The Cognitive Structure of Corporate Social Responsibility

Kimberly B. Boal
University of Nevada/Reno
Newman Peery
University of the Pacific

Few studies have attempted to empirically verify the concept of corporate social responsibility, although it has been discussed for decades. This study is a multidimensional scaling (MDS) analysis of a sample of 549 persons that suggests that corporate social responsibility can be viewed as a three-dimensional construct. The three dimensions include economic-noneconomic/human outcomes, ethical considerations, and consequences for relevant interest groups.

The concept of corporate social responsibility has enjoyed much attention over the past decade from both business and academics, although the term is rarely operationally defined. It is variously used to signify legal responsibility, fiduciary duty, legitimacy, and charitable contributions. (Zenisek, 1979).

Discourse on corporate responsibility often takes the form of impassioned debate, with one side arguing for a position of profit maximization and minimal social involvement, and the other arguing for expanded social activity even at the expense of profits. Holmes (1979) refers to these as the "pure conservative" and "pure liberal" positions. Representative of the more conservative or classical view would be Friedman (1970), who argued that as long as corporations stay within the rules of the game, their sole responsibility is to maximize the return to the stockholder. At an extreme liberal position is the socialist Michael Harrington (1979), who argued that the role of corporations is to advance the public good and that they should be treated as a public property. In between, of course, is a vast middle ground.

Sethi (1975) synthesized much of the area in a less impassioned way, through a three-stage scheme for analyzing corporate responsiveness based on its relationship to corporate legitimacy. In stage 1, legitimacy is based on prescriptive social obligations to meet legal and economic criteria. Accountability is limited

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Address all correspondence to Kimberly B. Boal, Managerial Sciences Department, College of Business Administration, University of Nevada/Reno, Reno, NV 89557.

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to stockholders, although corporate behavior in this stage tends to be exploitative and defensive. Noting the inherent limitations of this approach, Sethi then describes prescriptive social responsibility (stage 2) where managers are aware of the extralegal dimensions of legitimacy, leading to a more community-oriented but still basically reactive form of social adaptiveness.

The third stage, Sethi (1975) suggests, includes those corporations which have institutionalized structures to cope with social change. Managers of such firms take definite stands on social issues and recognize a broadened accountability for legitimizing their activities, but still seek to maintain the corporation as a legitimate institution in the private sector.

Sethi’s discussion appears to argue that a firm increases in social responsibility, and thus maintains legitimacy, as it moves from stage 1 toward stage 3. Implied here is the need for a congruence between organizational action and societal expectations.

Also implied in the above discussion is the corporate responsibility debate centering on the issue of *qui bono*, that is, to whom or for what is the corporation responsible? Classical economics and much legal tradition appear to favor the position that stockholders should be the prime if not the sole beneficiaries of corporate activities. More recently, changes in the law and the writings of various social critics suggest that others have a legitimate stake in the outcomes resulting from corporate actions. These others are often referred to as ‘‘stakeholders.’’ An idea of the stakeholder perspective was presented by Hay and Gray (1974) who conceptually divided the notion of social responsibility into three historical phases, each of which adds a new group of stakeholders for recognition.

The conceptualization offered by Hay and Gray (1974) seems, like Sethi’s, to consider social responsibility a unidimensional scale, except that here it is based upon an index of values held by the three types of managers predominant during the successive historical periods. These periods or phases of social responsibility were characterized as profit-maximizing management prominent at the turn of the century, the emergence of trustee management since the 1920s, and, more recently, a shift toward quality-of-life management due to growing American affluence.

According to Hay and Gray, profit-maximizing management would emphasize profits, wealth accumulation, productivity, and stockholder interests, and would be less concerned about product quality, job security, and social values. The trustee manager would attempt to balance the interests of various organizational stakeholder groups and to offer quality products at fair prices, but would be less inclined to support environmental conservatism, cultural values, or employee rights. The quality-of-life manager would have many of the values ranked high by the trustee manager, but would, in addition, be concerned with employee rights, social justice, and the quality of the environment.

