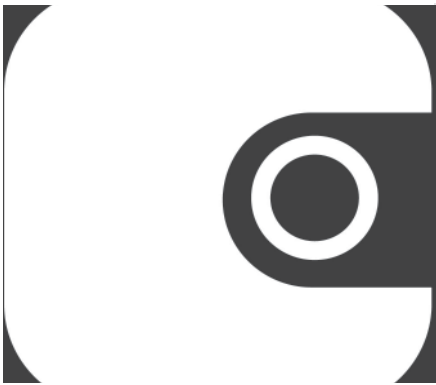


# The good business of inclusion, a reflection towards a more ethical enactment of business



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Recepción: 17 de septiembre de 2008 | Aceptación: 03 de noviembre de 2008

### **Abstract**

With the purpose of crafting a coherent argument in favor of more business inclusiveness, this paper explores the convenience of a well-accepted model for Corporate Social Performance. After a detailed examination of all its parts, two ethical perspectives –utilitarianism and deontology- are adopted as prisms to evaluate the compatibility of the model with sound moral thinking. At the end, a model of ethical funneling is proposed as a means to enhance business inclusion and performance.

### **Key words**

Business  
Inclusiveness  
Ethics  
Utilitarianism  
Deontology

\* The author of this paper wants to thank the blind reviewers, whose encouraging and constructive comments graciously pointed out previous shortcomings and thus contributed to the improvement of the argumentation and the overall contents herein presented.

## El buen negocio de la inclusión. Una reflexión para la realización de los negocios más éticos

### Resumen

Con el propósito de articular una argumentación coherente a favor de una mayor inclusión en los negocios, este artículo explora la conveniencia de un modelo muy aceptado de Desempeño Social Corporativo. Después de una mirada detallada de sus partes, se adoptan dos perspectivas éticas –el utilitarismo y la deontología– como prismas para evaluar la compatibilidad del modelo con el pensamiento ético. El artículo concluye proponiendo un modelo de “embudo ético”, que busca fomentar la inclusión y mejorar el desempeño de los negocios.

### Palabras clave

Negocios  
Inclusión  
Ética  
Utilitarismo  
Deontología

*“Health requires that the body’s blood flow freely and vigorously; sluggishness can induce disease, and blood clots occasion death. It is not different with the body politic where wealth takes the place of blood as the life-given substance”.*

(Smith, 1994, p. vii)

*“Time is short. We must seize this historic moment to act responsibly and decisively for the common good.”*

Ban Ki-moon, UN Secretary-General<sup>1</sup>

### 1. Introduction



When we consider the evidence of everyday's life in the world, it is not hard to see that our business system has yet a lot to achieve. Beyond any short term considerations on the late financial crisis, in this paper we focus on concerns related to structural shortcomings of the business thinking that seem to be harmful even to the fate of businesses themselves.

For example, the latest report of the United Nations Millennium Development Goals Gap Task Force which denounces that:

“Some donor countries are cutting their budgets for official development assistance (ODA); several developed and developing countries have resorted to protectionist measures; resurging debt distress is increasing the need for further and broader debt relief; the costs of essential medicines are on the rise; and the technological divide between developed and developing countries seems likely to widen further”.

(Gap-Task-Force, 2009, p. vii)

Facts like those certainly must be recognized, and when we acknowledge the whole lot of consequences provoked by prevailing economic dynamics -including the non-negligible, but often denied externalities-, then we certainly have to question the way business logics and drivers operate.

How can it be that in a globalized world, plentiful of technical capabilities and accumulated knowledge, more material than humanity ever before had experienced, such large segments of the population are excluded from the potential benefits of our economic growth and efficiency?

Trying to contribute with ideas that might foster a positive economic reality for billions of people –in fact for all human beings-, we claim that is imperative that business principles, processes,

<sup>1</sup> (<http://www.un.org/millenniumgoals/> - consulted on Sep 20th -2009)

and results become more inclusive. Let's recall the analogy between blood and wealth, both being life giving fluids that need to reach the whole system order to keep it healthy. If even small or isolated capillaries are isolated, health will erode and the whole system will be undermined.

The ideal of more inclusive business can be defended not only from ethical grounds, as we will demonstrate it later, but from the sake of business activity itself. In fact, both perspectives are not only complementary, but could even be explained as different expressions of the same position.

Challenging conventional business practices, we explore the possibilities and limitations of inclusiveness within businesses, inspired by the intuition that would actually be good, profitable business. In other words, we might actually state that the good, inclusive business, constitutes the real business of business.

Talking about the business of inclusion is more than mere playing with words. We believe it is plausible to broaden the scope and orientation of business, as well as its realm of responsibilities. In other words: a more comprehensive approach to business alongside a reorientation of its benefits towards multiple stakeholders constitutes good business for business.

If business agents develop a genuine concern about satisfying the legitimate needs of society as a whole and all its diverse components, it will be easier for them to assure long term sustainability and profitability. We call this business inclusiveness, and we believe that it can be developed through a serious reflection on the combined theoretical and practical dimensions of business. These reflections should be nurtured by sound ethical reflections and a mature appreciation of the social importance of business.

## 2. Adopting a Theoretical Approach: A Social Performance Model

More than a half century ago, Kurt Lewin sentenced: "There is nothing more practical than a good theory" (Lewin, 1952, p. 169). His words gain exceptional relevance when we want to scrutinize the meaning of the inclusiveness in business. In order to sustain our actions, we need to deepen the conceptual interrogations and the theoretical foundations of our standing in the world, and in this case, of the words that we use.

De George asserts that "the business of business is business" has become a conventional cliché (2006, p. 13), which for some people provides a sort of a comfortable definition, of what business is and what it should be. This conceptual 'lightness' has very important implications at the normative level, which requires critical questioning, especially if we want to reach a more comprehensive definition of business.

In order to build a more comprehensive definition of business, one that would help promote



inclusiveness, multiple questions should be asked. These questions should be as diverse as possible, in order to match the complexity of business environments and the multiplicity of agents that participate in its hectic dynamics.

For this reason, we believe that we should approach the question with an integrative framework. In this sense, the model provided by Wood (1991) turns out to be very convenient to articulate a prescriptive definition of inclusiveness in business. Wood's model, about Corporate Social Performance is particularly appropriate because it was conceived within the research field of 'business and society', and therefore addresses fundamental concerns about the role and obligations of business organizations within society.

