

# Corporate Social Responsibility, Utilitarianism, and the Capabilities Approach

*Cecile Renouard*

**ABSTRACT.** This article explores the possible convergence between the capabilities approach and utilitarianism to specify CSR. It defends the idea that this key issue is related to the anthropological perspective that underpins both theories and demonstrates that a relational conception of individual freedoms and rights present in both traditions gives adequate criteria for CSR toward the company's stakeholders. I therefore defend "relational capability" as a means of providing a common paradigm, a shared vision of a core component of human development. This could further lead to a set of indicators aimed at assessing corporate social performance as the maximization of the relational capability of people impacted by the activities of companies. In particular, I suggest a way of evaluating the contribution of extractive companies to the communities close to their industrial sites in extremely poor areas, not from the viewpoint of material resources and growth, but from the viewpoint of the quality of the social environment and empowerment.

**KEY WORDS:** capabilities approach, corporate social responsibility, Mill, Nussbaum, relational capability, Sen, utilitarianism

## Introduction

Several studies on CSR highlight the lack of a shared definition of corporate social responsibility and performance (McWilliams et al., 2006). Windsor (2006) defends the idea that there are three main moral and political perspectives on CSR: the first two are opposed, one called "ethical" and the other "economic"; the third, "corporate citizenship" (Moon et al., 2003) falls between the two, wavering between the "ethical" perspective that puts emphasis on the ideal role of the company within society and toward its different stakeholders (Freeman, 2001),

and the "economic" view that maintains that the firm must first maximize the value creation for its shareholders, and only subsequently, may be accountable to society (Carroll, 1991, 1998; Jensen, 2002). Very often authors either try to demonstrate that CSR can be used as a tool to improve the competitive advantage or the financial performance of the company (Husted and de Jesus Salazar 2006; Jones, 1995) or maintain that it is impossible to demonstrate a connection between financial and social performance and insist upon a normative perspective (Donaldson and Preston, 1995; Vogel, 2005). Two philosophical schools of thought underpin these conflicting conceptions: on the one hand, the reference to the utilitarian perspective as related to the maximization of global or average well-being (Bentham, 1815; Mertens and Dhillon, 1999); on the other hand, the defense of human dignity and of individual rights and capabilities (Kant, 1785; Sen, 2004).

Each one of these two perspectives encounters difficulties in defining CSR in a satisfying and stable way. As far as utilitarianism is concerned, insisting on maximizing economic value may lead to three difficulties: first, increasing the inequalities between people and between groups; and second, putting too much emphasis on material wealth and economic value creation, and thus neglecting other aspects of well-being (Sen, 1999) and of social value creation. For example, regarding a company's compensation scheme, utilitarianism may not criticize the increase of salary discrepancies within the firm and the level of ROE (return on equity) for shareholders, so long as profit growth is ensured. However, the legitimacy of such practices, which will reduce the share of the profits directed toward employees and other

stakeholders may be questioned (Bowie and Werhane, 2005). Third, utility is usually considered in atomistic terms, paying little regard to the norms prevalent in more collectivistic cultures (Velasquez, 2006). The same criticism can be applied to the capability approach, which is principally centered on individuals. Moreover, focusing on individual freedoms, entitlements, and capabilities may lead to underestimate the role of collective structures and institutions in promoting the social development of people affected by economic activity (Deneulin et al., 2006). The rights of some stakeholders, at the individual and collective level, may be ignored (Mellahi and Wood, 2003), and the responsibility of the company toward those who are most vulnerable remains unclear. As Ananya and Darryl Reed point out (Reed and Reed, 2004, p. 3), “this approach does not explore in any substantive sense the nature of the corporate economy, the relationship between state and capital and how they interact to impose constraints on human development. Nor does it specifically address CSR.” To sum up, these two philosophical schools may fail to recognize the tensions experienced by corporations dealing with economic and social objectives (Margolis and Walsh, 2003).

By looking at the internal debates within each tradition in order to face these problems, I make the assumption that there may be some common ground for these two theories (passing from atomistic anthropology to relational anthropology), allowing us to specify the content of CSR in a consistent manner. The following pages defend the idea that a critical aspect of CSR concerns the anthropological perspective that underpins both theories and demonstrates that a relational conception of individual freedoms and rights which is present in both traditions gives adequate criteria for orienting societal policy toward the maximization of the relational capabilities of the company’s stakeholders.

The article is organized as follows: first (“[The insufficiencies of utilitarianism and of the capabilities approach toward CSR](#)” section), I analyze the insufficiencies of the mainstream utilitarian and capabilities approaches for providing adequate guidelines for CSR. Second (“[In defense of a relational anthropology](#)” section), I defend the idea that the capabilities approach points toward a relational anthropology. I show how this anthropology exists

not just with the proponents of a virtue ethic (Bertland, 2009) or a deontological conception of morality (Bowie, 1998, 1999), but also with certain utilitarian thinkers who have been forgotten in the debate (especially Mill, 1861): thus, internal resources exist within the utilitarian tradition which counter the simplistic conception of the *homo economicus* maximizer of his utility and defend the social finality of the economic activity. Finally (“[Relational capability as the backbone of CSR](#)” section), I define relational capability – in reference to Martha Nussbaum’s approach (Nussbaum, 2000) – and show how such a conception of human development allows us to make explicit the social responsibility of companies toward stakeholders: for example, in the case of setting up extractive industries in extremely poor areas, philanthropic actions as well as programs that are intended to buy short-term social peace have very often had pernicious effects. If they were able to improve the living conditions of some inhabitants, they also created dependence and corruption and increased the existing inequalities. Focusing on the relational capability of persons and groups allows for an evaluation of the contribution of companies to the communities close to their industrial sites, not from the viewpoint of material resources and growth, but from the viewpoint of the quality of the social environment and of empowerment.

