Carroll's Pyramid of CSR

Idea In Short

Treat profit as the foundation, not the enemy, of social responsibility, since a firm that cannot sustain itself economically cannot meet any of its other obligations. Obey the law as a baseline, then look past it: ethical responsibility means doing what is right even where no statute requires it. Reserve philanthropy for last, since it is the most discretionary of the four layers, not the most important.

A pyramid for a messy concept

Corporate social responsibility is now routine practice: more than 95 percent of S&P 500 companies publish an annual CSR report. It also has real commercial weight, since 70 percent of Americans consider it somewhat or very important that companies work to improve the world, compared with only 37 percent who see profit as a company's most important goal.

The trouble is that CSR is a notoriously slippery term. It overlaps with environmental, social and governance criteria, sustainability, corporate citizenship and the triple bottom line, and a 2006 review of the academic literature catalogued 37 distinct definitions of CSR without even capturing all of them. Archie Carroll's Pyramid, first published in 1991, cut through that ambiguity with a single, durable definition: corporate social responsibility is the economic, legal, ethical and discretionary, or philanthropic, expectations society holds for organizations at a given point in time. Its popularity rests on its simplicity and the clear structure it gives firms trying to meet all four kinds of demand at once.

Where the idea came from

CSR as a modern concept dates back to 1953, when economist Howard Bowen questioned businesses' obligations to society in his book Social Responsibilities of the Businessman.1 Early definitions in the 1960s were broad and vague, describing little more than an obligation

to weigh a company's impact on society alongside its own interests.

The idea sharpened considerably in the early 1970s, when the United States created the Environmental Protection Agency, the Equal Employment Opportunity Commission, the Occupational Safety and Health Administration and the Consumer Product Safety Commission. These agencies formally recognized the environment, employees and consumers as legitimate stakeholders, forcing corporate leaders to balance their duties to shareholders against a widening circle of legal and ethical obligations to everyone else. Even so, CSR remained a patchwork of competing definitions, and it had prominent critics: Theodore Levitt warned of the dangers of social responsibility in a 1958 Harvard Business Review article, and Milton Friedman argued flatly that social issues were not the businessperson's concern.

Archie Carroll cut through this fragmented landscape in 1991 by distilling CSR into a single pyramid diagram, and it has remained the most widely cited definition of corporate social responsibility ever since.

The four layers of the pyramid

Carroll's Pyramid stacks four responsibilities on top of each other, each one a precondition for the next. Economic performance forms the base, because a business is, before anything else, an economic entity built to provide goods and services while generating profit. Legal responsibility sits just above it, reflecting society's expectation that firms pursue profit within the boundaries the law sets. Ethical responsibility comes next: the obligation to do what is right, just and fair, and to avoid or minimize harm to stakeholders, even where no law compels it. Philanthropic responsibility caps the pyramid, capturing society's expectation that firms act as good corporate citizens by contributing resources back to the community.

Economic responsibility

Economic responsibility is the pyramid's foundation, because businesses exist, first and foremost, as economic entities meant to supply goods and services that meet consumer needs while turning a satisfactory profit. In many firms today, that original mandate has hardened into an ongoing pursuit of maximized profit, treated as a core and enduring value in its own right. Every other layer of the pyramid depends on this one: without a viable economic foundation, legal, ethical and philanthropic responsibilities all become moot, since

a company that cannot sustain itself cannot act on any of them.

Legal responsibility

Legal responsibility forms the second layer, standing alongside economic responsibility as one of the two foundational pillars of the free enterprise system. It reflects an implicit social contract in which businesses agree to pursue their economic goals within a legal framework that encodes society's basic sense of fairness. In practice, this means operating not just for profit but in compliance with the regulations set by federal, state and local governments.