The fact that the model is not very recent could constitute a weakness, but, as can be seen through updated developments in the field of business and society, it has proven to be a robust comprehensive model, that provides a solid basis upon which new contributions to the field can be articulated, even in different contexts. For example, in a previous interpretation the author has applied the model to question and develop proposals to enhance the performance of management education (Castrillón, 2007).

Wood's model (which is summarized in the following table) integrates diverse perspectives and invokes questions about the principles, the processes, and the outcomes of business activities; thus providing what can be considered a very inclusive set of considerations to discuss the inclusiveness potential of business.

We argue that this can be considered an integral –and inclusive- model, because Wood's work (1991) builds upon and synthesizes preceding conceptualizations (notoriously Wartick and Cochran's, The evolution of the corporate social performance model, 1985), developing "a coherent, integrative framework for business and society research" (1991, p. 691).

**Table 1.** The Corporate Social Performance Model (Wood, 1991: 694)

<b>Principles of Corporate Social Responsibility</b>
1. Institutional level
2. Organizational level
3. Individual level
<b>Processes of Corporate Social Responsiveness</b>
4. Environmental Assessment
5. Stakeholder Management
6. Issues Management
<b>Outcomes of Corporate Behavior</b>
7. Social Impacts
8. Social Programs
9. Social Policies

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When business is analyzed through this widened definition of corporate social performance, then we shall consider the "configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm's societal relationships" (Wood 1991: 693) of all business organizations.

Adopting this conceptualization, which constitutes the core of the framework proposed by Wood, offers the advantage of comprehensively addressing multiple issues, while articulating business activities and social performance, alongside "a wide variety of motives, behaviors, and outcomes actually found in business firms" (Wood, 1991:693).

By proposing this analytical framework to consider the potential of inclusiveness in business, we avoid exclusive normative prescriptions, because the model permits the emergence of a wide array of axiological and epistemic approaches to evaluate businesses' social performance.

In the next pages we examine the challenge and potential benefits of inclusiveness in business through the conceptual sequence of Wood's framework. By examining the Responsibility Principles, the Responsiveness Processes, and the different types of Behavior Outcomes, we intend to articulate a solid argumentation defending more inclusiveness in business, that would lead to more ethical business and ultimately to benefit businesses themselves.

The argumentation proceeds by exploring how each one of the nine elements of the model might enhance inclusiveness in business. The following section will examine the ethical soundness of this proposal, evaluating it by utilitarian and deontological prisms.

## 2.1 Principles of Social Responsibility

The model we have chosen exemplifies "the basic idea of corporate social responsibility", demonstrating that "business and society are interwoven rather than distinct entities; therefore, society has certain expectations for appropriate business behavior and outcomes" (Wood, 1991, p. 695).

The principles herein included unfold the guiding concept of Social Responsibility operating at three different levels; social or institutional, organizational and individual. In order to support our demand for enhanced inclusiveness in business, we deem fruitful to follow Wood's principles through each one of the three levels. Principles which, as we will discuss later, are backed up by strong ethical theories.

### 2.1.1 Legitimacy: Responsibility at the Institutional Level

The principle of responsibility applied at this level is, inherent in business, part of its generic obligations (Wood, 1991). Like Davis stated in 1973, "Society grants legitimacy and power to business. In the long run, those who do not use power in a manner which society considers responsible will tend to lose it" (quoted by Wood, 1991, p. 695)

Empirical evidence and theoretical formulations of the principle of legitimacy are provided by several authors. One of the most comprehensive conceptualizations was given by Brummer (Theories of Institutional Legitimacy, 1991) who demonstrated that "Legitimacy" is a concept that spreads through a continuum, along which institutions can be classified through several degrees or categories of legitimacy.

Brummer distinguishes five stages of legitimacy, and nine strategies of justification that organizations might implement. The conjunction of which determines the level of legitimacy (Brummer, 1991). Although discussing these 14 categories and possible combinations exceeds the scope of this paper, it is important to signal that legitimacy for any business organization becomes significant only when organizations recognize the legitimacy of other actors, and respect their rights, as well as the rights of all the persons involved. The highest form of accountability is the acceptance of the full range of responsibilities, and the inclusion of duties and even non-duties (which corresponds to Brummer's ninth strategy of justification).

By striving to be more inclusive, businesses can escalate the ladder of legitimacy stages, which in Brummer's terms would mean moving from having minimal degrees of legitimacy, or even being "viewed as illegitimate", to receiving increasing levels of internal and external support, until they build a broad base of constituent and social support, and ulteriorly to "good deals of latitude and autonomy." As can be inferred, enhancing inclusiveness in business, clearly favors the

development and mutual interrelation of both: the strategies of justification, and the relations of accountability, increasing in this way the definite level of legitimacy.

For business to deserve more legitimacy, further efforts need to be made; mainly to: a) better fine-tune and interpret society's needs and expectations, b) to engage in deeper and more critical questioning of the processes it fosters, and c) to generate renovated and transformative redefinitions of its ubiquitous presence within society.

Achieving the highest forms of legitimacy obliges business to seek the most comprehensive definitions and inclusive dynamics. High efficiency and economic performance are not enough. Business must constantly respect everyone else's rights. If business aspires to remain as a privileged institution within society, it shall assume moral responsibilities beyond the legal realm. In other words, it should observe the full range of economic, legal, moral, and social responsibilities. Only then will business find greater respect and autonomy, and will require less supervision and regulation.

### 2.1.2 Public Responsibility: The Principle at the Organizational Level

Initially stated by Preston and Post in 1975, this principle asserts that "businesses are responsible for outcomes related to their primary and secondary areas of involvement within society" (Wood, 1991, p. 697). Here we can see that, in the world of business, and in many other sectors of society, organizations are not *prima facie* liable for every social vicissitude, but mostly for those directly derived from their activities. However, in our effort to conceive more inclusive businesses, we should try to see beyond their immediate effects.

Business permeates many dimensions of society, and people participate of business in multiple ways, mostly as consumers and workers/employees, but also as citizens, shareholders or plain observers. The benefits and draw backs are felt directly (as targets of products supply, marketing campaigns,

salaries, etc.), or indirectly (as transfer flows affect fiscal entities, externalities, and social dynamics triggered and/or nurtured by business in general).

Here, it would be unrealistic to deny the pervasive and amplifying effect of business in people lives. This acknowledgement should conduct business organizations to assume a wider view of the consequences of their actions and therefore, of the responsibilities to be assumed; for example avowing their omissions, drawbacks, and shortcomings.