In a similar attempt to clarify the concept of social responsibility, Zenisek (1979) traces its historical development in the organizational literature, but uses a four-celled partition rather than three. He defines a continuum of social responsibility, whereby a manager increases in social responsibility as he or she becomes sequentially more concerned with the stakeholder interest of (a) the owner/
manager; (b) organizational participants; (c) groups within the task environment including customers, creditors, and suppliers; and (d) broader societal interests such as justice, the environment, and cultural activities. Furthermore, Zenisek warns that an incongruence between managerial values/behaviors and stakeholder expectations will lead stakeholders to view the corporation as irresponsible and will thus erode social support.

Ethical Reasoning

Cavanagh, Moberg, and Velasquez (1981) suggest ways to use ethical reasoning to resolve dilemmas ensuing from an incongruence between managerial values and social expectations. Beginning with an utilitarian analysis, they suggest that a corporate decision can first be judged by its consequences. Thus, an alternative which optimizes the satisfaction of the greatest number is a prime ethical objective. This could focus on maximizing economic outcomes like profit or shareholders’ wealth, but could also be broadened to include both positive and negative consequences affecting other stakeholders.

A second ethical dimension by which decisions may be judged concerns deciding on what basis the benefits and burdens of corporate activities should be allocated. Such questions of distribution involve issues of justice, and have been discussed in terms of relative merit, need, social contribution, equality, and property rights (Beauchamp, 1982; Donaldson, 1962).

Finally, a third dimension of ethical reasoning involves the issue of rights (Cavanagh, Moberg, & Velasquez, 1981). Here the basic principle would be to avoid harming others or interfering with the rights of others who might be affected by a corporate action.

We know of no empirical studies, however, which have attempted to link the cognitive structure underlying ethical analysis with the stakeholder perspective. An exception might be Shocker and Sethi’s study (1974), which suggests that managers use multidimensional criteria to weight corporate actions. This approach implicitly assumed that managers utilize a stakeholder perspective in addressing social responsibility issues. The present study uses preferences for hypothetical decision outcomes expressed by respondents to empirically assess whether the stakeholder approach corresponds to cognitive maps of corporate responsibility and/or whether additional dimensions (e.g., justice, rights) are needed.

Methodology

Measures

The four-celled partition of social responsibility developed by Zenisek and the three-phase typology of Hay and Gray were used to identify a number of decision-outcome values which might serve to measure social responsibility. Four possible outcomes were identified for each of the four cells offered by Zenisek, resulting in sixteen valued outcomes possible from social responsibility-related decisions (see Table 1).
The sixteen decision outcomes outlined in Table 1 were then used to develop 120 forced-choice scales which included all possible combinations of the 16 basic decision outcomes. Respondents were asked to choose between two hypothetical decision outcomes on a five-point scale like the following:

<table>
<thead>
<tr>
<th>Option A</th>
<th></th>
<th>Option B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Prefer A</td>
<td>Prefer A</td>
<td>Neutral</td>
</tr>
<tr>
<td>Promotes economic interests of business</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The 16 items appearing as outcomes choices in the 120 scales appeared equally as an outcome for option A at the left of the scale and for option B on the right. Also, the scale items were randomly ordered in the instrument.

**Sample**

The 120-scale instrument was administered to a convenience sample of 549 undergraduate management students at a large, midwestern, urban university. Fifty-one percent of the subjects were male. They ranged in age between 17 and 46 years ($\bar{X} = 22.46$). Two-thirds of the respondents had three to six years of work experience ($\bar{X} = 6.24$) though only 36% had any supervisory experience.