### **The insufficiencies of utilitarianism and of the capabilities approach toward CSR**

Utilitarianism is a philosophical line of thought whose aim was defined by Bentham (1815) as maximizing the utility or happiness of the greatest possible number of people. It has had many important consequences on reflection about morality: it is a consequentialist perspective which focuses on the outcomes of an action and has little regard for its intentions. This philosophy has led to economic and political choices focused on economic growth. Social ethics is thus understood as the maximization of the global or average well-being or material growth in a society, and can justify a certain kind of relativism. As Mandeville (1714) puts it, private vices make public virtues: that is to say that economic growth is due to the expenses made by very rich people who behave in morally contestable ways, but

these same people are useful to society through their habits of consumption which provide employment to the poorer members of the working class.

The utilitarian perspective encounters difficulties in defining CSR with precision: utilitarianism may lead to the moral justification of the prevalence of profit-making and economic value maximization. It is completely consistent with Friedman's approach concerning CSR (1970) and even with Carroll's pyramid (Carroll, 1991, 1998), according to which the first goal of CSR is to make profit. This perspective raises many problems. Let's focus on the criticism of Rawls and Sen that have given rise to the capabilities approach.

Sen's perspective is rooted in a critical discussion of utilitarianism following the debates initiated by John Rawls's *Theory of Justice* (1971). Rawls's criticism focuses on the sacrificial dimension of utilitarianism – maximizing global or relative utility doesn't take into account the distribution of wealth and creates an increase of inequalities in the society.<sup>1</sup> This critique can be applied to CSR: focusing on the global or average well-being of the stakeholders may increase the inequalities among certain groups or between them. In response to this sacrificial perspective, Rawls defends a difference – or *maximin* – principle, which aims at maximizing the situation of the worse off. Rawls establishes a list of primary goods which every human being may desire and to which he is entitled to have access. The list entails political freedoms and many other goods. Maximizing the situation of the worse off implies trying to establish their access conditions to all these primary goods.

In contrast, yet without denying the importance of this list of primary goods, Sen gives priority to the defense of individual freedoms. He criticizes utilitarianism, which focuses on the maximization of collective well-being and reduces or ignores the importance of freedoms. This also can be true as far as CSR is concerned: some programs implemented by multinationals in order to foster better living conditions around their industrial sites have led to paternalistic behaviors, without increasing the freedoms of the people who are dependent on the good will of the company. In Sen's exposition of the consequences of the utilitarian approach on the evaluation of societies (Sen, 1990), the critique of utilitarianism is the following: utilitarianism leads to a social planning which may weaken or prevent

individual freedoms. Indeed, it doesn't take into account a bias: poor people may underestimate their privations (their lack of pleasure or utility) because they adjust to their situation (even if their condition is objectively miserable). As a consequence of these "adaptive preferences," utilitarian calculation raises practical issues, and Sen gives two examples in the Indian context: According to a utilitarian view (as interpreted by Sen), the unequal condition of women compared to men may not be a problem because the former do not envy the latter's situation, and the same would apply to uneducated people who do not consider their situation as unjust. However, according to Sen, the objective situation of women and uneducated people shows that they enjoy fewer personal freedoms than men and educated people, respectively. Alone, the evaluation of individual pleasures, according to their subjective perception, may lead to underestimating their lack of freedom and justifying the *status quo*. The same phenomenon can be seen in companies where CSR programs focus mainly on stakeholders' expressed expectations: this can lead to undermining the situation of the worse off, who have less ability to analyze their situation. Subsequently, Sen agrees with Rawls in his criticism of utilitarianism and suggests an alternative: instead of focusing on the primary goods as the necessary means to achieve freedoms, he favors the effective possibilities that a human being can choose, i.e., his capabilities: the whole set of functionings of each individual must be considered, taking into account the diversity of the society. The capabilities approach aims at assessing the situation of an individual or a group in terms of abilities to do and to be, to convert their resources into actual functionings which enable them to lead a meaningful life (Alkire, 2002). Capabilities are sets of combinations of functionings and express the real possibilities of choices that people have. Sen (1990) gives priority to individual freedoms, in intrinsic as well as instrumental ways, and in particular, to human agency. As in most liberal theories of society,<sup>2</sup> John Rawls and Amartya Sen's viewpoints favor a somewhat atomistic anthropology, where each individual first seeks to develop his or her own capabilities, and only subsequently, enters into relationship with others.

Certainly, as Robeyns (2005) has emphasized, it's important to distinguish between methodological

and ontological individualism. Sen and a number of defenders of individual freedoms do not deny the social dimension of human beings. In the same way, works emanating from commentators of Sen underline “the quintessentially social nature of individual freedom and agency” (Herdt and Deneulin, 2007, p. 179) and look to see how social factors influence individual capabilities (Longshore Smith and Seward, 2009). Nevertheless, it is vital to recognize that liberal thought stresses the clearly separated rights and freedoms of rational individuals, in order to protect against excessive control by a social or political community. It almost seems as though nothing prevents these theories from cultivating the illusion that people can develop their capabilities in a completely solipsistic fashion. Of course, one immediately realizes that this makes little sense: Who would be capable of anything without entertaining relationships with others?

The starting point of this article consists in incorporating this remark within the very definition of one’s capability. Unlike most of the various liberal approaches just alluded to, a conception of freedom defined as autonomy and interdependence can be defended, as Martha Nussbaum has already shown. Before developing this perspective, we have to explain why the capabilities approach, when it is centered on individual freedoms, is simply too weak to specify CSR content.

According to Sen, social organization has to enable the growth of capabilities while preventing an excessive pressure of political power on the society. Utilitarianism may favor a certain political constraint in order to implement the fastest growth for the greatest number of people.