The liability of business is even bigger when we notice that businesses follow varied, not fully regulated, and even unpredictable patterns in their interaction with their environments. Some scholars have shown how organizations strategically filter elements of their contexts, in order to pursue advantages by political means (Schuler & Rehbein, 1997; Schuler, Rehbein, & Cramer, 2002). Similarly, other authors have demonstrated that organizations enact diverse alternative responses towards the environment, depending on their interests. Thus, exclusiveness seems more consistent with the empirical evidence of business 'strategic' behavior. For example, let us recall the strategic responses -typified by Christine Oliver- through which organizations might face institutional demands (Oliver, 1991). Unfortunately, inclusiveness, although beneficial in the long term, is not always the preferred spontaneous reaction.

Alongside Badaracco (1991), we consider that the boundary regions between organizations and their environments have to be redrawn, including the spheres of influences and alliances. This implies that the public responsibility of business has to be widened, and accountability spread towards every entity in the public.

Consequently, the idea of expanding the realm of business' inclusion comes as an unavoidable step to be taken, in order to make business capable of responding to the legitimate social demands. As a matter of fact, we could speculate about the chances of success of business organizations, according to the capacity to respond and become

more amenable to behave as responsive, global citizens.

If businesses strive to be more responsible to multiple constituents, they might get closer to the ideal of a global player, status which actually increases the chances of success in a globalized world. As a premise we can say that when business organizations act as global citizens, their positive freedom increases; their learning is enhanced –and in consequence, their adaptability to changing environments. Concomitantly, the organization will most likely face less troublesome relationships and benefit from consolidated levels of social legitimacy.

### 2.1.3 Discretion - Responsibility at the Individual level

Paralleling the requirements directed at organizations to behave with global consciousness, individuals are equally pressed to act as cosmopolitan citizens. Unfortunately, as Ghoshal (2005), and Bennis and O'Toole (2005) denounced a few years ago, the scientific pretensions of business studies have marginalized the role for human choice and intentionality, and reduced the breadth and scope for the moral and ethical considerations within management theories. Sad but true, in the aura of quantification, questions of judgment, imagination, and practical wisdom are often marginalized (Bennis & O'Toole, 2005).

Wood defines the principle of managerial discretion stating that “managers are moral actors. Within every domain of corporate social responsibility, they are obliged to exercise such discretion as it is available to them, toward socially responsible outcomes” (Wood, 1991).

When reflecting on inclusiveness, the principle of moral discretion proves to be very meaningful. It helps to brighten the importance of each person within organizational and business dynamics. Instead of being perceived as a blind result of obscure determinisms, the individual is conceived as capable of perceiving, thinking, feeling, making

decisions, acting, and interacting with others. In other words, it ‘includes’ the persons by reinstating their importance within business realities.

Besides, when the principle is applied to analyze the different roles that individuals play within the economy (as consumers, producers, tax payers, citizens, members of communities, etc.) the significance of this discretionary capacity gains even more conclusive relevance.

Managers, both as decision makers and representatives of shareholders, are among the most influential types of individuals. Their power and possibilities of influencing multiple dimensions of life require a full development of their judgmental capabilities. The normative implications of their decisions oblige them to nurture their decision making by ethically informed arguments, and self-critical and reflexive attitudes.

The principle of discretion compels managers to emancipate themselves from intellectual inertias and exclusive prejudices and stereotypes. Paraphrasing Plato, they should be able to leave the cave, even if it hurts. Prominent management authors have emphasized the importance of getting rid of the ‘psyche prisons’ (Morgan, 1997), or in terms of Peter Senge of questioning our mental models.

Consistent with the principle of individual discretion, other authors rescue the importance of human agency (as a philosophical, and not as the narrow subservient economic relationship of managers depending on shareholders will) for social action. For example, Emirbayer and Goodwin, make a critical analysis of the relationship between networks, culture and the problem of agency and conclude that: “Human agency... entails the capacity of socially embedded actors to appropriate, reproduce, and, potentially, to innovate upon received cultural categories and conditions of action in accordance with their personal and collective ideal, interests, and commitments” (Emirbayer & Goodwin, 1994, p. 1411).

For the purpose of this article, we evoke the evidence and theoretical formulations that favor human discretion and agency in the philosophical sense, while simultaneously acknowledging multiple limits to the potential autonomy of individuals. Therefore, human intentionality and its possibilities, will overcome the fatalities and limits of determinism.

In consequence, the discretion principle fosters business inclusiveness. Following Wood's 1991 formulation, it is possible to argue that: a) business leaders operate within organizations and societal environments that are plentiful of alternatives; b) their decisions and actions are not totally prescribed by professional procedures, job definitions, resources or technologies, although strong forces in these senses might condition their behavior, and c) managers remain being moral actors in every domain of their lives.

Business managers' capacity for discretion makes them -to a significant extent-, personally responsible for the marginalization of the positive effects of business that other human beings suffer. Their status of power demands enlightened discretion. Being major players in the business field, and leading voices in organizations, managers bear ineludible responsibilities and enjoy enormous possibilities of producing the socially desirable and healthy ideal of inclusiveness.

Because principles need to be enacted, the following sections will explore the processes and outcomes that, conceived within the framework of social performance, reclaim more inclusiveness in business.

## 2.2 Processes of Social Responsiveness

Guiding principles need to be implemented through meaningful processes directed at specific outcomes. Building upon Ackerman's ideas (1975), Wood assembles three processes that jointly provide a holistic approach to enhance the social performance of business. They are environmental assessment, stakeholder management, and issues management.

In the quest for more inclusiveness in business, the social responsiveness processes presented in the proposed model come in handy for they offer a systematic coverage, supported by sound conceptual reflection and a wide range of empirical evidence.

### 2.2.1 Environmental Assessment

Proper social responsiveness requires revisiting the relationship between the organization and its environment. The definition of what businesses can do in relation to their contexts might be interpreted through different conceptions, stressing different interfaces.

Our argument is that business organizations are not passive receivers of environmental forces, but on the contrary, they co-create their surrounding backgrounds, (for example, through processes of enactment, networking, negotiation and strategic behavior).

Previous representations painted business organizations as defenseless when facing the forces of population ecology (Hannan & Freeman, 1977), and resource dependency (Pfeffer & Salancik, 1977). Their powerlessness was accentuated through perspectives that stressed information, uncertainty and dependence (Aldrich & Mindlin, 1978). Unfortunately, when the need for socio-cultural adaptation (Meyer & Rowan, 1977) was acknowledged, it was theorized more as a need for resignation and subordination to overwhelming forces, rather than as an obligation to be responsive and inclusive towards those wider spheres.