**Table 1**

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner/Manager (Organizational)</td>
<td>Organizational Participants (Employees)</td>
<td>Task Environment (Consumers)</td>
<td>Societal</td>
</tr>
<tr>
<td>a. Promotes Economic Interests of Business</td>
<td>e. Safe Working Conditions</td>
<td>i. Produces Products Desired by Customers</td>
<td>m. Company Obeyes the Law</td>
</tr>
<tr>
<td>C. Promotes Long-range Survival of Business</td>
<td>g. Promotes Employee Rights</td>
<td>k. Maintains High Quality of Products and Services</td>
<td>o. Supports Social and Cultural Activities</td>
</tr>
</tbody>
</table>
Data Analysis

The instrument was designed for use in multidimensional scaling. Preference data is commonly used in MDS analysis and corresponds to quadrant 1 in Coombs' (1964) data classification system (Green & Tull, 1975).

Because of the type of data generated by this study, the nonmetric mode of MDS was used. The nonmetric mode of MDS can be generally described as a data set consisting of $m$ sample points, identified as:

$$X_1, X_2, \ldots, X_m.$$  

Each sample point $X_i$ is a vector of dimension $r$. Thus,

$$X = (X_{i1}, X_{i2}, \ldots, X_{ir}),$$

where $X_{ii} = \text{ith response for the rth value outcome}.$

The $X_{ij}$ entries in the vector are used to register the level of attainment for social responsibility outcomes of sample point $X_i$ with respect to each of the vectors. The user has the freedom to specify a set of $r$ measurements that are to be used to comprise the data point $X_i$. The use of preference data corresponds to the psychological property of dominance. This is opposed to assessing the data in terms of consonance or similarity (cf. Coombs, 1964). In either case, a distance or dissimilarity matrix $d_{ij}$ is formed. This can invoke any distance measure between the data points, but the most commonly employed is euclidean distance.

MDS will locate on a graph each data vector $x_i$, once the distance matrix $D$ is established. The points on the graph will have interpoint distances $d_{ij}$. The goal is to have the generated distances $d_{ij}$ conform as closely as possible to actual distances $d_{ij}$. A goodness-of-fit indicator, used in nonmetric MDS to measure the adequacy of the generated distance, is known as stress (Kruskal, 1964).

Stress represents the ratio of the squared errors to the squared distances. Therefore, the nearer the stress is to zero, the more satisfactory is the placement on the graph of the data vectors. A rough guide to use is that a stress value between zero and 0.1 is very good, stress between 0.1 to 0.4 is acceptable, and stress greater than 0.4 is evidence that MDS has not adequately located the points on the graph (Kruskal & Wish, 1978).

The graph used to plot the points will have several axes, corresponding to the criteria that are identified by MDS as important determinants of the relative position of the data vectors. Typically, the axes will represent some combination of several of the $r$ measurements that make up $X_i$. Stress will be lowered by including more dimensions or axes on the graph, but eventually the stress reductions will become very small. However, "since MDS is almost always used as a descriptive model for representing and understanding the data, other considerations (emphasis added) enter into decisions about the appropriate dimensionality, e.g., interpretability, ease of use, and stability" (Kruskal & Wish, 1978, p. 48). MDS ranks the relative importance of each of these dimensions or axes. This makes it possible to identify the most important dimensions of social responsibility in terms of the way people think about the construct. Such mappings may have behavioral implications and help to clarify the nature of trade-offs in making socially responsible decisions. A number of computer algorithms are available which can do MDS (Green & Rao, 1972).
Results

The MDS yielded a series of interpretive options ranging from one to four dimensions with stress values as follows:

<table>
<thead>
<tr>
<th>Number of Dimensions</th>
<th>Stress</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.1818</td>
</tr>
<tr>
<td>2</td>
<td>.0642</td>
</tr>
<tr>
<td>3</td>
<td>.0362</td>
</tr>
<tr>
<td>4</td>
<td>.0197</td>
</tr>
</tbody>
</table>