Sen tries to articulate the priority that consists in developing individual freedoms with an appropriate social order. The anthropology which sustains this approach denies the utilitarian conception of the human being as a selfish maximizer of his sole interests. According to Sen, this model doesn’t fit with real life. On the one hand, passions are strong, and on the other hand, human beings have a moral sense: a capability of both indignation and altruistic behavior. However, Sen only takes this altruistic capability into account in a marginal way. This is one of the reasons why one might consider that Sen’s perspective is insufficient: it is typical of liberal atomism, which tends to weaken the idea that a

truly human life is reached through human relationships and social contribution.<sup>3</sup> As a matter of fact, Sen dissociates the defense of individual freedoms from the individual contribution to social goals (Sen, 1990). Human capabilities are seen by Sen as rather different from people’s social goals. On the contrary, one can favor the integration of the social and inter-subjective dimension in the definition and implementation of these individual freedoms. Otherwise, one is led to defend an atomistic view of freedom as independence, a freedom that can be reduced by the freedoms of others. That’s why liberalism focuses on the limitation of the prerogatives of the State, which has the unique task of imposing the law in such a way that my neighbor’s freedom does not infringe on mine. It does not give rise to any group project.

This appears to be very problematic when we think about CSR. It may not lead to the criticism of the economic institutions and corporate behaviors that infringe on some individual capabilities. Focusing on individual rights may not be conducive to specifying how different groups that are stakeholders in companies can either improve their capabilities by defending their collective rights or be neglected. The games of power may not be clearly identified. For example, a recent article (Reed and Reed, 2009) assimilates the capabilities approach with a liberal perspective on CSR, paying little attention to the most vulnerable persons and groups.

Nevertheless, current debates among capabilities approach researchers show that there may be a way to link CSR with a perspective that focuses on the capabilities of individuals and groups by defining relational freedom as the key component of a truly human life. A definition of personal freedom can be proposed: a relational freedom that flourishes not only when a subject acts in an independent way, but rather, when he is both autonomous and interdependent and contributes to the implementation of social goals. I will show that this relational anthropology, present in Kant’s work (Kant, 1785), – and has an impact on the way some capabilities approach thinkers speak of CSR – can already be found in utilitarian works such as Mill (1861), even though utilitarianism is often superficially understood as favoring an understanding of the human being as a *homo economicus* aiming to maximize his own interest.

### **In defense of a relational anthropology**

I would therefore like to develop the utilitarian perspective centered on a quantitative and material measure of happiness, as viewed by Bentham (1815). It is important to stress that such a critical perspective was already presented by Mill (1838, 1861), who developed his own account of utilitarianism. The question is raised whether we can find within the utilitarian traditions an openness to a relational anthropology. If so, we could find some intellectual resources within the utilitarian school of thought which would enable it to counter the maximization of personal utility and the sacrifice of freedoms and capabilities of the most vulnerable.

Indeed, Mill (1861) not only leaves open the possibility of altruism, but he even defines utilitarian ethics as the effort to shape people's altruism and to find happiness within it. Relationship to others is essential for Mill. He raises the problem in his presentation of utilitarianism: Are human beings naturally inclined to care for others? Under what conditions or with which incentives do they apply the utility principle, i.e., the search for the greatest degree of happiness for the greatest number of people? Mill's thesis is very clear: there are both internal and external incentives, as well as sanctions. He stresses the inner feeling experienced by the educated person that enables him/her to recognize his/her social being and the importance of altruism.

The arguments used by the philosopher consist in emphasizing the importance of education to instill in one's character the feeling of being united to one's fellow human beings. What shapes a society is the importance and the nature of the bonds between people. Human progress is rooted in the strengthening of social bonds and the care for the others' interests. Even more, the challenge is to help people discover that looking for the good of others is a source of personal flourishing and happiness.

"Not only does all strengthening of social ties, and all healthy growth of society, give to each individual a stronger personal interest in practically consulting the welfare of others; it also leads him to identify his feelings more and more with their good, or at least with an even greater degree of practical consideration for it. ...The deeply rooted conception which every individual even now has of oneself as a social being, tends to make him feel it one of his natural

wants that there should be harmony between his feelings and aims and those of his fellow creatures" (Mill, 1861). Education is the core of the problem: virtue has to become desirable, if understood as the personal development of intellectual and moral abilities and being linked with the search for the other's good and for the common good. Nevertheless, aside from this self-detachment and this impetus toward the common good, establishing safeguards through external legal constraints, regulations, and sanctions is necessary in order to guarantee the realization of common interests.

Mill fights against a utilitarian conception centered on the maximization of individual pleasures, while refusing a moral perspective sacrificing the sensible inclinations. The idea is to orient the individual desire toward the care of others, so that the search for personal happiness and the quest for the other's good merge. The same perspective can be found among contemporary thinkers, trying to make the most of the modern claim for autonomy and personal flourishing. Bellah (2007), for instance, defends a paradoxical thesis in the context of what he considers as society's gradual slipping into a narcissistic cult of the self: self-love, rightly understood, implies concern for the other. Self-fulfillment has to be found in openness to the other, in an attitude made of kindness and cooperation.

Mill stresses that the highest level of self-fulfillment and happiness is reached when relating to others. "The utilitarian morality does recognize in human beings the power of sacrificing their own greatest good for the good of others. It only refuses to admit that the sacrifice is itself a good. ...The only self-renunciation that it applauds, is devotion to the happiness, or to some of the means of happiness, of others" (Mill, 1861). In this regard, Mill's view joins the Kantian view according to which morality encompasses a disinterested relationship with others, but Mill takes into account human psychology: the aim is not a total self-renunciation of the individual, but his fulfillment in the care for both the other's good and the common good.

Whether it is embedded in a Kantian line of thought or in a utilitarian one, relational anthropology defines human relationships as the substance of human identity: being is relational and a flourishing human life is experienced in autonomy and interdependence. With this conceptual background we can define relational capability as a core human



functioning and then show how this perspective can be applied to the definition of CSR toward society.

