee satisfaction surveys.

##### 2.2. Benefits

- 2.2.1. *Description:* Employee benefits program.
- 2.2.2. *Performance Data:* Scope and scale relative to industry.

##### 2.3. Compensation and Rewards

- 2.3.1. *Description:* Objectives of compensation/reward system; linkage to employee performance on social and stakeholder issues.
- 2.3.2. *Performance Data:* Level of compensation relative to industry group. Ethical neutrality of compensation/reward system. Evidence of linkage to performance on social and stakeholder issues.

##### 2.4 Training and Development

- 2.4.1. *Description:* Employee training and development, including job retraining, literacy.
- 2.4.2. *Performance Data:* Dollars spent per annum, number of employees involved/annum, time spent/employee/annum.

##### 2.5 Career Planning

- 2.5.1. *Description:* Career planning programs and policies including lateral transfers and internal promotion.
- 2.5.2. *Performance Data:* Utilization of programs. Percentage of lateral transfers and promotions that are internal.

##### 2.6. Employee Assistance Program

- 2.6.1. *Description:* Services available.
- 2.6.2. *Performance Data:* Utilization rate, data on job-related cases.

##### 2.7. Health Promotion

- 2.7.1. *Description:* General policy, including commitment of senior management to a balanced lifestyle for employees, and programs offered.
- 2.7.2. *Performance Data:* Budget allocated, utilization rate.



## **2.8. Absenteeism and Turnover**

2.8.1. *Description:* Performance objectives, programs and policies. External and internal factors affecting absenteeism and turnover.

2.8.2. *Performance Data:* Absenteeism and turnover data, relative to industry group(s).

## **2.9. Leaves of Absence**

2.9.1. *Description:* Policies on leaves of absence (e.g., childbirth, adoption, sabbatical, political office).

2.9.2. *Performance Data:* Utilization rates, comparison of policy to industry practice.

## **2.10. Relationships with Unions**

2.10.1. *Description:* Specific policies regarding unions, historical experience, and traditional stance.

2.10.2. *Performance Data:* Comparison with industry practice. Record of complaints, frequency of job actions, legal proceedings, etc.

## **2.11. Dismissal and Appeal**

2.11.1. *Description:* Policies and processes for dismissal and dismissal appeal.

2.11.2. *Performance Data:* Utilization rate for appeal process. Record of suits for wrongful dismissal.

## **2.12. Termination, Layoff, and Redundancy**

2.12.1. *Description:* Policy and practice regarding terminations, layoffs, and plant closures, job security, retraining, job restructuring, early retirement, advance notice of closures.

2.12.2. *Performance Data:* Number of employees per annum terminated or laid off over the last five years. Layoff frequency. Industry comparisons.

## **2.13. Retirement and Termination Counseling**

2.13.1. *Description:* Retirement and termination counseling programs.

2.13.2. *Performance Data:* Utilization rates, budget and staffing allocated.

## **2.14. Employment Equity and Discrimination**

2.14.1. *Description:* Policies and programs in hiring and promotion. Policies regarding on-the-job discrimination, including sexual harassment.

2.14.2. *Performance Data:* Numbers of complaints, legal actions, citations for excellence, data from employee surveys.

## **2.15. Women in Management and on the Board**

2.15.1. *Description:* Stated policies and objectives regarding women in management and on the board.

2.15.2. *Performance Data:* Recent data on numbers of women in management and on the board, including length of service and proportion by level and functional area.

## **2.16. Day Care and Family Accommodation**

2.16.1. *Description:* Provision for day care and other responses to accommodate family needs.

2.16.2. *Performance Data:* Utilization rates, data from employee satisfaction surveys, commitment to funding programs.

## **2.17. Employee Communication**

- 2.17.1. *Description:* Communication processes both to and from employees. Examples of communication from employees are: "open door" to management; employee suggestion process, including incentives; confidential reporting processes (e.g., an "ombudsman"); policy and process to encourage employees to raise ethical concerns, including "whistle-blowing" protection.
- 2.17.2. *Performance Data:* Utilization rates and patterns. Results of employee satisfaction surveys.

## **2.18. Occupational Health and Safety**

- 2.18.1. *Description:* General philosophy, code of practice, policy and program, including employee training and performance appraisal, emergency response and monitoring or auditing procedures. Level to which assessment data are reported. Key issues and specific policies and programs of particular importance.
- 2.18.2. *Performance Data:* Details of awards; legal or other disciplinary actions against company, accidents and lost days data, workers compensation, industrial disease and injury data. Evidence that data are reported to levels specified. Rating by the International Safety Rating System, if applicable.

## **2.19. Part-time, Temporary, or Contract Employees**

- 2.19.1. *Description Policy:* Access to programs and benefits.
- 2.19.2. *Performance Data:* Evidence of access.

# **6. Public Stakeholders**

## **6.1. Public Health, Safety, and Protection**

- 6.1.1. *Description:* Policies, code of practice, objectives, and programs including employee training and performance assessment. Extension of policies to suppliers, distributors, and customers, domestically and internationally. Description of emergency response plan, monitoring and auditing procedures for environmental protection. Level to which data are reported. Policy on disclosure of incidents and audits.
- 6.1.2. *Performance Data:* Evidence that data are reported to designated level. History of complaints and offenses. Legal proceedings. Effectiveness of follow-through on planned response to emergencies. Degree of government pressure required prior to policy change. Timing of decisions relative to public relations crises. Comparison with performance of competitors.

## **6.2. Conservation of Energy and Materials**

- 6.2.1. *Description:* Policies, objectives, and programs, including employee training and performance assessment. Auditing process. Adoption of the reject-reduce-reuse-recycle hierarchy for energy and material use and waste management, and commitment to treatment before disposal for hazardous wastes. Extension of policies to suppliers, distributors, and customers.
- 6.2.2. *Performance Data:* Data on quantity of materials saved, changes in consumption, reduction in waste produced, etc. Comparison with performance of competitors. Related R&D expenditures.

### 6.3. Environmental Assessment of Capital Projects

- 6.3.1. *Description*: Process for incorporating environmental principles into capital project assessment (construction, operations, and closure). Performance assessment of the process.
- 6.3.2. *Performance Data*: History of success or complaints on capital projects. Congruence of accepted projects with stated values with respect to the environment.

### 6.5. Public Policy Involvement

- 6.5.1. *Description*: Direct or through industry associations. Policy and processes that give the company a role in the formation of public policy. The role of the Board of Directors.
- 6.5.2. *Performance Data*: Specific policy involvement and record of participation. Comparison with other companies in the industry.

### 6.6. Community Relations

- 6.6.1. *Description*: Community liaison and communications programs and policies, including stakeholder consultation on decisions which effect the community. Performance assessment process. Specific benefits and consideration of the local community (i.e., local hiring, business opportunities, emergency response programs, plant closings).
- 6.6.2. *Performance Data*: Record of stakeholder consultation. Value of benefits to community.

### 6.7. Social Investment and Donations

- 6.7.1. *Description*: Specific social investment policies and programs, including corporate donations (financial, "in-kind," and use of facilities) and the allocation formula for same; employee involvement in community service and expectations of same in job descriptions and performance appraisal; corporate sponsorship. Performance assessment process.
- 6.7.2. *Performance Data*: Awards, \$\$/annum and percentage of earnings allocated for donations and corporate sponsorship, time/employee/annum spent in community service. Performance relative to industry group(s).

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