Corporations, Stakeholders and Sustainable Development I: A Theoretical Exploration of Business–Society Relations

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ABSTRACT. Sustainable development (SD) – that is, "Development that meets the needs of current generations without compromising the ability of future generations to meet their needs and aspirations" – can be pursued in many dierent ways. Stakeholder relations management (SRM) is one such way, through which corporations are confronted with economic, social, and environmental stakeholder claims. This paper lays the groundwork for an empirical analysis of the question of how far SD can be achieved through SRM. It describes the so-called SD–SRM perspective as a distinctive research approach and shows how it relates to the wider body of stakeholder theory. Next, the concept of SD is operationalized for the microeconomic level with reference to important documents. Based on the ensuing SD framework, it is shown how SD and SRM relate to each other, and how the two concepts relate to other popular concepts such as Corporate Sustainability and Corporate Social Responsibility. The paper concludes that the significance of societal guiding models such as SD and of management approaches like CSR is strongly dependent on their footing in society.

KEY WORDS: sustainable development, sustainability, corporate stakeholder, stakeholder management, stakeholder relations management, Corporate Social Responsibility/CSR, Corporate Responsibility, environmental management

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Sustainable development (SD) and stakeholders: introducing the ''SD–SRM perspective''

The basic idea behind the concept of SD has been around for centuries. It appeared in German forestry in the 17th century not only as idea but even as legal constraint to logging: the rule was to cut trees at a rate which enabled forests to renew themselves over time, i.e. to utilize timber in a responsible and sustainable way (Birnbacher and Schicha, 1996, p. 149; Kirchgässner, 1997, p. 3). However, it was not before the mid 1980s that SD became a prominent concept known well beyond experts' circles. In 1987, the UN-Report ''Our Common Future'', better known as ''Brundtland Report'' defined SD as ''Development that meets the needs of current generations without compromising the ability of future generations to meet their needs and aspirations'' (WCED, 1987, p. 43).[2] Almost two decades later, this is still the most commonly cited definition of SD. However, if one looks beyond this superficial consensus, different notions of what this principle actually means for various policy fields emerge (Steurer, 2001, 2002). For example, regarding the issue of economic growth, the Brundtland Report (WCED, 1987) concludes that a strong economy is a prerequisite for rather than a burden on a healthy environment. Others contend that this notion of ''sustainable growth'' is an oxymoron, diverting attention from imminent environmental limits to economic growth (see, e.g., Daly, 1996). However, the Brundtland Report coined SD as an integrative concept aiming to balance environmental and economic issues in a mutually beneficial way. It outlined SD as an environmental concept for the macroeconomic level (Steurer, 2002, pp. 241ff, pp. 341–366). In the course of the 1990s, the scope of SD was both broadened and deepened. Regarding its thematic breadth, issues other than strictly environmental ones were incorporated. While initially economic and social issues were addressed only as far as they were perceived to be relevant for environmental concerns (Steurer, 2001), they evolved into equally important dimensions or pillars of SD. Regarding its conceptual depth, the concept was expanded from the macroeconomic to the microeconomic and individual level.

Today, SD is a well-known societal guiding model that asks for the integration of economic, social and environmental issues in all societal spheres and levels in the short- and long-term. Consequently, the concept ought to be pursued by everybody in a variety of ways. When it comes to the corporate context, two frequently analyzed ways are environmental and social policies on one hand, and respective management systems like EMAS, ISO 14001, or SA 8000 on the other. While SD policies come from governments and often imply some sort of regulatory force, management systems are applied more or less voluntarily by a company's management. With the vague restraint ''more or less voluntarily'', stakeholder influence comes into play.

Some scholars tend to argue that in the contemporary neo-liberal age, relationships between corporations and societal groups are less likely to be the subject of active state interventionism than they were in the Keynesian age, which ended in the late 1970s. Therefore, it seems to be no coincidence that since the mid 1980s, stakeholder influence on corporations became a prominent topic for researchers and for practitioners alike. A decrease of state interventionism ''might open up the possibilities for more 'responsible' forms of interaction between stakeholder groupings, devolved to enterprise level'' (Mellahi and Wood, 2003, pp. 190f; see also Rondinelli and Berry, 2000, p. 74; Banerjee, 2002, p. 8). Since corporate activities dealing with this kind of societal interaction, here referred to as stakeholder relations management (SRM),[3] are often focused on easing stakeholder pressure (including government interventions) by strengthening the voluntary side of corporate SD activities, SRM can be seen as a mediating concept, neither fully voluntary nor mandatory. However, the quasi-mandatory side of SRM must not be underestimated. With Boele et al. (2001, p. 122) one can say that companies are ''confronted by the growing power of key stakeholder groups and the complex links between them [...]. The time has passed when the interests or activities of all but the most obvious stakeholder groups could be conveniently overlooked.''[4] In this sense also the European Commission (2001, p. 4) states in its Green Paper ''Promoting a European framework for Corporate Social Responsibility'', that ''An increasing number of European companies

are promoting their Corporate Social Responsibility (CSR) strategies as a response to a variety of social, environmental and economic pressures''. If corporations do not respond adequately to these pressures ''society could place increasing costs on unsustainable business practices, and customers may not choose to purchase associated products and services. Ultimately, this process may alienate the company from the rest of society, resulting in reduced reputation, increased costs, and decreasing shareholder value through erosion of its licence to operate'' (Hill, 2001, p. 32).

After all, SRM needs to be addressed as an increasingly important transmission mechanism that may be able to transmit SD from societal groups to the business world. The purpose of this paper, then, is to lay the groundwork for an empirical analysis of what this transmission of SD through SRM really looks like (for the empirical findings, see Konrad et al., 2005). The key question of this so-called SD–SRM perspective is to what extent SD can be achieved through SRM. As the concepts of SD and SRM are rarely related to each other (see, e.g., Starik, 1995; Stead and Stead, 2000), and because the underlying research traditions (i.e. the interdisciplinary approaches of natural and social scientists addressing SD, and the study of strategic management underlying SRM) have very little in common, the theoretical foundation laid out in this paper is crucial for a thorough understanding of what we call the SD–SRM perspective, and especially for the empirical analysis documented in a subsequent paper (Konrad et al., 2005).