Current conceptualizations about business help build the case for inclusiveness, for they reinforce the autonomous and collaborative features, which amplify the spectrum of business responsiveness, innovative possibilities and their accompanying responsibilities. To recognize the capacity for autonomy and engagement of business, the conception of enhanced responsibility and, therefore, inclusiveness should be fostered. Instead of powerless entities, business must be



seen as active actors who, through conscious environmental assessment, have the capacity to decide who engages with them in their diverse dynamics.

Regarding inclusiveness, environmental assessment becomes an inescapable obligation to business. Enacting the proactive potential of businesses, not only it makes their environmental assessments more pertinent, but more socially responsible as well. The call for inclusion, is not only an ethical *prima facie* obligation, but constitutes an intelligent way to transcend deterministic –and irresponsible- attitudes that excuse business with dependent and passive postures.

When considering the possibilities of inclusion, business organizations must assume what some authors featured as an extrovert attitude (Pasquero, 1990), attitude that favors attentiveness towards contextual social processes. Richard Scott demonstrated that environments are the consequence of complex interactions of agents/ forces at different levels: social institutions, organizational governance structures, and individual actors (Scott, 1994). Because of these interactions, environmental assessment emerges as the outcome of extroversion towards all constituents of the environment, and not just fatalistic resignation to what seems immutable facts.

Businesses would gain a lot by recognizing their power to co-create the environment. By being more inclusive, not only will they widen their options, but unfold their concomitant responsibility to collaborate in its structuring. Regular business should evolve from maximizing short term profits to optimizing long term sustainability. Thus, society's members will not be perceived as just a pool of resources and potential benefits, but as coexistent entities, whose survival is critical for the survival of business itself.

Business patterns and definitions benefit from including their related stakeholders, in ways that make comprehensible how 'negotiated' orders and networks might be enacted, particularly in today's

globalized world, where a butterfly flapping of wings might cause a storm on the other side of the world.

### 2.2.2 Stakeholder Management

In order to enhance the responsiveness capacity of different business actors, it is indispensable that they recognize and respect the needs and legitimate expectations of other actors within the ecological environment that they share. In other words, business organizations are called to practice responsible stakeholder management. It might sound obvious, but it has not always been like this, actually theoretical developments are rather recent within the history of management ideas.

Wood's argumentation builds upon Freeman's original ideas which demonstrated the importance of transcending the narrow views and interests of stockholders (R. Edward Freeman, 1983). By acknowledging the connections among the external stakeholders and the organizational functions, businesses become conscious of the importance of these relationships, and might see that including more actors and interactions strengthens their functioning.

Several authors revisit and update the stakeholder theory. For example, Dima (2008) organizes many ideas and ideals of Corporate Social Responsibility using a stakeholder approach, that seeks to guide theory and practical implementation. From a different perspective, Stuart and David (2007) explore the true realization of stakeholder accountability, through the important exercise of corporate social reporting, without which intentions may end up being part of public relation campaigns.

In an article coauthored by Freeman and Wood, dialogue is defended as the ultimate process to advance towards a "Superior Stakeholder Theory" (Agle, et al., 2008). Needless to say, that this offers a sound summary and update on stakeholder management, totally compatible with our call for more business inclusiveness.

The idea of genuine dialogue and sincere communication with different stakeholders is fundamental to avoid manipulation or mere politically correct language. Striving for inclusion in business, the dialogue with different stakeholders must be based on ethical communication. In this sense, the ethics of the discourse proposed by Habermas contributes to elucidate business principles and values that simultaneously respect all stakeholders.

In this line of thinking, we find the proposal of Arnett, Harden-Fritz and Bell (2009), who discuss many ethical dimensions of communication, among which we can apply several to argue in defense of business inclusion, for example, communicating the public and private accountability of any organization, through discourse ethics.

Another good example is found in Dresch-langley who demonstrates how “global society issues are putting increasing pressure on ... organization to communicate ethically” (2009, p. 415). By first showing the negative effects of unethical communication, the author arrives to the conclusion that ethical discourse (Habermasian) is what benefits most of all “all partners at all levels”.

The implications of this for business inclusiveness are evident, and point the importance of conceiving business integrally. For example, going back to Freeman’s basic definition of stakeholder as “those groups who can affect or are affected by the achievement of an organization’s purpose” (1984, p. 49).

Trying to foster ample stakeholders’ management, we might recall Blair’s question, “Whose Interest should corporations serve?” (Blair, 1995, p. 202). This obliges to interrogate the traditional definitions and goals of business. From the perspective of risk bearing, it becomes likely that the more marginalized voices are precisely those that should be more attentively listened to, thus reinforcing our call for enhanced inclusion.

The challenge for business would be not only to promote stakeholder thinking, but to explore new

practices that integrate the whole of society. Real performance would depend on the ability to discern all interested parties, who participate in business through contributions and risks. The privileged managerial and shareholder perspectives should be replaced with multilateral perspectives and sensitivities. Inclusive dialogues can refresh the way issues are managed.

### 2.2.3 Issues Management

Within Wood’s model, issues management –IM– represents a process of social responsiveness that is independent from foreseen policy guidelines, and is also free from particular expected outcomes of circumscribed definitions of desirable conduct. Issues management involves the design and implementation of internal and external processes, conducive to monitor and respond to social issues (Wood, 1991).

When considering the possibilities for inclusiveness, IM embraces multiple problematic situations, and the recognition of diverse claims, even those that have not been voiced. Wood’s taxonomy of internal and external issues enables a heuristic process to face the challenges and shortcomings derived from business exclusionary practices.

Looking at the internal dimension, procedures shall be implemented striving to fully integrate employees and all levels of managers. Ideally, everyone should nourish decision making and provide timely feedback. Authors like Karnes (2009) and Giovanola (2009) encourage this way of thinking. The former, by demonstrating how more respectful and transparent employer -employee relations improve organizational performance, while leading to ethical business. The later, by critically examining the anthropological foundations of economics, elucidating the human potential of all individuals; potential that must be integrated to the full into all business activities.

In general terms, it is always convenient to stimulate moral reasoning among all internal stakeholders. This favors the development of insights, the

critical examination of dominant practices and mental models, and stimulates sensitivity and imagination, useful to solve problems and discover new possibilities for business. In this line of thinking, authors like Jones (2009) improved the organizational capacity to better manage internal issues. For example, by a set of classes on the fundamentals of business ethics, framed within a pedagogical approach conducive to foster moral reasoning skills, he demonstrated that it is possible to improve informed moral judgments based on reflective principles (Jones, 2009).