## **Relational capability as the backbone of CSR**

### *Definition of relational capability*

Relational anthropology states that personal identity is shaped in the relationship with otherness. The implementation of relational capability is a key condition of human development. We draw on the debates among Capability Approach researchers concerning individual, collective, and external capabilities (Foster, 2008; Ibrahim, 2006; Robeyns, 2005): these thinkers reflect upon the growth and implementation of capabilities at a social and collective level. They analyze how some personal development can be achieved only in cooperation with other human beings (external capabilities) and how some collective capabilities can be defined as the expression of more than the aggregation of individual ones. Relational capability involves both individual and collective capabilities; it tries to capture the relational condition of human beings. It can be applied both to individuals and groups: it fosters the recognition of autonomy and individual rights as well as the quality of the social climate and of the interdependencies within a given group or political community; thus it can be applied to the assessment of the relationships within a company and between a company and its stakeholders (Bowie and Werhane, 2005). Before detailing the consequences of this relational capability approach in terms of CSR implementation, let's specify exactly what this means. We distinguish four components of this capability<sup>4</sup>:

- to be integrated into networks.
- to commit oneself to a project within a group, aimed at serving a common good, a social interest; to take part in decision making in a political society.
- to have specific attachments to others: friendship, love.
- to try to value others' objectives, considering them as ends.

Integration into networks is the first component of relational capability. A network is defined very

broadly as a set – open or closed – of relationships – horizontal and vertical – organized within a society. From the first network where the newborn is integrated, his/her family, to the community that gathers around the deceased person, human life is spent in networks. At this stage we consider imposed and inherited networks as well as chosen networks. Part of our identity forms through given networks and part of it through our voluntary commitment to others (Coleman, 1988). The lack of freedom, which is the very definition of prison, is a means of preventing people from belonging to networks that constitute social life. The characteristic of exclusion consists in the absence of participation in networks due to isolation and the inability to escape it (Boltanski and Chiapello, 1999/2005). The lack of exercise of relational capability can be measured through a weak participation in networks – whether institutional or not. Companies can be viewed as networks of interrelationships that have an effect on the different interrelations between individuals and groups that are affected by their activity (Bird, 2006). The quantity and the quality of relations within a company and between the company and its stakeholders have an impact on both social and economic networks.

The second component is related to the voluntary commitment with others for a specific project concerning a common good or a collective interest. It implies participation in the decision-making process within a political community. We focus here on chosen networks and, more specifically, on personal commitment in society. This commitment can take different forms: political, social, cultural, and associative (Alkire, 2002; Nussbaum, 2003). It is a way of participating in social development and it enables the development of this relational capability toward social utility. Stressing the importance of any such commitment is closely related to the definition of a fair society as a society promoting a complex equality (Walzer, 1983) among citizens: it implies the assessment of the capability owned by anybody in a given community to be recognized in one or another sphere of his life, and this recognition is facilitated by the active and autonomous involvement in a social network. This perspective implies that measures be taken to avoid the pre-emption of a few over certain functions and their domination on different domains of social life, for example, when

the richest are also the ones who lead the political game, control the access to the best education for their children, etc. This commitment to different networks in a pluralist society can be measured by several indicators: political vote, participation of the worse off in the decision-making process at a local level, voluntary commitment to a group or association within the community, and the nature and objective of the decided project. This second aspect of relational capability can be applied to the study of the active commitment of a company as a moral person within society (French, 1979) and/or of its members with various stakeholders.

The third component of relational capability concerns the feelings for the others in an interpersonal relation, namely, developing friendship and love. Human growth is favored by the quality of love a human being receives and gives. This love may be more or less exclusive; it implies the relation between two free persons in the above-defined sense. Love is the highest expression of human freedom as autonomy and interdependence. Thus, we can measure this by different indicators: by whom a person feels he/she is loved, the number of close friends, the number and the nature of the persons to whom he/she could turn in case of difficulties (financial, professional, etc.). The quality of interpersonal relationships within a company and the respect for the private life of its members are also of interest when assessing this dimension of relational capability. This can also be related to the importance given to human capital and to the human quality of the leaders within a corporation (George, 2003).

The fourth component of relational capability consists in seeing value in goals of another person, by considering him/her as an end: this attitude consists in extending the special care one might have for an individual – through friendship and love – to any interpersonal relation, either direct or mediated by institutions. This is exactly what Paul Ricœur calls the logic of overabundance, concerning the implementation of the biblical Golden Rule in social networks (Ricœur, 1990). The negative definition of the Golden Rule (“Do not do to others what you do not want them to do to you”) is close to a minimal and negative ethical principle (“do no harm”) and expresses a logic of equivalence. But the Golden Rule in its positive side (“do unto others as you would have them do unto you”) has a broader

meaning: it is an invitation to contribute actively to the other’s good without any reciprocity. It opens the door to an excess: give according to your measure without expecting an equivalent gift in return. This attitude involves face-to-face encounters but it may also be integrated in social, economic, and political institutions: it enables the respect for the uniqueness of every person and expresses the objective of a social organization serving the dignity of each of its members. We can measure this component by the level of gifts given or received, by the time and energy freely given to community projects, and by the level of trust in a given community. This component may also be used to assess the quality of the relations between groups within a society and between societies. This, of course, points to the philanthropic actions engaged by a corporation within society; however, from a moral perspective it has to be linked with a consideration of justice principles (Bird and Velasquez, 2006; Bowie and Werhane, 2005; Freeman, 2001); otherwise, charity could just be a way of avoiding serious reflection on the duties corporations must fulfill in terms of implementing their societal responsibility toward various stakeholders (Renouard, 2007).