This paper intertwines the concepts of SD and SRM as follows: Section 2 describes the SD–SRM perspective as a distinctive stakeholder research approach and shows how it relates to the wider body of stakeholder theory. Section 3 lays out the details of SD on the microeconomic level. Since an empirical analysis of the SD–SRM perspective requires a clear understanding of what SD actually means, a framework of SD with four dimensions and 14 issues is developed. Section 4 summarizes how SD and SRM relate to each other, and how the two concepts relate to two other popular business–society approaches, namely Corporate Sustainability and CSR. Finally, some conclusions regarding the SD–SRM perspective are discussed in Section 5.

Stakeholder theory and the SD–SRM perspective[5]

Like with SD, the concept of SRM is older than it seems, but it did not become popular before the mid 1980s. From a historical point of view, SRM emerges as the latest stage of an old research tradition which addresses various forms of business–society relations. Numerous works in this tradition can be found throughout the 20th century (see, e.g., Clark, 1939; Bowen, 1953; Heald, 1957; Walton, 1967; for an overview, see Carroll, 1999). However, while neoclassical economists saw firms as closed systems only concerned about their *share*holders, those focusing on business–society relations opened the firm up to its societal context and, thus, positioned themselves beyond the neoclassical mainstream (Dill, 1958; Andriof et al., 2002) – at least until the mid 1980s. In 1984, Freeman's (1984) book ''Strategic Management: A Stakeholder Approach'' established SRM as a popular research field (Andriof et al., 2002, pp. 12f).[6] With this the focus shifted at least preliminarily from Corporate Social Responsibility (CSR1), broadly discussed as a normative concept already in the 1970s, to Corporate Social Responsiveness (CSR2) (Clarkson, 1998, pp. 243, 248; Mitchell et al., 1998, p. 307). Today, the distinction between CSR1 and CSR2 finds little attention. Instead, CSR is often linked to the study of stakeholder relations (see, e.g., Clarkson, 1995; Snider et al., 2003). While CSR ''describes the relationship between business and the larger society'' (Snider et al., 2003, p. 175) in rather general terms, SRM is about actually managing business–society relations in a strategic way (for a more detailed comparison, see Section 4).

Over the years, stakeholder theory evolved from a pure ''theory of the firm'' (Jones and Wicks, 1999, p. 208) into a more comprehensive and diverse research tradition, addressing ''the overall stakeholder relationship as a multifaceted, multiobjective, complex phenomenon'' (Harrison and Freeman, 1999, p. 483) from various perspectives (see also Andriof and Waddock, 2002, p. 19; Sutherland Rahman et al., 2003, p. 9; see also Steurer, 2005). When stakeholder theorists step out of the extensive corporate perspective, they approach SRM either from a stakeholder or from a particular concept's

TABLE I

Triple–perspective typology of stakeholder theory (Steurer, 2005)

Stakeholder theory aspects			Stakeholder theory perspectives		
			Corporate	Stakeholder	Conceptual SD–SRM
Normative	Focus		Interprets the function of the corporation regarding the wider society and SRM	Interprets the function and legitimacy of stakeholders and their claims	Interprets the normative characteristic of SD and its significance for SRM/stakeholder theory
	FAQ		Why and how should corporations deal with stakeholders?	What makes stakeholders legitimate and how should they try to accomplish their stakes?	What issues of SD should corporations and stakeholders take into account?
Descriptive	Focus		Describes corporate characteristics and behaviours regarding stakeholders	Describes stakeholder characteristics and behaviours regarding corporations	Describes how particular issues of SD play a role in SRM/stakeholder theory
	FAQ		How do corporations deal with stakeholders and what consequences does SRM entail?	What do stakeholders expect or claim and how do they actually try to achieve their claims?	Which issues of SD are taken into account by corporations or stakeholders and in what way?
Instrumental	Focus		Analyses the connection between SRM and traditional corporate objectives	Analyses the connection between a stakeholder's strategy and its ability to meet its claims	Analyses the connection between SRM/stakeholder theory and the realization of SD
	FAQ		How can SRM contribute to a corporation's performance?	How can stakeholders accomplish their claims best?	To what extent can SD be achieved through SRM?
Overall	Focus		Corporations and SRM	Stakeholders, claims and SRM	SD and SRM/stakeholder theory
	FAQ		How do corporations relate to stakeholders?	How do stakeholders address corporations?	How does SD relate to SRM/stakeholder theory?

perspective. The SD–SRM perspective, focusing on stakeholder issues from the vantage point of SD, clearly fits into what Steurer (2005) refers to as a conceptual perspective of stakeholder theory. Let us now characterize the conceptual SD–SRM perspective by relating it to the other two perspectives of stakeholder theory, namely the corporate and the stakeholder perspective.

Corporate perspective

SRM is by its very nature corporate-centric in the sense that it deals with how corporations interact with stakeholders in order to secure important resources provided by them (Frooman, 1999, p. 195; Figge and Schaltegger, 2000, p. 12). Because of this background, the corporate perspective also dominates the stakeholder research tradition (Frooman, 1999, p. 191; Andriof et al., 2002, p. 9). Notably, Freeman (1984) founded modern stakeholder theory in the context of (corporate) strategic management. He illustrated his influential notion of stakeholder theory with the so-called "hub-and-spoke" stakeholder model, depicting corporations as the hub of a wheel and stakeholders at the ends of spokes around the wheel. It is indeed hard to imagine a better metaphor to illustrate the corporate perspective of stakeholder theory.

In 1995, Donaldson and Preston developed one of the first influential theories on stakeholder theory (i.e. a second order theory) by distinguishing descriptive, instrumental and normative aspects or usages. As, at that time, the research tradition they were analyzing was even more corporate-centric than it is today, they remained within the corporate perspective.[7]

In Donaldson and Preston's (1995, pp. 70f) terms, the corporate perspective of stakeholder theory

- describes (or sometimes explains) specific corporate characteristics and behaviours regarding stakeholders (descriptive aspect),
- identifies "the connections, or lack of connections, between stakeholder management and the achievement of traditional corporate objectives" (instrumental aspect) and/or
- "interpret[s] the function of the corporation, including the identification of moral or philo-

sophical guidelines for the operation and management of corporations" (normative aspect).

An approach utilized very often within the corporate perspective is the instrumental one (Andriof et al., 2002, p. 9). Here scholars explore (most often empirically) what impact SRM has on a firm's financial performance and competitiveness (see, e.g., Jones, 1995; Berman., 1999; Ruf et al., 2001; Heugens et al., 2002).