In order to enact holistic capabilities for IM, it is very important that those managers in charge of monitoring and responding to external issues learn to discern legitimate demands. Unfortunately, fragmentary conceptions prevail, like Hine and Preuss (2009) denounce that most managers perceive a separation between the organization and its context, which leads to instrumental implementation of the CSR programmes of the companies where they work.

No wonder that businesses tend to be exclusive. Nevertheless, good examples can be found to build more robust capacities for external issues management. For example, the implementation of "Ethics Hotlines" could be an interesting means to be more sensitive to external issues. Some authors (Calderón et al. 2009 ) have made a comparative study of these hotlines in transnational companies. Even though they are mainly used by employees to "present allegations of wrongdoing and ethical dilemmas", they can as well be offered to external stakeholders, so they can report any kind of concerns.

Giving attention to external issues –and more inclusive in business- leads to better business. Learning from the environment business can better serve and integrate more parties, and thus increase its performance. For example , we can reinterpret studies that approach the environment from a multidimensional approach, open to diverse issues, and oriented to improve environmental marketing and overall performance (Fraj-andrés,

Martinez-salinas, & Matute-vallejo, 2009). Anyway, motivations must always be scrutinized, to avoid the instrumentalization we mentioned before. That's why, genuine business inclusiveness must be built on real value matching between CSR ideals and marketing strategies. In this sense, Jahdi and Acikdilli explore this problematic relationship. (2009).

In other words, issues management must transcend public-affairs management, favoring proactive sensitivity and discernment about social demands (Pasquero, 1990). Like Nielsen demonstrates, there is a wide range of win-win solutions to solve ethical business problems (Nielsen, 2009), and business inclusiveness could be one of them.

## 2.3 Outcomes of Behavior

This third dimension of the model here discussed articulates three different kinds of outcomes; all of which are very pertinent and relevant to nourish the discussion of business inclusiveness. Wood recalls :“the social impacts of corporate behavior, regardless of the motivation for such behavior or the process by which it occurs; the programs companies use to implement responsibility and/or responsiveness; and the policies developed by companies to handle social issues and stakeholder interests” (Wood, 1991, p. 708).

Based on the conceptualization offered by Wood, the following sections explore their implications for business inclusion.

### 2.3.1 Social Impacts

In this category we can include all types of effects, direct and indirect, deliberate or accidental, neutral, negative or positive, generated by business into society.

Business can certainly generate multiple social impacts, especially when we consider the diverse degrees of participation that they might emerge within economic dynamics. Imagining a hypothetical continuum along the exclusion-inclusion axis,

it could be argued that the more exclusionary practices end up being self-destructive for business. The resulting marginalization will hurt the long term health of the system, closing it to significant parts of the environment, introducing vicious cycles of ever increasing entropy, 'sluggishness and disease'.

On the contrary, more open business practices will create synergetic dynamics. The embracing of more actors and segments from society not only will benefit more people, but will provide positive feedback for the sustainability of business itself. As we will discuss later on, both of this circumstances provide ethical weight to the aspiration of inclusion.

To a significant extend, the social impacts of business, can be explained by patterns of inclusion. The more people and diverse stakeholders get to participate in decision making and in the different activities (e.g. product, design, production, consumption, exposure to externalities, etc.), the more likely that responsible behavior will emerge.

Although some might argue that the world of business is the most harmless one, we can imagine, and that the 'invisible hand' will produce optimum organization; we once heard an eloquent expression adverting that 'besides every invisible hand, there might be an invisible fist'. The force of economic thinking and its top values of efficiency and material growth sometimes have covered other social issues, rendering them more opaque, and even invisible.

What is not measurable by econometrics does not seem to count to society. But the problem is that many effects felt by society and its members (like emotions, feelings, material saturation and disgust, stress, virtues and vices, etc.) are not easy to measure, so we end up ignoring essential factors, that are quintessential for the well being of society.

In this sense, and reflecting on the drawbacks of business exclusion, we know that marginalized people are not heard, thus furthering the

marginalization. They become voiceless for business, unfortunately depriving business of the valuable feedback of their unheard voice to exorcise entropic forces.

To broaden our view of social effects, and to advance towards more inclusiveness in business, we shall consider the admonition of Einstein who said, "Not everything that can be counted counts, and not everything that counts can be counted" quoted by Patton (Patton, 2002, p. 12), interpellating business to conceive more inclusive programs and policies.

### 2.3.2 Social Programs

The main feature of social programs is that they always target specific ends, and imply entrusting resources to either unique projects or longer lasting processes. Their enactment to enhance business inclusiveness calls for both, the conception of events or more permanent arrangements to embrace more stakeholders as beneficiaries of business activities.

Consistent with the process of stakeholder management, several types of programs are compatible with the purpose of inclusiveness. These programs should always be fine-tuned to the needs of different interest groups of business organizations, while being particularly sensitive to ethical situations.

One interesting example is offered by Demuijnck who argues that companies must "accept their moral responsibility with respect to non-discrimination" and in consequence "address the issue with a full-fledged programme." (Demuijnck, 2009, p. 83). Through an attentive study of how pervasively –and perversely- diverse discrimination mechanisms influence decisions, overtly and subtly, Demuijnck signals the importance of implementing programmes deliberately aimed at eroding this exclusionary practice.

Besides that fact that this study touches upon discrimination, an ineludible obstacle towards

inclusion, we can see the complementary nature of the programs operating at different levels. For example those supported by or just trying to fulfill legislation; those based on ethical codes, perhaps answering to expectations from the environment, and those which engage the organization in the long term, committing resources and establishing responsibilities within the organization. From Demuijnck's case study we learn that superficial programs might be just lip service to nice ideals, but the true challenge resides in establishing longitudinal initiatives paralleled by responsibilities within the organization. In other words: programmes aimed at inclusiveness in business need to go beyond words.

### 2.3.3 Social Policies

According to Wood's model, social policies are established "to institutionalize socially responsible motives and socially responsive processes". In other words, they are formulated to orient decision making in problematic situations. When clearly stated, organizational policies reduce ambiguities and improve the capacity to handle ethical dilemmas. In Wood's words: "Ideally, corporate social policies and programs would encompass fulfillment of all three objectives across all domains of the firm's operations and behaviors" (Wood, 1991, p. 709).

Since the three objectives are inspired in the responsibility principles (legitimacy, public responsibility, and individual discretion), inclusiveness policies must strive to foster the three of them, that is: social legitimacy of business, and facilitation of the effective assuming of public responsibilities, while bettering the sustainable adaptability of business to its environment. At the individual level, policies must nurture an atmosphere of moral reasoning and freedom; encouraging individuals to exercise judgment in each one's decision making.