Ethical responsibility

Ethical responsibility covers the practices society expects, or prohibits, even when no law requires or forbids them. These are standards drawn from what consumers, employees, shareholders and the wider community consider fair, just or respectful of stakeholders' moral rights. Ethical expectations often move first and pull law along behind them; rising public concern about pollution in the 1970s, for instance, drove the creation of the Environmental Protection Agency and legislation such as the Clean Air Act, well before those concerns were codified into statute.

Real cases illustrate both ends of the ethical spectrum. When seven people died in Chicago in 1982 after consuming cyanide-laced Tylenol capsules, Johnson & Johnson recalled 31 million bottles nationwide without waiting to be compelled, and replaced the product with a safer tablet form at no cost.2 Starbucks has built ethical sourcing directly into its supply chain, tying its own success to that of the farmers and suppliers it depends on through loans, training and disease-resistant tree stock. Boeing's handling of the 737 Max 8 shows the opposite pattern: despite known software flaws that compromised pilot control, and after the Lion Air crash that killed 189 people, the company continued to insist the aircraft was airworthy, a position it held until the Ethiopian Airlines crash that followed took 157 more lives. All three companies operated within the letter of the law, yet their outcomes differed sharply, which is precisely the point: legal compliance alone does not guarantee ethical conduct. Ethical responsibility sits in constant, dynamic tension with legal responsibility, continually pushing the boundaries of what the law requires and raising the bar on what businesspeople are expected to do beyond it.

Philanthropic responsibility

Philanthropic responsibility covers a firm's voluntary contributions to human welfare and community wellbeing. What separates it from ethical responsibility is that society does not consider its absence unethical; communities want firms to donate money, facilities and employee time to good causes, but a firm that declines to do so has not violated any moral expectation. In 2022, Patagonia's founder Yvon Chouinard donated his family's roughly three-billion-dollar company and all its future profits to environmental causes, and in the years since, tens of millions of dollars in earnings have funded wildlife restoration, dam removal and pro-democracy organizations. Philanthropy is genuinely valued, but Carroll ranks it as the least important of the four layers precisely because it is the most discretionary: it is the icing on the pyramid, not one of its structural layers.

The pyramid as a whole, not a hierarchy of conflicts

Carroll's four components are not meant to be juxtaposed against each other, as if profit and social good were locked in permanent conflict. The most consequential tensions in practice tend to arise between economic goals and legal, ethical or philanthropic demands, but framing that tension as a simple fight between "concern for profit" and "concern for society" oversimplifies what is actually happening. A firm using the CSR pyramid well recognizes these tensions as a normal part of organizational life while still treating the pyramid as one integrated whole when making decisions. In short, a socially responsible firm tries to be profitable, obey the law, act ethically and contribute as a good corporate citizen, all at once, rather than trading one obligation off against another.

Using the pyramid to prioritize stakeholders

Stakeholders are any groups or individuals with a legitimate stake, claim or interest in a firm's decisions, whether that claim is legal, such as an employee's or customer's contractual right, or moral, such as a right to fair treatment. With shareholders, consumers, employees, suppliers, communities and advocacy groups all competing for attention, a firm needs some basis for deciding whose claims matter most in a given decision.

Carroll identifies legitimacy and power as the two criteria that matter here. Legitimacy is how justifiable a stakeholder group's claim actually is; employees advocating for safer working conditions, for example, have strong legitimacy because their claim touches directly on a fundamental right to health and safety. Power is how much influence a stakeholder group can actually exert on the firm, and it varies widely: an individual shareholder typically has

negligible influence alone, while an institutional investor or large fund can exert substantial pressure. From a CSR standpoint, legitimacy should carry the most weight, even though power is often what actually shapes managerial attention in practice.

The stakeholder responsibility matrix, built directly on the CSR pyramid, gives managers a structured way to work through this. It maps each stakeholder group against the firm's economic, legal, ethical and philanthropic responsibilities, letting managers build a systematic view of what the firm owes each group and use that view to set both long-term and short-term priorities.