A single dimension MDS result yielded a stress value which was quantitatively acceptable but ambiguous concerning the interpretability of social-responsibility value outcomes. The outcomes from column 4, that is, societal interests, listed on Table 1 appeared on both extremes of the continuum, as shown in Figure 1. The conceptual arguments of neither Hay and Gray nor Zenishek could be supported by a single dimension. Further, the stakeholder perspective was not supported. This suggests that social responsibility might be better considered a multidimensional construct. Though the stress value for two dimensions was very good, and interpretable, support for the stakeholder perspective required the addition of a third dimension. The results were then more readily interpretable. The small stress value reductions caused by inclusion of more than three dimensions did not seem to be warranted because of the concomitant complexity in interpreting the results. The three underlying dimensions for understanding the social responsibility construct seemed to be (a) economic/market values as opposed to noneconomic/human values, (b) the ethics of nonmaleficence contrasted with the ethics of beneficence, and (c) a stakeholder interest dimension.

Figure 2 contrasts dimension 1, which we have labeled the economic/nemonic dimension, with dimension 2, which we have labeled the nonmaleficence/beneficence dimension. The X axis of Figure 2 identifies the ethics of nonmaleficence, which supports such decision outcomes as obedience to the law, product safety, job safety, and not degrading the environment, clustered closely on one end. This dimension could be broadly related to the concept of rights. For example, Stone (1972) has suggested that natural objects in the environment might have the right not to be degraded. Also, people may have a right to a safe job or a safe product. Such beneficent outcomes as supporting cultural and social activities and promoting social justice were at the other extreme of this dimension. However, on this ethical dimension these two outcomes were also placed close to productivity, the economic interests of the business, and stockholder interests. Thus, one dimension of social responsibility would involve trade-offs of outcomes based on a negative ethic of avoiding evil with outcomes based on a positive ethic of doing what is considered right.

The Y axis of Figure 2 differentiates economic and market values from noneconomic and human values. Farthest apart on this dimension were supporting social and cultural activities and promoting the long-range survival of the business. Also, promoting employee rights and avoiding the degrading of the envi-
Figure 1
Social Responsibility as a Single Dimension

<table>
<thead>
<tr>
<th>Supports Cultural/Social Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promotes Interests of Stockholders</td>
</tr>
<tr>
<td>Promotes Economic Interests of Business</td>
</tr>
<tr>
<td>Maintains High Level of Productivity</td>
</tr>
<tr>
<td>Promotes Social Justice</td>
</tr>
<tr>
<td>Prices Products Fairly</td>
</tr>
<tr>
<td>Promotes Long-range Survival of Business</td>
</tr>
<tr>
<td>Job Security for Employees</td>
</tr>
<tr>
<td>Jobs that Allow Employees to Use Valued Skills and Abilities</td>
</tr>
<tr>
<td>Company Produces Safe Products</td>
</tr>
<tr>
<td>Promotes Employee Rights</td>
</tr>
<tr>
<td>Maintains High Quality Products and Services</td>
</tr>
<tr>
<td>Does not Degrade the Environment</td>
</tr>
<tr>
<td>Safe Working Conditions</td>
</tr>
<tr>
<td>Obey Law</td>
</tr>
</tbody>
</table>

The third dimension of social responsibility found in the study was the balancing of interests. The points in this dimension are plotted against the ethics in Figure 3. On the interest continuum, consumer and employee interests were perceived as being closely related to each other. Contrast with these were societal interests and the economic interests of the stockholders and the business. The point furthest removed from any stakeholder interest was obedience to the law. Clustered very close together toward the ethics-of-beneficence side of the continuum were the economic interests of the business, stockholder interests, and promoting social justice. Apparently a just decision should appropriately consider various competing interests if it is to be socially responsible.