Stakeholder perspective

When scholars try to gain a better understanding of stakeholders, their strategies, and claims, they leave corporations and their performance on the sidelines and approach SRM from what Steurer (2005) calls a stakeholder perspective. While some explore status and legitimacy of certain stakeholder groups (see, e.g., the controversy on whether nature is a stakeholder or not (Starik, 1995; Phillips and Reichart, 2000)), others develop a typology of stakeholder groups referring to the characteristics of power, urgency and legitimacy (Mitchell et al., 1998). Again others analyze with what resources and strategies stakeholders try to accomplish their claims and how successful they are by doing so (Frooman, 1999).

Conceptual perspective

Stakeholder theorists sometimes approach SRM neither from a corporate nor from a stakeholder perspective, but from a particular concept's vantage point. Here scholars often search for common moral or theoretical ground of a certain concept on the one hand and SRM on the other. Others explore the ways in which SRM supports a certain concept or vice versa. A look into the literature reveals that the variety of ideas and concepts linked to SRM is astonishing. The thematic scope includes the philosophy of Aristotle (Wijnberg, 2000), "the Common Good" (Argandona, 1998), federal ethics (Husted, 2001), business ethics (Goodpaster, 1991; Weiss, 1994; Carroll, 1993; Cragg, 2002), environmental protection (Céspedes-Lorente et al., 2003), CSR (Wood and Jones, 1995; Clarkson, 1995), and last but not least sustainable development (Stead

and Stead, 2000; Rondinelli and Berry, 2000; Hund and Engel-Cox, 2002).

Triple-perspective typology of stakeholder theory

With the three perspectives described above, the primary dimension of a new typology of stakeholder theory is laid out. In contrast to other scholars (like Kaler, 2003), Steurer (2005) does not reject Donaldson and Preston's second order theory mentioned above, but he integrates it into the triple-perspective typology, simply because the three aspects help to make sense of the ever more diverse stakeholder research tradition. Yet, because Donaldson and Preston defined the three aspects only within the corporate perspective, they need also to be adapted to the characteristics of the other two perspectives. Table I gives an idea of how the three aspects vary across the three perspectives of stakeholder theory in terms of the focus applied and the questions frequently asked (for the SD–SRM perspective, see the shaded column).

The SD–SRM perspective – a portrayal with four research questions

As Table I shows, the SD–SRM perspective is one out of three stakeholder theory perspectives, approaching the concept of SRM from a particular concept's point of view, in this case SD.[8] The questions specified in Table I already give an idea of the normative, descriptive and instrumental aspects of the SD–SRM perspective. Let's explore the research questions further that we want to address theoretically in this and empirically in a subsequent paper (Konrad et al., 2005).

- *How does SD relate to SRM and to stakeholder theory, respectively?* This question addresses the SD–SRM perspective overall. It is answered theoretically in this paper and empirically in Konrad et al. (2005).
- *What issues of SD should corporations and stakeholders take into account?* This question refers to the normative aspect of the SD–SRM perspective. Here this aspect is neither about the functions or responsibilities of corporations nor the legitimacy of stakeholder

groups, but about the normative implications of the concept of SD for both corporations and stakeholders. In Section 3, we try to answer this question with an evolving framework, which depicts 14 key issues of SD.

- *Which issues of SD are taken into account by corporations or stakeholders and in what way?* This question is in line with the descriptive aspect of the SD–SRM perspective. In contrast to the other two perspectives, the description here touches on corporate and stakeholder behaviour only as far as it is relevant for the concept of SD. In the empirical part of this investigation, we show how extensively and in which ways corporations are actually dealing with particular issues of SD (Konrad et al., 2005). Regarding the stakeholder side, a kind of "stakeholder map", showing which SD issues are addressed by which stakeholder group, can be expected.
- *To what extent can SD or certain issues of SD be achieved through SRM?* This question, which builds on the descriptive aspect described above, is clearly instrumental in its focus. However, instrumentality in the context of the conceptual perspective touches neither on corporate performance, nor on stakeholder influence strategies. It is about SD and the relevance SRM has for it. Although this aspect is probably the hardest one to address, we try to do so in the empirical part of this endeavour, which focuses on SRM in Multi-National Corporations (MNCs) (Konrad et al., 2005).

Overall, the triple-perspective typology reflects the fact that the body of stakeholder theory, which started out as corporate strategic management theory, evolved into a more comprehensive one, addressing various facets of business–society relations. It shows that stakeholder theory as a whole is diverging away from the exclusive corporate focus. The SD–SRM perspective is a good example of a conceptual perspective which approaches SRM from the viewpoint of a particular concept, here SD. Let us now explore the normative aspect of this perspective, which can be condensed into the question: What issues of SD should corporations (and stakeholders) take into account? Section 3

answers this question with a framework of SD. It serves as the immediate starting point for our subsequent empirical analysis (Konrad et al., 2005).

What does SD mean? An evolving framework-answer

The following are good answers to the question of what SD actually means are: a general-purpose adhesive (Sachs, 1993/1994, p. 25), a "mantra" (Daly, 1996) or "a 'motherhood and apple-pie' objective" (Beckerman, 1995, 125). Nevertheless, we disagree with Beckerman (1995, pp. 125–140), who argues that the concept is useless and should be rejected altogether. As Daly (1996, p. 2) points out, "most important concepts are not subject to analytically precise definition – think of democracy, justice, welfare, for example". Other answers to the question of what SD means highlight the fact that there are at least three different paradigms of SD in discussions. As the following brief comparison shows, the three paradigms of SD address primarily the macroeconomic level and diverge most obviously in the issues of capital substitution and economic growth (Steurer, 2001, 2002, pp. 260–271):

- Weak sustainability implies that manmade or human capital can fully compensate for a decline of natural capital. Therefore, its proponents emphasise economic issues of SD and reject physical limits to economic growth.
- Strong sustainability implies that natural capital is non-substitutable by other forms of capital. Consequently, its advocates assume that strict physical limits to economic growth exist, asking for a qualitative, rather than quantitative, concept of development.
- Balanced sustainability is a mediating concept between the two extremes. Its proponents assume a partial substitutability of (non-critical) natural capital and acknowledge physical limits to economic growth where critical forms of natural capital (such as the world climate) are seriously affected.