This relational capability brings together several dimensions necessary for a flourishing human life in the list of central capabilities given by Martha Nussbaum (Nussbaum, 2000), and among them, emotions and affiliation. Emotions and affiliation are defined as follows:

*Emotions:* “Being able to have attachments to things and people outside ourselves; to love those who love and care for us, to grieve at their absence; in general, to love, to grieve, to experience longing, gratitude, and justified anger. Not having one’s emotional development blighted by overwhelming fear and anxiety, or by traumatic events of abuse or neglect. (Supporting this capability means supporting forms of human association that can be shown to be crucial in their development.)”

*Affiliation:* “Being able to live with and toward others, to recognize and show concern for other human beings, to engage in various forms of social interaction; to be able to imagine the situation of another and to have compassion for that situation; to have the capability for both justice

and friendship. (Protecting this capability means protecting institutions that constitute and nourish such forms of affiliation, and also protecting the freedom of assembly and political speech.)”

Two ideas advocated by Martha Nussbaum are of major importance regarding relational capability: her invitation to focus public policy on the capabilities of individuals and not on their functionings: this is not about dictating to the members of a society their modes of socialization and affiliation, to make sure that they can choose to enter into relationships and to make free choices within their political community. Moreover, the insistence placed on affiliation allows us to bring together attention to others in terms of *care* with the political conditions of a struggle against exclusion in terms of social justice (Nussbaum, 2002, p. 134).

The present definition of relational capability complements Martha Nussbaum in three different ways.

First, the priority is given to this relational capability as being the core of a truly human life: in this sense, the priority given by Sen to the notion of freedom is favored; but this freedom is understood differently, as autonomy and interdependence, in accordance with Martha Nussbaum when she stresses the fact that the capability approach for all implies limiting certain freedoms in order to diminish inequalities (Nussbaum, 2003, p. 44).

Second, the personal dimension (the immediate relationship to others as fellow human beings) is linked with the political dimension (the mediated relationship to others as “socio” through institutions). On the one hand, any human being is immediately embedded in a culture, in a political society. His relation to others is influenced by the ethos, the system of norms and values, and the form of the social bond in this particular society. On the other hand, the interpersonal relations may contribute to transforming political relations through the diffusion of the logic of overabundance inside the collective rules.

Third, this capability is considered within a group (bonding) and between groups (bridging). The first level deals with social inclusion and with the implementation of a complex equality between citizens of the same political community – or of the same company. The second level entails the

consideration of the relational capability when applied to relations between different citizens or groups from different communities or states and between groups, between communities or between states, particularly in economic matters concerning distributive justice challenges.

#### *Relational capability as a tool for promoting corporate social responsibility*

We have just seen how the capabilities approach, based on relational anthropology, provides the criteria of judgment for personal or collective action: it concerns seeing in which measure the foreseen action or project contributes to increasing the relational capability between persons and groups more or less directly concerned by them. In this perspective, which makes the improvement of relational capability the essential vector of human development, the economic structures should be considered according to this criterion. Applied to the social responsibility of the company, it allows us to ask if and how the measures taken by the company contribute to improving – or not – the relational capability of individuals and groups, the quality of social relations in the company and between the company and its stakeholders. Utility maximization often understood, in the classic utilitarian perspective, by the optimization of profit for the shareholders, is complemented by the research of the maximization of people’s relational utility, which brings up the issue of fair sharing of the value created by the company in order to increase the relational capability of the stakeholders – or, at least, to not harm the quality of social relations in and around the company.

Take the example of the societal activity of multinational extractive companies in extremely poor areas such as Nigeria. These companies are characterized by the significant impact they have on their natural and human environment. Very often, the actions taken in the villages close to the production sites have encouraged dependence and corruption. Not only are the multinational corporations operating in the developing world ill-equipped to tackle development issues (Blowfield and Frynas, 2005; Frynas, 2008) – because of the past confusion between philanthropy and real contribution to local



development, and because of their lack of internalization of negative externalities within their core business activities (Bird and Herman, 2004) – but they also have to deal with local governance problems and weak or failed states. Thus, most of the recent attempts by oil companies to set up partnerships with NGOs and development agencies to fight against poverty in the Niger Delta result in failure and a deterioration of the social environment (Idemudia, 2009). Nevertheless, some projects are creating hope, as they are based on personal and collective *empowerment*, on an understanding of the measure of the contribution of the oil activity to development with the goal of preserving and improving the relational quality between persons and between groups, and not simply with the goal of improving living conditions in the villages.

To support this perspective, I draw on the research conducted in Nigeria since 2004 (Renouard, 2007) and, in particular, on the results of an in-depth study that I carried out in 2008, with 2000 people in two areas: Onelga, an *onshore* oil production area – run by the French company Total and by the Italian company Agip – in the State of Rivers; and Eastern Obolo, in the State of Akwa Ibom, a coastal area in which Shell has extracted oil since the end of the 1990s, and which is one of the communities affected by the *offshore* activity of Total. Like the other oil companies operating offshore, due to a 2002 regulation, Total must contribute to the development of areas that suffered collateral damages linked to oil extraction (especially pollution). Total's societal action is direct in the *onshore* production area and indirect in the coastal area: in this latter area, it is led by Pro-Natura, a Franco-Brazilian NGO in Nigeria which started a participative development project in Akassa, in the state of Bayelsa, in 1996 (Maier, 2001). Based on the same model, two local development foundations were created by Pro-Natura in two coastal *local Governments*, including Eastern Obolo.

The social-political context of the Niger Delta is characterized by great insecurity, largely provoked by the oil “manna”: an increase in the number of acts of sabotage and attacks on the *onshore* oil production sites by armed groups like Mend (*Movement for the Emancipation of the Niger Delta*), a high level of crime, an upsurge of *borderline* social practices such as cultism and prostitution involving young people, a low quality of education set against a backdrop of uncontrolled

demographic growth, a strengthening of inter-clan and interreligious tensions and an absence of national unity and civic virtues. The combination of “strategic” nationalism – oriented toward profit – and liberal modernization, without ethos apart from favoritism, has contributed to toughening the ethnic identities and “retribalizing” Nigerian citizens.