Figure 4 plots the social responsibility outcomes on the two dimensions of stakeholder interests and economic values. The plotting of these points closely corresponds to the four-cell classification scheme outlined by Zenisek (1979) and operationalized in Table 1. The four quadrants of Figure 4, with four exceptions, separate organizational participants, consumer interests, organizational (manager/owner) interests, and the interests of the broader society. One exception seems to be obedience to the law, which is plotted in the manager/owner quad-
Figure 2
Ethics & Economic Values as Social Responsibility
Economic/Market Values

Ethics of Beneficence

D
C
A
B

K
M
L

J
F
G
H

E

Non-economic/Human Values

Figure 3
Ethics and Promotion of Interests as Social Responsibility
Consumer and Employee Interests

Ethics of Beneficence

I
F
J
H
K

G

E

Non-economic/Human Values

Figure 4
Economic Values and Promotion of Interests as Social Responsibility
Consumer and Employee Interests

Non-economic/Human Values

F

H
G
E

J

I

(Task Environment - Consumer)

K
B

L

Economic/Market Values

N

P

(Societal)

O

(Societal)

P

O

A
D

Societal and Organizational Interests
rant, although it is located farthest from any other point on the figure. Obedience to the law is sometimes considered a basic element of social responsibility, even for those who argue for strict profit maximization (e.g., see Friedman, 1970).

Other possible exceptions to the classification scheme formed in Table 1 include productivity, which is plotted in the quadrant for consumer interests, and the point for fair prices, which is found in the employee quadrant. It seems that high levels of productivity might well benefit consumers as much as it does the managers and owners of a business.

**Conclusion and Discussion**

This MDS analysis of social responsibility suggests that the construct is multidimensional, with dimensions that are independent and differ in importance. Unidimensional plotting of decision outcomes, as shown in Figure 1, does not yield an ordering which is either consistent with the conceptual developments found in the literature or suggestive of alternative interpretations. More dimensions are required.

A three-dimensional interpretation of the social responsibility construct seems to be somewhat consistent with the three-phase interpretation suggested by Hay and Gray. As noted earlier, the phase 1 manager of Hay and Gray is primarily concerned with the market and economic dimensions of the decision. In terms of explained variance, this MDS analysis suggests that the dimension of economic/market values - noneconomic/human values is the most important dimension. The second important MDS dimension was ethics (nonmaleficence vs. beneficence) which corresponds roughly with the phase 3, quality-of-life manager discussed by Hay and Gray. However, they seem to suggest that given affluence, managers can begin to consider noneconomic quality-of-life factors like cultural values, social justice, and employee rights. We believe that this is not an aspect of social responsibility dependent primarily upon an economic surplus. This is an ethical dimension, which, according to the data, is independent of the economic dimension and is of crucial importance to an understanding of social responsibility. Thus, a socially responsible decision should avoid harming others, should respect the rights of others, and, in its most expansive context, should promote justice.

The third dimension of social responsibility considers the outcomes of decisions in terms of who benefits from them. To a degree, this is the posture of Hay and Gray’s phase 2, trustee manager, who balances various competing demands in order to make a responsible decision. There are a number of ways to define these interest groups. Zenisek’s four-cell model offers one scheme, supported by the plotting of points in Figure 4, which shows group interests from one dimension and economic/noneconomic outcomes from the other dimension. The results thus provide partial support for the theoretical positions of both Hay and Gray (1974) and Zenisek (1979).

Much of the literature on corporate social responsibility follows the stakeholder approach. The crucial issues facing managers would be what stakeholders to include and how to handle conflict resulting from the incompatible expecta-
tions of various stakeholder groups. From this perspective, such outcomes as produ-
ducing safe products would have no rationale independent of consumer demand. We believe that this perspective is too limited. Based upon our results, we offer the following guidelines in making socially responsible decisions.

First, a socially responsible decision should have utility, that is, it should lead to economically beneficial results. Secondly, a socially responsible decision should seek to avoid harm even at a cost to the maximization of profit. This would correspond to Simon, Powers, and Gunemann’s (1979) notion of a “moral minimum,” which, they suggest, appears to be a universally accepted negative injunction found in all moral codes. This would also appear compatible with Adam Smith’s (1976) notion of “justice.” Thirdly, a beneficent decision might seek to positively affect society, that is, promote social justice. A corporation might also encourage cultural activities if this is consistent with the economic interests of the business. This corresponds to the position that Holmes (1979) refers to as a “qualified liberal one,” and appears to be a cross between Adam Smith’s (1976) virtues of prudence and beneficence. Interestingly, our findings suggest that these two virtues represent opposite ends of the same continuum. Thus, in practice, decision makers may need to consider trade-offs between the economic interest of the organization versus seeking to promote justice.