However, since neither the "good answers" given above, nor the different paradigms of SD allow us to address the normative aspect of the SD–SRM per-

spective, we develop a referential framework for SD, a kind of inventory which pinpoints what SD actually means on the microeconomic level. The challenge, however, is to develop an SD framework specific enough for an empirical analysis and, at the same time, universal enough so that the various SD paradigms fit into it. In this sense, the framework presented here assembles basic issues of SD at the microeconomic level without going into the details of their controversial content. Instead of depicting 40 or more issues or criteria from a wide range of literature (as scholars often do), we focused on distinguished documents (see Table II) and selected as many issues as necessary and as few as possible in order to give a comprehensive picture.

Probably the single most important characteristic of SD is its widely acknowledged tripartite core structure, embracing an economic, a social and an environmental dimension, sometimes also referred to as "pillars" (see, e.g., Holme and Watts, 2000, 4).[9] However, the contemporary notion of SD goes beyond the tripartite core of economic, social and environmental issues and principles. As a development-oriented concept, it also stresses some issues that are of a general conceptual charact0er (like participation or the integration of the three dimensions of SD itself) (Hardi and Zdan, 1997, pp. 2ff). As these issues are relevant for all three dimensions, they do not fit into just one of them. Therefore, we subsume them in a fourth dimension as second-order issues. Let us now go through the issues of SD within the three plus one dimensions.

Economic dimension

On the macro-level, key economic issues are, for example, economic growth, the fiscal condition of a country, its competitiveness and the balance of trade in goods and services.[10] Of course, these issues are not applicable on the microeconomic level. Thus, for the corporate context we have identified (i) the financial performance of a corporation, (ii) its long-term competitiveness, and (iii) a company's economic (i.e. financial) impact on stakeholder groups.

(ad i) A sustainable undertaking principally needs sufficient earnings. Since neither the market system as a whole nor individual corporations in particular are able to prevail in the long term without "healthy

TABLE II

Framework of sustainable development on the microeconomic level

Aspects	Outline of dimensions and issues	Source(s)[12]
Economic sustainability	Do business in a way that enables the company to continue for an indefinite time	DJSI
(i) Financial performance	Exhibit sufficient cash–flow and persistent return to shareholders	DJSI ("Strategic Planning")
(ii) Long–term competitiveness	Maintain or improve future competitiveness and company performance	
(iii) Economic impact	Deal with the impact of corporation on particular stakeholder groups	GRI
Social Sustainability	Contribute to the social well-being of the society and individuals	
(iv) Equity within a corporation	Strive towards a more equal distribution of income within a corporation ('s branch) in a certain country	Agenda 21; Bellagio Principles; Brundtland Report
(v) International equity	Strive towards a more equal distribution of income and wealth between countries	Agenda 21; Bellagio Principles; Brundtland Report
(vi) Internal social improvements	Improve social conditions within a corporation (i.e. regarding employees)	Agenda 21; DJSI; WBCSD; GRI
(vii) External social improvements	Improve social conditions outside a corporation (i.e. in its neighbourhood)	Agenda 21; DJSI ("Philanthropy"); GRI
Environmental Sustainability	Maintain natural capital to a certain degree	
(viii) Resources	Use non-renewable and renewable (energy) resources responsibly	Agenda 21; Bellagio Principles; Brundtland Rep.; DJSI; WBCSD; GRI
(ix) Emissions	Avoid emissions into water, air, soil and neighbourhoods (noise) to a certain degree	Agenda 21; Bellagio Principles; Brundtland Rep.; DJSI; WBCSD; GRI
(x) Environmental damages and risks	Avoid environmental damages and risks to a certain degree	Agenda 21; Brundtland Report; DJSI; GRI
Second-order requirements	By advancing economic, social and environmental issues, SD has to obey some general process and concept requirements	
(xi) Transparency and participation	"Corporate openness" toward stakeholders via communication, reporting, SRM etc	Agenda 21; Bellagio Principles; DJSI; WBCSD; GRI
(xii) Reflectivity	Continuous learning through monitoring and evaluation	Agenda 21; Bellagio Principles
(xiii) Integration	Progress in one dimension of SD should not come at the expense of other dimensions ("triple bottom line commitment")	Agenda 21; Bellagio Principles; DJSI; WBCSD
(xiv) Intergenerational equity/foresight	Satisfy the needs of an enterprise and its stakeholders today and in the indefinite future	Agenda 21; Bellagio Principles; Brundtland Report

finances'', they have to be accounted for as an economic issue of SD. The respective issue of financial performance, or ''financial robustness'' as it is called in the ''Corporate Sustainability Assessment Criteria'' of the Dow Jones Sustainability Indexes,[11] is described best with indicators like cash-flow, shareholder value, profits, profitability, debt-equity ratio and liquidity. (ad ii) Since SD is also about long-term foresight, a company can be considered sustainable only if it takes steps to secure or improve its competitiveness. In the DJSI, these steps are referred to as strategic planning. However, as planning has been more or less replaced by strategic management approaches in recent years (Mintzberg, 1994; Bonn and Christodoulou, 1996), we prefer speaking of strategic management.

(ad iii) External effects of corporations on stakeholder groups are an important issue throughout this SD framework. In addition to the social and environmental externalities covered by the other issues of the framework, we single out money flows from companies to stakeholders as an individual issue of SD. According to the Global Reporting Initiative (GRI, 2002, p. 46), economic performance measurement in the context of SD focuses ''on how the economic status of the stakeholder changes as a consequence of the organization's activities, rather than on changes in the financial condition of the organization itself ''. In other words, a corporation is only sustainable when it pays taxes to public authorities, adequate prices to its suppliers and wages to its employees, interests to its creditors and (at least at a certain point in time) dividends to its shareholders. A company which is not able to pay for these transactions will not survive in the long term.

Social dimension

According to the Brundtland Report (WCED, 1987), the social dimension of SD is about equity within the present generation (i.e. intragenerational equity) and between the present and future generations (i.e. intergenerational equity). As the latter refers to the long-term horizon of the concept, which is important in each of the three content-oriented dimensions, we regard it not as a social, but rather as a second-order issue of SD, to be addressed below. However, as on the macroeconomic level the remaining intragenerational equity issue is often separated into a domestic and an international component (see, e.g., Hardi and Zdan 1997, pp. 2, 14), we too break the issue down. (iv) While the issue of equity within a corporation refers to income disparities and wage levels within a company's branch in a certain country,[13] (v) international equity issues refer to a company's impact on the distribution of income and wealth between different countries, especially between industrialized and developing ones. In addition, we also list other company-internal and -external social improvements related to quality of life in general rather than to equity concerns in particular. (vi) Internal social improvements address the stakeholder group employees in various ways (e.g. concerning education and human rights compliance). (vii) External social improvements address all kinds of social benefits for a variety of other stakeholder groups such as communities or neighborhoods, customers and suppliers.