Ethical responsibility in practice: three types of managers

Carroll further explores the ethical layer of the pyramid by describing three archetypes of management behavior: immoral, amoral and moral management, distinguished by their ethical norms, motives, goals, orientation toward the law and overall strategy.

Immoral management actively opposes what is right. Decisions are openly discordant with accepted ethical principles, motives are purely selfish, and the only goal is organizational success regardless of cost. Legal standards are treated as obstacles to route around rather than obligations to honor, and the underlying strategy is to exploit whatever opportunities serve corporate gain, cutting corners wherever convenient. Exxon's decades-long effort to downplay its own role in the climate crisis, while selling a product it knew was dangerous and later shifting blame onto consumers once the dangers became undeniable, exemplifies this pattern.

Amoral management is neither actively immoral nor genuinely moral; it simply lacks ethical awareness. These managers are often well-intentioned but fail to register that their decisions can harm the people they do business with. Their compass is the letter of the law rather than any broader ethical standard, and their central question tends to be limited to what is legally permissible. Amoral behavior can be unintentional, born from the belief that ethics belongs to private life and has no place in business, or intentional, a conscious choice to disregard ethical considerations altogether. Uber's early treatment of drivers illustrates this pattern: classifying them as independent contractors let the company avoid paying benefits and keep costs down, and in the absence of the ability to mandate specific hours or locations, the company reportedly used psychological nudges to steer drivers toward working longer, including in less profitable conditions.

Moral management holds itself to a high standard of ethical conduct as a matter of course. These managers want to succeed, but only within the bounds of fairness, justice and due process, and they treat the law as a floor rather than a target, preferring to exceed it in both letter and spirit. When ethical dilemmas surface, moral managers tend to step into a leadership role rather than waiting to be told what is required. Starbucks demonstrated this in 2018, closing more than 8,000 U.S. stores for an afternoon to conduct racial bias training for 175,000 employees, at a cost of roughly 12 million dollars, after two Black men were arrested at a Philadelphia location for waiting to use the restroom without having made a purchase.

Carroll, drawing on studies of management behavior and years of teaching ethics in executive programs, argued that most managers fall into the immoral or amoral categories rather than the moral one, meaning most do not think meaningfully beyond their own or their organization's immediate interest. He did not attach exact percentages to this claim, and it can read as discouraging, but there is a silver lining: a large share of that group is amoral rather than immoral, meaning the core problem is often a lack of awareness rather than active malice, which leaves real room for improvement.

Building the ethical judgment moral management requires

Carroll argued that managers need a genuine paradigm shift, away from viewing the firm as a purely economic or legal entity and toward recognizing it as an organization with a broader set of responsibilities, chief among them ethical responsibility. He identified six capacities managers need to make sound moral judgments.

Moral imagination is the ability to see that a web of competing economic relationships is simultaneously a web of moral relationships. Moral identification and ordering is the skill of recognizing which moral factors are actually relevant to a decision and ranking them the way one would rank economic or technical considerations. Moral evaluation is the discipline of weighing those factors carefully once identified, understanding clear ethical principles well enough to judge a decision's economic and moral implications together. Tolerance of moral disagreement and ambiguity is the willingness to accept that ethical discussions rarely resolve neatly and that disagreement is a normal part of the process, not a sign that something has gone wrong. Integration of managerial and moral competence means recognizing that ethical questions are not a separate category from ordinary business decisions but woven directly into them. A sense of moral obligation, finally, is the intuitive

and learned understanding that fairness, justice and due process toward people and communities are part of what holds the entire managerial system together, not an optional add-on to it.

- 1Social Responsibilities Of The Businessman, Howard R. Bowen
- 2The Tylenol Murders, FBI

Summary

Carroll's Pyramid holds economic, legal, ethical and philanthropic responsibility together as one whole. A firm that excels at one layer while ignoring another has not fulfilled its social responsibility, only a fraction of it.