In order to identify the social responsibilities of the oil companies, the in-depth analysis of the situation in the *local governments* of Onelga and Eastern Obolo is instructive. It highlights the different models of relations between oil companies, NGOs, government institutions, local communities and different types of partnerships aiming at local development. The research carried out in 2008 was completed by qualitative interviews conducted in 2009 in the two areas. Regarding the statistical work in the study, after having proposed a first version of an index of *relational capability at the individual level* (based on components detailed *supra*), we have also developed an index which allows measuring the collective *empowerment*, the relational capability within a village – the density and the *quality of the relations in the village and between villages*. In addition, we have established an index of escaping poverty, based on the model of Mohammed Yunus<sup>5</sup> – in the context of Bangladesh – and adapted it to the Nigerian context, which allows us to confirm the interest of measuring the development in relational terms and not only in terms of material living conditions.<sup>6</sup>

All of our work is based on an analysis in terms of “relational capability,” aiming to measure the development of an area in terms of empowerment of populations: according to this approach, a community is all the more “developed” if its members have more opportunity to enter into relations of trust, integrate into networks, get involved in community projects, and worry about the future of their community. One of the major conclusions reached in our analysis of the qualitative and quantitative inquiries is that *one of the explanatory factors of the increase of violence in the areas where the oil companies are established (in our research, Onelga) is linked to the reduction of the relational capability of the populations who live there*. This reduction is the result of the increase of inequalities in these areas as well as between these areas and those which aren't directly affected by the oil activities – inequalities perfectly compatible with the improvement of the average standard of living in the oil regions.

This is where the approach in terms of relational capability is interesting, where the more traditional indices (such as the human development index – HDI – or the index of “escaping poverty” of Yunus and Weber, 2008) are limited to pointing out that the populations living in the oil regions enjoy better living conditions. But how are we to understand this undeniable increase in the average well-being of populations living in the oil areas compared with the level of violence in the Niger Delta? By proposing a criterion which considers both the autonomy of people and their interdependence, relational capability makes the *relational inequalities* emerge as one of the major explanatory factors of the degradation of the social environment. Finally, these inequalities themselves are, to a large extent, the product of a reorganization of the networks of socialization within the populations concerned due to the abuse of wealth and power by the *leaders* placed in positions of “*benefit captors*.” As far as CSR is concerned, a key challenge for oil companies is to find ways of promoting the increase of people’s relational capabilities. The problem is primarily not one of knowing whether the company has to spend more money on societal issues, even if distributive justice questions have to be raised (Bird, 2006); it is to change the mindset, both within the company and within local communities, in order to favor another type of relationship between the company and the communities and among the communities. This change of mindset involves the promotion of moral imagination – the ability to conceive of other new possibilities in a given situation – (Werhane, 1999) and ethical leadership (Bowie and Werhane, 2005). It also points to a new way of promoting cooperation among stakeholders and even among competitors, in order to give rise to a new economic order based on empathy (Rifkin, 2009). This may become all the more possible if development in a given society is understood as the increase of relational capabilities and not of material well-being (when a certain threshold is achieved).

## Concluding remarks

Connected in this way to relational anthropology, the capabilities approach makes questioning possible within companies about the criteria of a positive contribution to development. It doesn’t make the

company a development agency or a substitute for government institutions, but is in line with the goal of liberal societies which are fairer and better organized (Smucker, 2006). It reinforces the idea that economic development is an auxiliary to social development: the social responsibility of the company, in this perspective, is not a marginal aspect but results from the *core business* of the economic actors. From the moment that the increase of the relational capability is understood as the essential criteria of development, CSR will be carried out all the more if it favors the relational quality of people and groups in the company and between the company and its environment.

Aspects of this thesis will require more details, especially concerning the difficulties that arise from the reality of the unequal relations between stakeholders and, in general, the balances of power (Reed and Reed, 2009). It is also necessary to satisfy possible conflicts between competing conceptions of the good and between different assets – social, cultural, environmental, etc. – for companies to promote in an area and/or at the planetary level. From this viewpoint, our reflection, which is based partly on the thought of John Stuart Mill and Martha Nussbaum, aligns itself (by applying them to the economic field) with contemporary debates – rarely mentioned by the theorists of the capabilities approach – between liberal and communitarian philosophers about the construction of personal and collective identities and relations between what is fair and good in liberal societies. By defending a dynamic conception of the construction of personal and collective identities and by stressing the social and political conditions of the expression of these identities, the position adopted in this article could initiate a dialog with both Charles Taylor’s civic humanism (1985) and Michael Walzer’s communitarian or social liberalism (1991), which try to get past the opposition between liberal atomism and communitarian collectivism: the construction of a just society goes with the recognition of shared values among its members, and particularly of freedom as a “common good” (Honneth, 1992). This article provides the primary elements for establishing the criteria of economic organizations and CSR consistent with these ethical and political values centered on relational capabilities, i.e., the quality of social bonds within a society. We have stressed that this perspective is consistent with the utilitarianism

of John Stuart Mill: this means that there is a possible social critique from within liberal societies, replacing the maximization of the individual material utility by the maximization of the relational-social capability. The defense of the relational capability of all citizens and the improvement of the quality of human relations in a society can't be ensured without corrective measures applied to economic institutions and organizations in order to promote the fight against unfair inequalities (Deneulin et al., 2006), and especially against relational inequalities linked to structures of oppression or exclusion.

## Notes

<sup>1</sup> This point has been further illustrated by Harsanyi (1953).

<sup>2</sup> E.g., Locke (1679) and Rousseau (1762).

<sup>3</sup> Of course, altruism has already been formalized within a neo-classical framework (cf. Becker, 1974). Thus, our shift of viewpoint goes deeper than simply adding altruism into people's behavior. Altruism remains, however, one of the key aspects of our approach.

<sup>4</sup> See Giraud and Renouard (2009).