Environmental dimension

With (viii) resource exploitation, (ix) emissions and (x) environmental damages and risks, the environmental dimension of SD depicts three traditional issues of environmental protection. Each of the three issues deals with human pressure on the environment in one way or another, albeit with a wide range of interpretation:

(ad viii) The issue of resources is, broadly speaking, about a responsible use of non-renewable and renewable natural resources throughout the production cycle, i.e. in procurement, product design, production, distribution/logistics and consumption. A key difference here is that between the substitution of non-renewable with renewable resources on the one hand, and the substitution of natural resources with human or manmade capital on the other. As shown above, the question of substitution is one of the most prominent questions in the controversy between the different paradigms of SD. Therefore, we speak of ''responsible use'', which leaves substantial room for interpretation in each paradigm. (ad ix) The issue of emissions deals with avoiding all kinds of emissions to a certain degree, again throughout the product cycle from

procurement to consumption. As the disputed question of capital substitution is also relevant in this context, "avoidance to a certain degree" can take on very different meanings. (ad x) Finally, the issue of environmental damages and risks is about the avoidance of anything that implies environmental destruction (like soil sealing or landscape destruction) and irreversible risks (like the loss of biodiversity and climate change), again up to a certain (i.e. paradigm-specific) degree.

Second-order requirements

As indicated above, the concept of SD embraces more than the economic, social, and environmental issues covered so far. As a process-oriented concept, it also embraces second-order issues such as (xi) transparency and participation, (xii) reflectivity, (xiii) integration and (xiv) intergenerational equity. Since these issues are relevant for all three of the other dimensions, we subsume them in an additional dimension.

(ad xi) Virtually any political, and most academic, publications on SD stress that the concept strongly depends on the participation of various societal groups. In this sense SRM is not only a potential vehicle for SD implementation, but also an integral element of Corporate Sustainability itself (for more details on participation, see Section 4). (ad xii) Another second-order issue, relevant in all three other dimensions, is reflectivity. In general, reflectivity refers to continuous learning processes which build on systematic monitoring and evaluations. Since reflectivity is the vehicle by which the actual meaning of SD is adapted to changing perceptions and needs in society, this issue refers to participation as well as to the evolving normative character of SD (for more details on the normative character of SD, see Section 4).

(ad xiii) As stated repeatedly, SD asks for the integration of economic, social and environmental issues in all societal spheres and levels, including the corporate one. In managerial language, this issue is often referred to as "triple bottom line", implying a triple optimization with regard to the economic, social and environmental costs of products and processes. The most serious challenge regarding the triple bottom line are trade-offs between different dimensions or issues of SD. Regarding SRM, such trade-offs lead to the so-far unsolved ethical problem of how corporations should deal with conflicting stakeholder claims (Humber, 2002, pp. 212–215). (ad xiv) According to Dyllick and Hockerts (2002, p. 132), the issue of integration is closely related to the issue of intergenerational equity or foresight: "A single-minded focus on economic sustainability can succeed in the short run; however, in the long run sustainability requires all three dimensions to be satisfied simultaneously" (see also Collins, 2001). Most definitions of SD or Corporate Sustainability stress the fact that the various SD issues need to be realized today in a way that does not hamper the possibilities of future generations (of stakeholders) (see, e.g., IISD Deloitte and Touche, WBCSD, 1992, p. 1). As the example of Nestlé shows, the tripartite structure of SD as well as the principle of intergenerational equity are reflected even in corporate sustainability reports. "For Nestlé, SD is defined as the process of increasing the world's access to higher quality food (i.e. the process of meeting Nestlé's corporate goals), while contributing to long-term social and economic development, and preserving the environment for future generations" (Hameskerk et al., 2003, p. 15).

This framework lays out the normative basis of the SD–SRM perspective. It describes which issues of SD corporations ought to take into account and it is the immediate point of departure for the empirical analysis, documented in Konrad et al. (2005). However, since the concept of SD is constantly evolving (see Section 4), the framework described here is only a preliminary one, to be discussed and altered on an ongoing basis.

SD, SRM, CS, and CSR – an attempt to bring order into the disorder of business–society concepts

So far, we have explored the concepts of SD and SRM, and we have shown how the SD–SRM perspective fits into the wider body of stakeholder theory. The purpose of this Section is to compare SD and SRM in more detail, and to put them into perspective with two other popular issues highly relevant in this context: Corporate Sustainability (CS) and CSR. With this comparison, we

summarize some key characteristics of SD and SRM, and we hope to bring some order into the disorder of business–society concepts.

SD and SRM

So far, we have seen that SD (i) builds on normative foundations, (ii) relies on participation, and (iii) aims at the integration of economic, social and environmental concerns. This sub-section shows that the same is true for SRM, although with a different focus.

(ad i) SD and SRM both build on normative foundations: The mainstream understanding of SD, which builds on the Brundtland Report (WCED, 1987), clearly gives humans and their needs a higher priority than the environment per se (Reid, 1995, pp. 55f; Neumayer, 1999, p. 9; Steurer, 2002, pp. 245f). The ''Rio Declaration for Environment and Development'' (UNCED, 1992), for instance, states as its first principle: ''Human beings are at the centre of concerns for SD. They are entitled to a healthy and productive life in harmony with nature''. Therefore, not the minimization of negative environmental effects, but the maximization (or at least the stabilization) of human welfare over time (which, as the Rio Declaration states, in turn also depends on a healthy environment) is the yardstick of SD (Pearce, 1991, p. 1; World Bank, 2002, p. 13). However, since needs (at least those beyond the basic level) as well as the notion of human welfare are highly subjective social constructs, differing from culture to culture and changing over time, SD is widely acknowledged to be a normative societal concept (World Bank, 2002, p. 13). As such, it is defined not by ecological parameters but through societal consensus-finding processes (Reid, 1995, p. 58; Smith, 1996, p. 43; Rao, 2000; Steurer, 2002, pp. 296f).[14]

Regarding the stakeholder approach, Donaldson and Preston (1995, p. 87f) see its normative aspect not simply as an alternative to descriptive and instrumental aspects, but as ''the ultimate justification for the stakeholder theory''. Even if corporations deploy SRM in order to increase shareholder value – that is, for instrumental reasons only (Berman, 1999, p. 491f) – the underlying normative assumption is that this is the only meaningful pur-

pose for engaging with stakeholders. In other words, both SRM and SD are inevitably imbued with normative and ethical implications.