The challenge of business inclusiveness is therefore an integral one. All stakeholder at all levels (institutional, organizational, individual), should be stimulated to participate sharing benefits

and the burden of responsibility; not only of daily activities, but mostly in the conception of solutions and formulations of comprehensive and ethical policies to guide action in the long term.

For example, if organizations formulate policies that support Ciulla's (2009) definition of leadership, which includes "caring for others", for managers it would become easier to feel comfortable making decisions while caring for other persons and groups, including them in their considerations. This kind of policies, e.g. exercising individual discretion while transcending the narrow bottom-line of shareholders, enables managers and business in general to be more inclusive, effective and moral, thus achieving genuine public responsibility and gaining legitimacy.

Another source of reflection for inclusive policies is provided by Karnes who demonstrates that "the employer that is willing to give employees what they want and need are far more likely to have success, but more importantly, the organization will be doing the right thing" (2009, p. 189). Karnes shows how the best employer-employee relationships are those not necessarily spelled out in written contracts, but those based on mutual respect, and a sort of social contract in which benefits are shared and promises of mutual contribution are upheld not because of threats of legal suits; but because of honor and discretion. In this case, inclusiveness can be permanently achieved through developmental policies that promote empathy and sensitivity towards the needs of others, and acknowledge the dignity of employees, and all individuals related to the organization.

In order to explore the soundness of this model, the interrogation about inclusiveness needs to be widened to include an examination of its ethical soundness and sustainability.

## 3. Ethical Reflections - Nourishing ulterior debates

Let us remember that our conceptualization of the business of inclusion is twofold and bi-directional,

for it strives to integrate good theories and good practices, in a mutually complementary way that would assure coherence for the whole interactive process.

The metaphor suggested by the opening epigraph this essay serves as a good reminder of the importance of coherence not only among principles, processes and outcomes, but between ideas and actions, especially when we strive for business inclusiveness. Achieving the result of health/economic wellbeing implies the preexistence of the process dynamic distribution of blood/wealth, so all parts of the system can be properly irrigated, nurturing the whole through synergetic relations that neutralize possible entropies.

The analogy also evokes the need of sound guiding principles, such as the preservation of life, justice, and human dignity. If we want to create true social inclusiveness through business, and to make it a good, profitable business, we must transcend merely economic criteria, and include new sensibilities and concerns that will enact virtuous cycles, where human beings, as individuals and as a species, will be at the center, giving sense to our economic institutions and organizations.

Therefore, a new ethos of inclusiveness in business involves an ineludible call for ethical action and reflection. But, what does a new ethos mean?

When its etymological meaning is evoked, it becomes clear that 'ethos' alludes to the guiding beliefs, customs and traditions that ultimately form the character of a human group. Complementing this descriptive sense, ethos is as well the root of ethics, both as a signifier and as its core attribute. As a signifier, because the word ethics is directly derived from ethos; and as its core attribute, because it is the ethos of a group, the one that ultimately, through time and usage, provides the basis that constitutes the normative standards of behavior.

For example, whatever is considered ethical by a given human collective is derived from those binding

customs, habits and attitudes that last through time and ultimately forge the distinguishing character of the group. As a consequence, what is eventually expected from the individuals that belong to the group is to conform to the accepted standards of conduct. In other words, existing ethos (which are studied by descriptive ethics, constitute one of the most influential sources of value judgments (those that involve moral approval or disapproval) and which are studied by normative ethics.

Coming back to our main concern of inclusiveness in business, as a dual aspiration for both, ethical action and reflection we would like to emphasize the importance of trying to enact more comprehensive business ethos, and to question the prevailing practices and ideas in order to make them more inclusive.

Then, if we are to expand business, both in qualitative and quantitative terms, we better be sure that the new practices and theories resist ethical examination. Our position is that the ideas proposed on the preceding pages, should at least meet the requirements of the Utilitarianism and Deontological ethics, two of the main perspectives to assess behavior in business.

Why these two perspectives? Not only because they are fundamental to the field of ethics, but because they are particularly illuminating when assessing the ethical dimensions of business. Utilitarianism is mostly concerned with the consequences of the acts (or omissions) while the deontological approach is basically preoccupied with the motivations or principles that drive the action.

As can be seen, in the model we propose to promote business inclusiveness, principles and outcomes are distinctively highlighted, which reinforces the pertinence of this couple of philosophical perspectives, both of which propose reasoning process to deduce the most ethical behavior. As we will explain in the following paragraphs, it is possible to critically examine our proposal for business inclusiveness, -its principles, processes, and outcomes-, based on Wood's model, through

the focus on principles and consequences that the deontology and utilitarianism respectively provide, alongside the algorithms or processes they use to approach ethical issues.

Let's examine briefly the logic of these two perspectives, emphasizing their inherent support to the normative aspiration of more inclusiveness in business practices and conceptualizations.

### 3.1 Utilitarianism and Inclusiveness in Business

Utilitarianism can be interpreted as a particular manifestation of the moral aspiration to generate the greatest amount of utility after considering everyone; utility that can be define in several ways, but always oriented to the overall wellbeing of a human group. Even though this drive can be perceived in several cultures and time contexts, "Jeremy Bentham (1748-1832), and John Stuart Mill (1806-1873) were the first to develop the theory explicitly and in detail" (Shaw, 2008, p. 49).

Utilitarianism as an ethical theory basically focus on the end results of the actions and rules of society, fostering those that would lead towards the greatest amount of good, wellbeing or happiness, or any equivalent value.

Utilitarianism asserts that "we should evaluate an action by looking at its consequences, weighing the good effects against the bad effects on all the people affected by it. If the good outweighs the bad, it tends to be a good action; if the bad outweighs the good, it tends to be a bad action" (De George, 2006: 57).

According to this formulation, those processes identified by Wood as the most significant ones in terms of social responsiveness (i.e. Environmental Assessment, Stakeholder Management, and Issues Management), are not only compatible with utilitarianism, but unavoidable. And this is because a genuinely utilitarian analysis, must define with precision the actions and issues that are morally relevant, and evaluate them by anticipating all

possible consequences, either good or bad, that might affect the environment, as well as any one that might be somehow affected, even indirectly<sup>2</sup>.

### 3.2 Deontology and Business Inclusiveness

Deontological Ethics are based on the foundations of duties and motivations, regardless of subsequent effects; Immanuel Kant (1724-1804) being considered its most prominent exponent. As stated by Fisher and Lovell "Kant's ethical philosophy was that actions must be guided by universalisable principles that apply irrespective of the consequences of the actions" (2006, p. 108).