<sup>5</sup> The following criteria are given by Yunus and Weber (2008) in order to appreciate the efficiency of programs fighting against poverty:

a tin-roofed house (or a value equivalent to \$370),  
access to drinking water,  
clean toilets,  
grammar school education,  
three complete meals per day,  
sufficient clothes and protection (mosquito nets),  
possibility of having medical expenses taken care of in the case of illness,  
a savings account with at least \$75, and  
sources of additional income possible in case of difficulty.

<sup>6</sup> For a detailed presentation of this study, see Giraud and Renouard (2010).

## Acknowledgments

I am grateful to Gaël Giraud and Gerhard Schmetzer for helpful comments.

## References

- Alkire, S.: 2002, *Valuing Freedoms. Sen's Capability Approach and Poverty Reduction* (Oxford University Press, Oxford).
- Becker, G. S.: 1974, 'A Theory of Social Interactions', *Journal of Political Economy* **82**, 1063–1093.
- Bellah, R.: 2007, 'Ethical Politics: Reality or Illusion?', *Daedalus* **136**, 59–69.
- Bentham, J.: 1815/1983, *A Table of the Springs of Action* (Oxford University Press, Oxford).
- Bertland, A.: 2009, 'Virtue Ethics in Business and the Capabilities Approach', *Journal of Business Ethics* **84**, 25–32.
- Bird, F.: 2006, 'Justice in International Businesses', in F. Bird and M. Velasquez (eds.), *Just Business Practices in a Diverse and Developing World* (Palgrave MacMillan, London), pp. 37–69.
- Bird, F. and S. Herman (eds.): 2004, *International Businesses and the Challenges of Poverty in the Developing World* (Palgrave MacMillan, London).
- Bird, F. and M. Velasquez (eds.): 2006, *Just Business Practices in a Diverse and Developing World* (Palgrave MacMillan, London).
- Blowfield, M. and J. G. Frynas: 2005, 'Setting New Agendas: Critical Perspectives on Corporate Social Responsibility in the Developing World', *International Affairs* **81**, 499–513.
- Boltanski, L. and E. Chiapello: 1999/2005, *The New Spirit of Capitalism*, trans. Gregory Elliott (Verso, London).
- Bowie, N. E.: 1998, 'A Kantian Theory of Meaningful Work', *Journal of Business Ethics* **17**, 1083–1092.
- Bowie, N. E.: 1999, *Business Ethics: A Kantian Perspective* (Blackwell, Malden, MA).
- Bowie, N. E. and P. H. Werhane: 2005, *Management Ethics* (Blackwell, Malden, MA).
- Carroll, A. B.: 1991, 'The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders', *Business Horizons* July–August, 39–48.
- Carroll, A. B.: 1998, 'The Four Faces of Corporate Citizenship', *Business and Society Review* **100**(101), 1–7.
- Coleman, J. S.: 1988, 'Social Capital in the Creation of Human Capital', *The American Journal of Sociology* **94**, 95–120.
- Deneulin, S., M. Nebel and N. Sagovsky (eds.): 2006, *Transforming Unjust Structures. The Capability Approach* (Springer, Dordrecht).
- Donaldson, T. and L. E. Preston: 1995, 'The Stakeholder Theory of the Corporation: Concepts, Evidence and Implications', *Academy of Management Review* **20**, 65–91.