(ad ii) SD and SRM both rely on participation: Since the meaning of SD is supposed to be determined through societal consensus finding processes, the concept strongly relies on participation. In fact, participation is regarded as the key issue of SD in numerous political documents such as Agenda 21 (UNCED, 1992). Another example is an OECD report (2001, p. 19) which states, ''Broad participation helps to open up debate to new ideas and sources of information [...] and develop a consensus on the need for action that leads to better implementation [of SD]. Central government must be involved [...] but multi-stakeholder processes are also required involving decentralized authorities, the private sector and civil society, as well as marginalized groups.'' This participatory characteristic of SD is, by the way, one of the reasons why the concept is so elusory. Of course, participation is also at the core of SRM. More precisely, SRM is, by definition, managed stakeholder participation which spans from information-based stakeholder involvement (Sillanpää and Wheeler, 1997) to goal-oriented partnerships with key stakeholders, like the one between McDonald's and the Environmental Defence Fund on packaging issues (Rondinelli and Berry, 2000; for an overview on the different levels of participation, see Green and Hunton-Clarke, 2003).

(ad iii) SD and SRM both aim at the integration of economic, social and environmental issues: The fact that SD is an integrative concept is nothing new at this point. Yet, what does SRM have to do with it? As Harrison and Freeman (1999, p. 483) put it, ''Dividing the world into economic and social ultimately is quite arbitrary. Indeed, one of the original ideas behind the stakeholder management approach was to try a way to integrate the economic and the social'', whereby ''social'' includes environmental concerns.

However, at this point the crucial difference between SD and SRM comes into play. Although SD has a procedural characteristic, most issues regarding the concept are content-oriented in the sense that they specify economic, social and environmental principles or (minimum) requirements. Development can be regarded as sustainable only if these principles and requirements are satisfied. For

SRM, on the other hand, integration is the result of an interactive process rather than a conceptual principle. SRM serves the quest for integration (and with it the concept of SD) simply because it actually tries to reconcile different economic, social and environmental stakeholder claims with traditional corporate interests. Therefore, SD and SRM can be regarded as two complementary, mutually reinforcing concepts with remarkable similarities.

SD and Corporate Sustainability

"For the business enterprise, SD means adopting business strategies and activities that meet the needs of the enterprise and its stakeholders today while protecting, sustaining and enhancing the human and natural resources that will be needed in the future" (IISD Deloitte and Touche, WBCSD, 1992, p. 1; see also Dyllick and Hockerts, 2002, p. 131). This application of SD on the corporate level, which obviously builds on the Brundtland Report (WCED, 1987), is often referred to as Corporate Sustainability. While SD is commonly perceived as societal guiding model, which addresses a broad range of quality of life issues in the long term, CS is a corporate guiding model, addressing the short- and long-term economic, social and environmental performance of corporations. If one accepts this understanding of CS, the microeconomic framework of SD described in Section 3 can also be read as a framework of CS.

SD/CS and CSR

Many scholars and practitioners emphasize that understanding the meaning of CSR is difficult because (i) CSR "can easily be interpreted as including almost everyone and everything"[15] and because (ii) the concept is evolving constantly, mainly parallel to stakeholder claims (Holme and Watts, 2000, p. 5). Interestingly, we also found the exact same two points in the context of SD in Section 3. However, in a communication from the European Commission (2002, p. 5), CSR is defined as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders

on a voluntary basis" (see also ISO, 2004, p. 28f). Therefore, it is no surprise to find the triple bottom line also in this context (van Marrewijk, 2003). What then are the differences between SD and CS on the one hand and CSR on the other?

First, CSR is more specific and depends more heavily on particular stakeholder claims than SD and CS do. While SD and CS are guiding models which depend largely on a society's interpretation, CSR is a voluntary management approach in which a company's stakeholders play a prominent role (Wood and Jones, 1995; Clarkson, 1995, p. 244; Holme and Watts, 2000; Dawkins and Lewis, 2003; ISO, 2004). As Carroll (1999, p. 288) has put it, in the course of the 1990s, CSR served increasingly "as the base point, building block, or point-of-departure for other related concepts and themes", among them SRM (see also ISO, 2004, p. 32ff). McWilliams and Siegel (2001) consequently argue that there is no overall appropriate level of CSR, but that this level depends on the demand for CSR attributes "as normal goods" by stakeholders such as consumers. The second difference is that, although the temporal scope of CSR goes well beyond the shareholders' quarterly perspective (Carroll, 1999, p. 274), it does not go as far as in the context of SD. While the societal concept of SD is covering a time-span of several generations, and some scholars define even CS with regard to "the needs of future stakeholders" (Dyllick and Hockerts, 2002, p. 131), the management approach of CSR is more or less implicitly about meeting the demands of (primary or key) stakeholders today in order to secure resources, which are vital for the company's performance in the near future (Frooman, 1999, p. 195; Figge and Schaltegger 2000, p. 12). The third difference surfaces only from a historical perspective. As mentioned above, SD, CS and CSR today all address the integration of economic, social and environmental aspects. This was not always the case. In the 1980s, SD, and with it CS, started out from the environmental dimension (see, e.g., IUCN, 1980). Economic and social issues like GDP growth were addressed only with regard to their environmental implications. Although it is hard to pinpoint exactly when non-environmental issues became distinct dimensions of SD (the Agenda 21 [UNCED, 1992] is certainly a milestone in this context), it is safe to say that this did not happen in the early stages of the

concept (Steurer, 2002). On the contrary, CSR initially put emphasis on social issues like human rights and working conditions. As the environmental movement gained momentum, environmental issues were increasingly embraced as social issues in a broader sense (Marrewijk, 2003; ISO, 2004). As CSR is a business or management approach, economic aspects (like profitability) were always inherently part of the concept (Drucker, 1984).[16]

So what is the relationship between SD/CS and CSR? The historical perspective shows that SD/CS and CSR have indeed converged to very similar concepts in recent years. This impression becomes even stronger when the issues of SD depicted in the framework above are compared with CSR issues under discussion (see, e.g., ISO, 2004, p. 88f). Therefore, "many consider CS and CSR as synonyms" (Marrewijk, 2003, p. 102). However, because of the other two differences mentioned above (i.e. the role of stakeholders and the varying temporal scope), we would not go that far. As Figure 1 illustrates we regard SD, CS, and CSR as closely connected, tripartite concepts, yet on different levels of specification with different conceptual nuances. In this sense, SD can be regarded as the normative

societal concept behind the other two, CS as the corporate concept and CSR as the management approach. Said differently, CSR is a voluntary "business contribution to Sustainable Development" (European Commission, 2001, sub-heading of the communication; see also ISO, 2004, p. 29), closely intertwined with the concept of SRM.