From a deontological perspective we shall evaluate the righteousness of decisions and actions for their own sake, independent of their consequences. In this instance, it proves convenient to recall Kant's Categorical Imperative which maintains that three conditions determine the morality of any action "(1) it must be amenable to being made consistently universal; (2) it must respect rational being as ends in themselves; and (3) it stems from and respects the autonomy of human beings" (De George, 2006, p. 82).

Keeping in mind our concern about business inclusiveness, it is important to highlight that Kant's ideas prove to be quintessential because they oblige us to re-conceptualize business in a way in which all business actors and agents will feel comfortable abiding by its rules and dynamics. Following Kant's ideas, we need to question and criticize any principle, process or result that attempts against

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<sup>2</sup> For a full account of utilitarian calculations, several authors provide valuable insights. For example, Dienhart evokes the concept of Group Well-Being as it was formulated by Hume and Mill, as well as a brief Institutional analysis of Utilitarianism (2000, pp. 110-116). Another important contribution, this time from a more historical perspective, Cahn and Markit (2009), explore the "Principles of Morals and Legislation" as derived of Bentham lucubrations, defending the principle of utility, exploring the sources and value of pleasure and pain, etc. (pages 319-326). Regarding Mill, Cahn and Markit make a deep theoretical analysis of utilitarianism, and of its sanctioning as the ultimate principle for ethical decision making (pages 327-361).

the dignity of human beings, diminishes their autonomy or instrumentalizes them as subordinate means to an impersonal end.

De George offers a thoughtful analysis of the application of deontological principles, which stresses the importance of Kantian Categorical Imperative with its three formulations (2006, pp. 77-92). This compels on us the challenge, using the best of our reasoning capabilities, to question customs, dogmas, and in general to judge any kind of actions.

When we adopt Wood's framework and its sets of principles, processes, and outcomes, we acknowledge its potential to foster deontological thinking. Actually a parallel can be drawn between the principles of Legitimacy, Public Responsibility, and Managerial Discretion, with the three formulations of the Categorical Imperative. First, for any principle to be truly legitimate for the whole of society, 'it must be amenable to being made consistently universal'. Second, the principle of Public Responsibility, demands ineludible 'respect for all rational beings, treating them as ends in themselves, and never just as means'. Third, the principle of Managerial Discretion, can simultaneously be founded and reinforce the 'respect for the autonomy of human beings', in this case the managers, asserting their freedom and moral capabilities, liberating them from being just 'inert agents' embedded in blinding economic dynamics.

Although deontological ethics does not focus on the consequences, it explicitly sanctions that "an action can only be morally right if it is carried out as a duty, not in expectation of a reward" (Fisher & Lovell, 2006, p. 108). From this point of view, processes and outcomes might seem to be marginalized, but interpreting deontology with a more comprehensive view –not just reduced to consider the motivations of the agents-, it is possible to argue that business has the duty of enacting responsive processes that assure the sustainability of business, and the duty of looking for outcomes of behavior that respect all parties involved.

### 3.3 Integrating the two previous perspectives

By involving utilitarian and deontological elements into our argumentation, we can add support to the thesis that the business of business should be broadened, transcending the narrow minded definitions –and interests- that only worry about profits, efficiency, and other economic criteria.

From a utilitarian perspective, we can see the advantage and ethical soundness of having more people participating in the market, satisfying their needs and finding a stable source of income. When that happens, more well-being will be generated and ultimately everyone will be better off. Thus, the utilitarian criterion is consistent with a more inclusive definition of business.

From a deontological point of view, more inclusiveness looks ethical as long as negative externalities are prevented, and inclusion is based on informed consent, based on the respect of individuals and societies' freedom to exercise their freewill, without instrumentalizing the people or making them blind automates destined to feed a soulless economic cycle.

Since deontology heightens the value of humans as beings endowed with reason, it obliges to exercise the best of reason and by these means to make sure that we conceive an economic system informed by principles, processes, and results that assure long term sustainability of the systems itself. Everything indicates that such a system must be open, diverse, non-exclusive; only such features reduce entropic forces while facilitate synergies and the necessary variety to face complex environments.

### 4. A consideration of practical situations

The previous section presented us some 'good theories' that allow us to advance in our quest for a practical understanding of the inclusiveness in business, which so far can be summarized as



a matter of assuring the coherent enactment of Principles, Processes and Outcomes, oriented towards the satisfaction of the legitimate demands of society, and the sustainability of an economic organization and business dynamics.

Nevertheless, while good theories are sources of plausible practices, there is probably not a better source for theories than practices that exist or that are desirable. So, the interrogation and search for illuminating patterns of conduct and action become an ineludible step towards a comprehensive conceptualization of inclusiveness within business. In other words, which practices appear as the most pertinent and useful in terms of generating awareness about the importance of inclusion within business?

A quick exploration will lead us to well known initiatives such as those conducted by Muhammad Yunus and the Grameen Bank, -winners of the 2006 Nobel Peace Prize- for their efforts to eradicate poverty and promote social and economic development by micro-credit initiatives which have enabled millions of people to benefit by putting an end to their exclusion of financial systems. Consult their website for further details about how projects operate ([www.GrameenFoundation.org](http://www.GrameenFoundation.org)).

Other practical ideas are proposed by Prahalad and Hammond (2002) that have demonstrated the “untapped potential” of “markets at the bottom of the pyramid” and the need to rethink managerial practices”, so new business opportunities can be explored by “serving the world’s poor profitably”, while improving the conditions of life for most of the world’s population who now are being denied access to the wealth business can create, and who are excluded from the good working conditions that an integral economic system should provide.

Exploring diverse realities of several countries (mostly in developing countries, but without ignoring that a lot of exclusion takes place within rich-developed countries as well), it is possible to further explain what the business of inclusion comes to mean. Before mentioning some of them, it

is imperative to recall that inclusiveness in business implies non-exclusive definitions, definitions which shall remain open to embrace multiple phenomena and their diverse expressions.

Embedded in this perspective, the following potential cases don’t pretend to be paradigmatic; they just illustrate some circumstances through which the business of business would become better business by including more people in the game.

For example, in many cities of developing countries there are lots of people wandering the streets (unfortunately, without any sense of wonder whatsoever), consuming products that are produced and marketed without any kind of regulation whatsoever; or working on clandestine workshops, or on farms without any kind of social security assistance.

These persons are certainly marginalized from the healthy flows of business, taking risks without their informed consent or under conditions that limit their freedom of action. If all these people could be included in transparent business dynamics, much of the potential harm could be prevented; many externalities will become visible and potential contributions will be triggered.