- Foster, J. E. and C. Handy: 2008, 'External Capabilities', Arguments for a Better World: Arguments in Honor of Amartya Sen, Oxford Scholarship Online Monographs, pp. 362–375.
- Freeman, R. E.: 2001, 'A Stakeholder Theory of the Modern Corporation', in T. L. Beauchamp and N. E. Bowie (eds.), *Ethical Theory and Business*, 7th Edition (Prentice Hall, Upper Saddle River, NJ), pp. 55–65.
- French, P.: 1979, 'The Corporation as a Moral Person', *American Philosophical Quarterly* **16**, 207–215.
- Friedman, M.: 1970, 'The Social Responsibility of Business is to Increase Its Profits', *New York Times*, Sept 13, 122–126.
- Frynas, J. G.: 2008, 'Corporate Social Responsibility and International Development: Critical Assessment', *Corporate Governance* **16**, 274–281.
- George, W. W.: 2003, *Authentic Leadership: Rediscovering the Secrets to Creating Lasting Value* (Jossey-Bass, San Francisco).
- Giraud, G. and C. Renouard: 2009, 'Relational Capability: An Indicator of Collective Empowerment', ESSEC Working Paper, DR-09012, Dec 2009.
- Giraud, G. and C. Renouard: 2010, 'Mesurer la contribution des entreprises extractives au développement local: le cas des pétroliers au Nigeria', Mimeo.
- Harsanyi, J.: 1953, 'Why Ethical Measures of Inequality Need Interpersonal Comparisons', *Theory and Decision* **7**, 263–274.
- Herd, T. D. and S. Deneulin: 2007, "'Guest Editors" Introduction', *Journal of Human Development* **8**, 179–184.
- Honneth, A.: 1992, "Les limites du libéralisme. De l'éthique politique aux États-Unis aujourd'hui", *Rue Descartes*, *Collège International de Philosophie* **5–6**, 145–157.
- Husted, B. W. and J. de Jesus Salazar: 2006, 'Taking Friedman Seriously: Maximizing Profits and Social Performance', *Journal of Management Studies* **43**, 75–91.
- Ibrahim, S.: 2006, 'From Individual to Collective Capabilities: The Capability Approach as a Conceptual Framework for Self-Help', *Journal of Human Development* **7**, 397–416.
- Idemudia, U.: 2009, 'Oil Extraction and Poverty Reduction in the Niger Delta: A Critical Examination of Partnership Initiatives', *Journal of Business Ethics* **90**, 91–116.
- Jensen, M.: 2002, 'Value Maximization, Stakeholder Theory, and the Corporate Objective Function', *Business Ethics Quarterly* **12**, 235–256.
- Jones, T. M.: 1995, 'Instrumental Stakeholder Theory: A Synthesis of Ethics and Economics', *Academy of Management Review* **20**, 404–437.
- Kant, I.: 1785/1993, *Grounding for the Metaphysics of Morals*, 3rd Edition, trans. James W. Ellington (Hackett, Indianapolis, Indiana).
- Locke, J.: 1679/1960, *Two Treatises of Government* (Cambridge University Press, Cambridge).
- Longshore Smith, M. and C. Seward: 2009, 'The Relational Ontology of Amartya Sen's Capability Approach: Incorporating Social and Individual Causes', *Journal of Human Development* **10**, 213–235.
- Maier, K.: 2001, *This House has Fallen. Nigeria in Crisis* (Penguin, London).
- Mandeville, B.: 1714, *The Fable of the Bees. Or Private Vices, Public Benefits* (Penguin Books, New York).
- Margolis, J. D. and J. D. Walsh: 2003, 'Misery Loves Companies: Rethinking Social Initiatives by Business', *Administrative Science Quarterly* **48**, 268–305.
- McWilliams, A., D. Siegel and P. M. Wright: 2006, "'Guest Editors" Introduction, Corporate Social Responsibilities: Strategic Implications', *Journal of Management Studies* **43**, 1–18.
- Mellahi, K. and G. Wood: 2003, 'The Role and Potential of Stakeholders in "Hollow Participation"', *Business & Society Review* **108**, 183–202.
- Mertens, J.-F. and A. Dhillon: 1999, 'Relative Utilitarianism', *Econometrica* **67**(3), 471–498.
- Mill, J. S.: 1838/1963–1979, *Bentham, in Collected Works, X, Essays on Ethics, Religion and Society* (University of Toronto Press/Routledge, Toronto/London), pp. 75–115.
- Mill, J. S.: 1861/1992, *Utilitarianism* (Everyman Library, London).
- Moon, J., A. Crane and D. Siegel: 2003, 'Can Corporations Be Citizens? Corporate Citizenship as a Metaphor for Business Participation in Society', 2nd Edition, no. 13-2003 ICCSR Research Paper Series, Nottingham, International Centre for Corporate Social Responsibility, Nottingham University Business School.
- Nussbaum, M.: 2000, *Women and Human Development. The Capabilities Approach* (Cambridge University Press, Cambridge).
- Nussbaum, M. C.: 2002, 'Capabilities and Social Justice', *International Studies Review* **4**, 123–135.
- Nussbaum, M. C.: 2003, 'Capabilities as Fundamental Entitlements: Sen and Social Justice', *Feminist Economics* **9**, 33–59.
- Rawls, J.: 1971, *A Theory of Justice* (Harvard University Press, Cambridge).
- Reed, A. M. and D. Reed: 2004, 'Corporate Social Responsibility and Development: Towards a New Agenda and Beyond', International Secretariat for Human Development and Democratic Governance, York University, [www.yorku.ca/hdrnet/images/uploaded/DVLPMT-Mukh\\_Reed.pdf](http://www.yorku.ca/hdrnet/images/uploaded/DVLPMT-Mukh_Reed.pdf).

CSR, Utilitarianism, and the Capabilities Approach

- Reed, A. M. and D. Reed: 2009, 'Partnerships for Development: Four Models of Business Involvement', *Journal of Business Ethics* **90**, 3–37.
- Renouard, C.: 2007, *La Responsabilité éthique des multinationales* (PUF, Paris).
- Ricœur, P.: 1990, *Oneself as Another*, trans. Kathleen Blamey (Paperback, 1992).
- Rifkin, J.: 2009, *The Age of Empathy* (Penguin Books, New York).
- Robeyns, I.: 2005, 'The Capability Approach: A Theoretical Survey', *Journal of Human Development* **6**, 93–114.
- Rousseau, J.-J.: 1762/1987, 'The Social Contract', in *Basic Political Writings* (Hackett, Indianapolis, IN).
- Sen, A.: 1990, 'Individual Freedom as a Social Commitment', *New York Review of Books* **37**(10), 49–54.
- Sen, A.: 1999, *Development as Freedom* (Knopf, New York).
- Sen, A.: 2004, 'Elements of a Theory of Human Rights', *Philosophy & Public Affairs* **32**, 315–356.
- Smucker, J.: 2006, 'Pursuing Corporate Social Responsibility in Changing Institutional Fields', in F. Bird and M. Velasquez (eds.), *Just Business Practices in a Diverse and Developing World* (Palgrave MacMillan, London).
- Taylor, C.: 1985, *Philosophy and the Human Sciences, Philosophical Papers 2* (Cambridge University Press, Cambridge).
- Velasquez, M.: 2006, 'Natural Law in International Business Ethics', in F. Bird and M. Velasquez (eds.), *Just Business Practices in a Diverse and Developing World* (Palgrave MacMillan, London).
- Vogel, D.: 2005, *The Market for Virtue: The Potential and Limits of Corporate Social Responsibility* (Brookings Institution Press, Washington, DC).
- Walzer, M.: 1983, *Spheres of Justice. A Defence of Pluralism and Equality* (Basic Books, New York).
- Walzer, M.: 1991, 'The Idea of Civil Society', *Dissent* **38**(2), 293–304.
- Werhane, P. H.: 1999, *Moral Imagination and Management Decision-Making* (Oxford University Press, New York).
- Windsor, D.: 2006, 'Corporate Social Responsibility: Three Key Approaches', *Journal of Management Studies* **43**, 93–114.
- Yunus, M. and K. Weber: 2008, *A World Without Poverty. Social Business and the Future of Capitalism* (Public Affairs, New York).

ESSEC Business School,  
95021 Cergy-Pontoise Cedex, France  
E-mail: renouard@essec.fr