Management systems and SRM

If SD is to be pursued in the corporate context, CSR may be a good business proxy. In addition, businesses also apply more specific management systems like ISO 9000 (economic dimension), EMAS or ISO 14001 (environmental dimension), and international standards like SA 8000 (social dimension). These systems are managerial tools, serving particular issues of CSR as well as SD. Although the sum of these management systems covers all three dimensions of SD,[17] there is no single management system which covers them all.[18] This highlights the importance of SRM as a rare management practice that aims at integrating economic, social and environmental issues, although not in a standardized form.
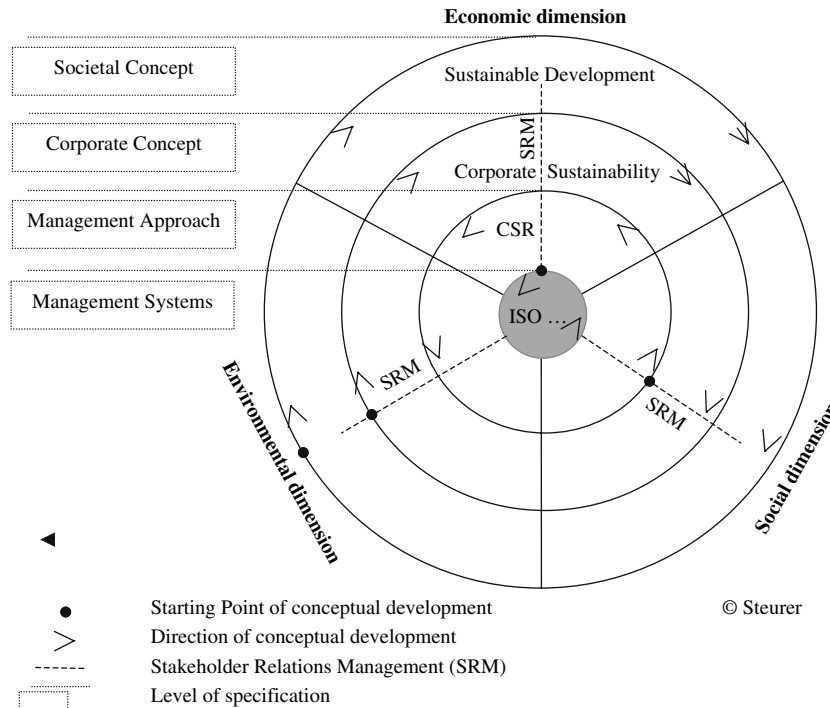

Figure 1. Overview of the business–society concepts SD, CS, CSR and SRM.

Concluding thoughts on the SD–SRM perspective

Clarkson (1995, p. 250) emphasizes that corporate managers do not think or act in terms of concepts like CSR, which initially come from outside the business world. If managers think of social responsibility, they focus on stakeholders and their claims (therefore, Figure 1 depicts the starting points of CS, CSR and management systems directly on the stakeholder axes, reaching out from the inner to the outer layers). The same is certainly true for SD, a concept more remote from the corporate core activities than CSR. Specifically for that reason we recognize the importance of exploring the key question of the instrumental aspect of to what extent SD or certain issues of SD can be achieved through SRM. While the descriptive aspect of the SD–SRM perspective ("Which issues of SD are taken into account by corporations or stakeholders?") requires empirical analyses, the instrumental aspect can also be addressed theoretically. Our concluding thoughts do exactly this.

Based on Adam Smith, the neo-classical economic paradigm perceives firms as more or less closed systems with their only concern being the satisfaction of their shareholders. However, from the early 1980s onward, a new business–society paradigm unfolded, "articulating the need for business to be, in some respect, responsible to society" (Andriof et al., 2002, p. 11f). A critical point of this new paradigm is that "corporate officials confront the world as an arena of opportunities and constraints in relation to organizational goals" (Cragg and Greenbaum, 2002, p. 327), whereby the definition of this arena strongly depends on stakeholder interests. As far as corporations are perceived as open (not to say public) entities which do business in a societal context, they are well advised to pay close attention to societal patterns of opportunities and constraints in order to secure resources they depend upon; or as Frooman (1999, p. 195) puts it, "it is the dependence of firms on environmental actors (i.e. external stakeholders) for resources that gives actors leverage over a firm".

This is obviously the point at which a normative societal guiding model like SD meets traditional business interests. The more serious and committed key stakeholders (ranging from investors to consumers) support concepts like SD and CSR, the

more these concepts find access to corporate core activities – notably through SRM. This implies that win–win opportunities do not simply exist, but that they are created and defined in a societal context. Ironically, Adam Smith comes into play one more time, although in a completely different respect. From the open business point of view, SRM can be interpreted as a gesture of Smith's "invisible hand". While the conventional understanding of the invisible hand links corporate performance with the provision of conventional goods and services, this specific gesture leads to an adequate provision of CSR. The stronger societal demand for the "normal goods CSR" (McWilliams and Siegel, 2001) and SD gets, the more important it will be for corporations to address respective stakeholder claims. Against this instrumental background, normative statements like "corporations have as one of their principal functions the serving of the social good" (Swanson, 1999, p. 510) gain a very pragmatic, shareholder-relevant meaning.