Fourthly, decisions that influence different stakeholders differently should seek to balance those interests in a just manner. Here, the notion of multiple “stake-
holders” seems most applicable (Freeman, 1984). The ethical reasoning in distribu-
tive justice may be of paramount importance to those corporate decision
makers who wish to be socially responsible.

The second cognitive dimension, ethics of nonmaleficence, suggests that socially responsible decisions are sensitive to the rights of others. While many decisions may have adverse effects on the quality of life and safety of both workers and customers, there is some risk that the first dimension, economic values, will dominate any trade-off analysis (Armstrong, 1977). It would appear that there is a tendency to violate Immanuel Kant’s (1959) injunction to never treat people merely as means, but rather to treat them as ends. Therefore, dimension 2, ethics of nonmaleficence, is needed to place dimension 1 in its proper perspective.

In summary, it appears that the respondent’s cognitive map of corporate social responsibility utilizes three underlying dimensions which parallel the ethical di-
ensions of utilitarianism, justice, and rights. An acceptable decision outcome should be economically worthwhile, should justly affect stakeholders, and should either protect or promote the rights of those affected. There could be exceptional circumstances which would justify minimizing one of these dimensions. However, indiscriminate ignoring of these dimensions could undermine the legitimacy or, in turn, the long-term social support of an organization.

Limitations and Needed Research

While we believe that these results offer empirical support for a multidimen-
sional concept of corporate social responsibility, they need to be replicated with a managerial sample in order to insure external validity.
A more important limitation rests with the nature of the data and analytic techniques used. Since we were attempting to validate the stakeholder approach to corporate social responsibility, the instrument we developed was consistent with this approach. Thus the items we specified were teleological, as opposed to deontological, in nature. That is, the items focused on outcomes as opposed to means or motives. It is possible that had we taken a deontological approach, we might have captured a different cognitive map. However, the approach we took and map we captured are consistent with much of the literature on social responsibility, ethics, and economics.

Zenisek (1979) suggests that an incongruence between the ideological aspects of an ethic (i.e., cognitive structures and values) and the operational aspect (i.e., behaviors) leads to a moral crisis which can only be resolved when one or both aspects change. Research is needed on the congruence between the cognitive structures held by managers and the operational behaviors of their organizations. Posner and Schmidt (1984) recently found that managers who perceive their values to be in conflict with organizational values are less committed, less healthy, and more cynical than managers whose values are congruent with those of their organizations. We believe that this incongruence is the root cause of "whistleblowing."

Zenisek also suggests that "to be acceptable to society a business ethic must be compatible with prevailing social ideology" (p. 362). This suggests that we need to examine the congruence between the cognitive structures and value weightings held by top corporate decision makers vis-à-vis decision makers in government, who, in a sense, represent multiple stakeholder groups. Incongruities here will, we think, pinpoint the areas where government decision makers will be most active in their regulatory postures. Knowledge of such incongruities would be important for heading off and/or resolving conflicts between the business and public sectors.

Finally, while this research provides some insight as to the dimensionality and importance of various criteria used in making socially responsible decisions, it says nothing about how such cognitive structures develop. We suggest that comparing these results with those that assess moral reasoning (e.g., The Defining Issues Test, Rest, 1979) in the traditions of Piaget (1932/65) and Kohlberg (1969) would be useful in this regard. Such analysis would aid in the understanding of the nomological network that pertains to the development of values/cognitive structures concerning social responsibility.

References


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Kimberly B. Boal is Associate Professor of Management at the University of Nevada, Reno.

Newman Peery is Professor of Management at the University of the Pacific.