One evident opportunity would be to help those actors of the informal economy to integrate into institutional settings. Their incorporation would generate benefits for themselves and for the whole of society. For example, if we think of individuals under the double condition of consumers and workers, we might find convincing arguments to blend them into the functioning rhythms of business, thus ending their segregation from the economic flows and from the benefits the concomitant irrigation generates.

The risks related to their commercial and productive activities that excluded individuals have to bear, would be reduced once they could participate in free business. Concurrent to the reduction of these risks, (e.g. exposure to unsafe, non-hygienic

products and working conditions), the psycho-social and financial burdens on society will be diminished as well (i.e. public health cost would be lower, less consumers and workers would be negatively affected, etc.), liberating more resources with the correlated potential benefits for everyone.

Besides, if more people join the ranks of the institutionalized business, it would be easier for society (through the government) to build more reliable statistics, to eradicate or at least regulate harmful and risky practices, to create preventive programs, and even to increase taxes, that should nourish those socially plausible programs.

Children begging on the streets, informal commerce of counterfeit and pirated goods, unsafe pharmaceutical products, financial and transport services provided under informal bases (sometimes on the threshold of criminality), are some of the consequences of excluding people and activities from legitimate business systems and dynamics.

Advancing towards the business of inclusion requires that we make business more inclusive, creating conditions for everyone's participation, reaching out to those not usually considered, i.e. those belonging to different geographic and temporal frames, which evoke the imperative of guaranteeing room for future generations.

The previous cases, sometimes hypothetical, illustrate real challenges for business in order to become more inclusive. By enacting Wood's model, supported by ethical stands –like those provided by deontology and utilitarianism– it is possible to convert undesirable exclusive social situations, into inclusive ethical business practices.

## 5. Towards a conclusion: An ethical funnel to enhance business inclusiveness and performance

With all the preceding elements in mind, we could suggest, and perhaps even prescribe a new cliché that would transform conventional mainstream.

Although it might sound exceptionally simple, it might be equally effective: Business inclusiveness is good business for business. It is good for two reasons: it is certainly more ethical and most likely –by engaging more people– it is more profitable in the long term.

We assert that if business were defined on more inclusive basis, considering its principles, processes, and outcomes; as well as the coherence between theories and practices, its long term consequences, and the aprioristic rights and duties of all stakeholders, eventually everyone will be more willing to participate, increasing the legitimacy of business and therefore assuring its survival, growth and development.

Wood's model and the reflection about ethics, jointly support the claim for inclusiveness in business. The main reasons are that the model is built around the notion of social performance of business organizations, a concept that puts society at the center of economic activity. For business to perform well, it must face and match the whole of society's demands; in other words: it must be truly inclusive. Ethical theories guard of manipulations by keeping the focus on a genuine concern for the welfare of humans.

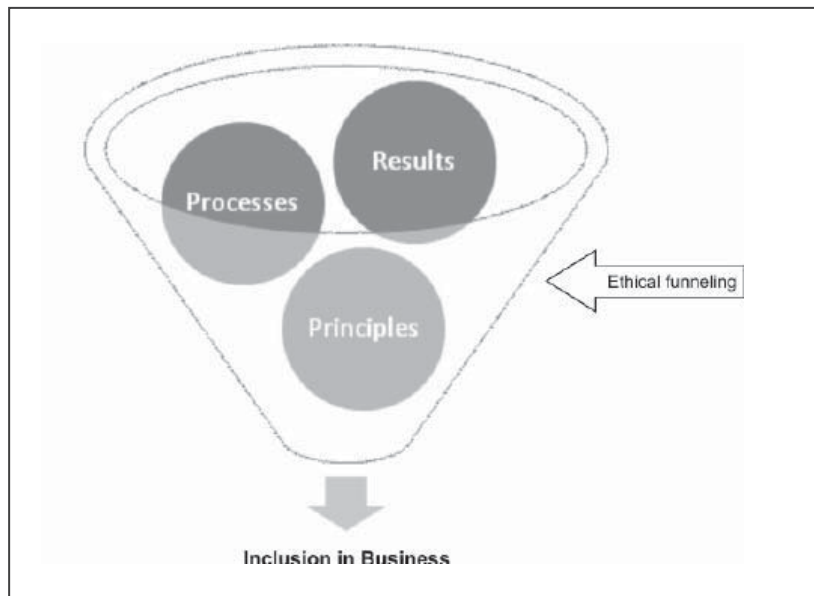
By conceiving social performance as a coherent articulation of principles, processes and outcomes, we advance the concept of inclusiveness. Every element suggested by the model, impels on us the need to develop an integrative consideration of all the parts and their mutual interactions. Seeking systematic connections among outcomes, processes, and principles, will result in the logical inclusion of multiple perspectives, and thus, of the inclusiveness of business.

Wood's model inspires a broader conception of business, asking for a more embracing conceptualization that assures sustainability and compatibility with multiple stakeholders. Underscoring the need for ethical reflection, we propose a dynamic conceptualization where business inclusion shall be guided by enhanced

principles, processes, and desirable outcomes of social performance; all of them funneled through ethical criteria –such as utilitarian and deontological theories (but not limited to them)- in order to guarantee the long term sustainability of the business practices thus resulting.

The following figure illustrates our suggestion of an ethical funnel through which principles, process, and targeted outcomes of social performance must be discerned, keeping in mind the intentionality and possible results. The funneling process results in more improved business inclusiveness.

**Figure 1.** An ethical funnel to enhance business inclusiveness and performance



Fuente: Elaboración propia

Awareness about the whole process generates several advantages. For example, consciousness of the different types of outcomes, of the variety of processes that enhance social responsiveness, and of the principles of social responsibility, it makes it easier to enact more comprehensive conceptual definitions and empirical practices of the business.

In the case of processes of social responsiveness, it is easy to verify how convenient it would be for organizations to develop their capacity to assess the environment, to face and manage emerging social issues, and to interact on mutually beneficial ways with different kinds of stakeholders. The wider the plethora of relationships the organization

is capable of managing (inclusiveness), the more fluent and robust its capacity to survive and growth in the complex business environment would be.

In the specific case of principles, once we acknowledge that they emanate from different levels –the institutional, the organizational and the individual-, it would be easier not to exclude any of them. If all of them are incorporated, a balance of perspectives would be more easily achieved, and along with it, a more inclusive definition and a set of business practices. From every perspective, business inclusiveness is good business and is good for business.



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