Notes

[2] The World Commission for Environment and Development/WCED was able to draw not only upon the economic growth controversy of the 1970s, which discussed the possibility and desirability of economic growth from an environmental point of view in detail (Steurer, 2001), but also on a document which addressed SD explicitly. Already by 1980, the IUCN's "World Conservation Strategy" had defined conservation as "management of human use of the biosphere so that it may yield the greatest sustainable benefit to present generations while maintaining its potential to meet the needs and aspirations of future generations" (Section 1.4), and SD as "the integration of conservation and development to ensure that modifications to the planet do indeed secure the survival and well-being of all people" (IUCN, 1980, Section 1.2; see also Reid, 1995, pp. 38–43; Steurer, 2002, chapter 8.2.2).
[3] Since not stakeholders themselves, but relations with them are managed, we agree with Andriof/Waddock et al. (2002, 9) that the term stakeholder management should be replaced by stakeholder relations management.
[4] What exactly are the key stakeholders? This simple question is more difficult to answer than it seems. In the landmark book "Strategic management: a

stakeholder approach'', Freeman (1984, p. 46) gave the now-classic definition: ''A stakeholder in an organization is (by definition) any group or individual who can affect or is affected by the achievement of the organization's objectives.'' As this definition leaves ''the notion of stake and the field of possible stakeholders unambiguously open to include virtually anyone'' (Mitchell et al., 1998, pp. 278f), other scholars advocate narrower definitions. Many of them go back to one of the first explicit accounts of stakeholder management, a Memo of the Stanford Research Institute (1963, quoted in Mitchell et al., 1998, p. 278) which defines stakeholders as groups ''on which the organization is dependent for its continued survival''. As different groups of stakeholders (like investors, employees, customers, local communities, NGOs and the public) inherit different degrees of power, legitimacy and urgency (Mitchell et al., 1998), it makes sense to read the two definitions complementarily, i.e. to distinguish between secondary and primary or key stakeholders (Clarkson, 1998, p. 259f).

[5] This Section is based on Steurer (2005), which provides more details on the triple-perspective typology of stakeholder theory.

[6] Like with the Brundtland Commission, Freeman was also able to draw not only upon more or less general works on the business–society interface, but also on a 1962 Stanford Research Institute Report, in which the terminology ''stakeholder perspective'' was used for the first time (Andriof et al., 2002, pp. 12f).

[7] Contrary to most other scholars, Donaldson and Preston (1995) exemplified their corporate focus already in the heading of their paper (as if other perspectives were already imminent). It reads ''The Stakeholder Theory *of the Corporation*'' (Italics added).

[8] The characterization of the conceptual SD–SRM perspective in Table I fits for any concept brought in relation with SRM; the abbreviation SD just needs to be replaced by the particular concept (Steurer, 2005).

[9] See also the UNIDO document 3563; http://www.unido.org/en/doc/3563.

[10] See the ''CSD Theme Indicator Framework''; http://www.un.org./esa/sustdev/indisd/isdms2001/table_4.htm.

[11] See http://www.sustainability-index.com/htmle/assessment/criteria.html; http://www.sustainability-indexes.com/djsi_pdf/publications/DJSI_WORLD_Guidebooks/03_Corp_Sust_.

[12] As each issue could be traced back to hundreds of political as well as academic sources, we restrict ourselves to the most significant ones in terms of the societal consensus they may represent. Among them are (in chronological order of publication) (i) the Brundtland Report (WCED, 1987); (ii) Agenda 21 (UNCED, 1992); (iii) the so-called Bellagio Principles (Hardi and Zdan, 1997), set-up for the assessment of SD by 24 practitioners and researchers from five continents; (iv) the ''Sustainability Reporting Guidelines'' of the Global Reporting Initiative (GRI, 2002); (v) the Dow Jones Sustainability Indexes; http://www.sustainability-index.com/htmle/assessment/criteria.htmlon 10/2/03; http://www.sustainability-indexes.com/djsi_pdf/publications/DJSI_WORLD_Guidebooks/03_Corp_Sust_, and (vi) publications of the World Business Council for Sustainable Development/WBCSD (Hameskerk et al., 2003). Apart from these sources, the framework is also based on several years of research on SD, documented in Steurer (2001, 2002), Langer and Schön (2002), Martinuzzi and Steurer, (2003).

[13] The inclusion of this issue may be controversial. However, as a variety of political groups, corporations such as Shell (Oliver, 2001, p. 25) and the UN consider intra-generational equity as ''vital to the notion of SD'' (United Nations Industrial Development Organization, document 3563 (http://www.unido.org/en/doc3536), it has to be included. The general character of the framework given, it leaves enough room of interpretation.

[14] Note that this notion of SD is contested. Some advocates of the strong sustainability paradigm claim that SD is not a normative but an objective concept (at least as objective as natural science can be), defined by ecological parameters (Hueting and Reijnders, 1998).

[15] WBCSD newsletter Sustain; http://www.sustain-online.org/news/printpage.php/aid/158/Corporate_Social_Responsibility_-_narrowing_the_focus.html. See also Carroll (1999, p. 280f).

[16] This development of CSR from a bi- to a tripartite management approach is one reason for some conceptual confusion. Although the World Business Council for Sustainable Development (WBCSD) shares the common understanding that CSR addresses economic, social and environmental issues in a corporate context, the Council depicts it ''as the third pillar of sustainable development – along with economic growth and ecological balance'' (http://www.wbcsd.org/projects/pr_csr.htm; Holme and Watts, 2000, p. 4). Obviously, this understanding of CSR needs some clarification (and because the economic dimension of SD is reduced to economic growth, the same is true for the WBCSD's interpretation of SD overall).

[17] Based on a variety of existing quality standards, ISO 9000 was issued in 1987 (see http://www.brunel.ac.uk/~bustcfj/bola/quality/history.html). The first national Environmental Management System was published by BSI in 1992, and ISO 14001 was published in 1996 (see http://www.bsi-global.com/Education/Environmental+

Management/HistoryISO14000.xalter). The international social standard SA 8000 followed in October 1997 (see http://research.dnv.com/csr/PW_Tools/PWD/1/00/L/1–00-L-2001–01–0/lib2001/SA-800Handout.doc).

[18] In 2003, an ISO Advisory Group on Social Responsibility began to exploring how ISO can address CSR. In 2004, the group concluded that because "the field of social responsibility is difficult to define and very complex, with many honest differences of opinion on how issues should be addressed", "a guidance document" on CSR is more advisable than a "specification document against which conformity can be assessed" (see http://www.iso.org/iso/en/info/Conferences/SRConferences/pdf/AG-Recs-to-TMB%20(Apr&2030) percnt;20rev.pdf).

Acknowledgements

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