Reflexions on the Debate on Corporate Social Responsibility

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Abstract

In the last 30 years a dramatic increase in the development both of business ethic quite generally, and business corporate responsibility in particular has been observed. Ethical concerns are now integral to business decisions. The importance of accountability, the need particularly for large corporations to be answerable to all stakeholders, is increasing. To do so, corporations are normally expected to be pursuing different types of objectives, social and psychological, political and economical. But, there is still an opposition to the so-called multiple stakeholders' corporate governance system, based on which could be developed a pro-active attitude vis-à-vis social responsibility. Moreover, even if the case of a basic recognition of the importance of business social responsibility, there is a lack of general agreement as to what the rules of conduct should be both for companies and for non-governmental organization, and, subsequently, how and by whom they should be implemented and monitored.

The Basis of the Debate

The questioning of the roles, expectations and obligations of corporations' activities became more and more publicized with the growth of foreign direct investments since the 1970s onwards and the globalization of the economy. Within the framework of a market-based economy, it may be asked whether it is still defensible to consider a private company as an entity whose sole objective is the maximization of shareholders' value. As advocated by Friedman (1984),. Sternberg (2000) and others, nothing more than the respect of the rules of honesty and decency can be requested from a business concern in the pursuit of its activities. However, in a world where companies have acquired an enormous weight and influence on the life of everybody, such a narrow point of view may be considered as too restrictive. It is in that line that a new generation of eco-economists and corporate social responsibility academicians have expanded the notion of stakeholder responsibility to include relationships with its primary stakeholders（employees, management, shareholders, banks/financiers）and secondary stakeholders（suppliers, customers, partners, financial community, competitors, government）, the local community and even the society at large（Jennings and Entine, 1998）.

It was said that the business system developed after the Second World War in Japan was a corporatist welfare system skillfully blending modern and long-established traditional concepts. Some of the checks and balances had been privatized and the large corporations undertook some of the functions that would be fulfilled by government in Europe and even in the United States（Dore, 2000）. Shareholders' participation in the decision-making process was restricted and none of the companies' activities ever had the single objective of maximizing their profit. Corporations generally focused on two objectives：first, to ensure long-term survival, stability, and growth for the sake of all stakeholders and, second, to provide opportunities for status achievement and income growth to the regular employees. The system integrated the stakeholders into exchange mechanisms that, in several respects, did not operate according to individual-utility maximization principles of the neo-classic pattern. It is for that reason that the Japanese system is often called a multiple stakeholders' system. However, in fact, to call it as such is probably a misnomer. Until recently most Japanese companies did not think of themselves as public entities responsible to the society at large. To expose their inner working to the outside world would have been considered as a disgrace to be avoided at all costs. Japanese companies developed as very self-contained entities, not isolated from the rest of the corporate world and society but with a clear idea of their boundaries structure and self-interest. To declare as a senior manager in a large Japanese company that："Forget about Return on Equity, I am only interested in our employees. If shareholders sell all their shares tomorrow, I do not care"（Dodds, 2001）, may have been beneficial（even this point may be disputable）for the regular employees of large companies but this often led to a lack of concern for the broader issues confronting a company in Japan and in the world, e. g, these related to the working conditions of the non-regular workers, the attitude vis-à-vis suppliers, the consumers' service and various environmental problems（Miyasaka, 2001）.

The position has slowly evolved over time with the growing exposure of Japanese economy to the world. The recent scandals involving Snow Brand, Nippon Ham, Mitsubishi Motors, Ajinomoto or Nintendo indicated the need for change toward a higher awareness of broader issues and the inadequacies（or absence）of Japanese companies' policy in this respect. The acknowledgment of a need for disclosure can be exemplified by the following statement made by the Corporate Governance Forum of Japan（1998）："The board of directors bears an important responsibility to coordinate the various interests of all the other stakeholders, while simultaneously representing the immediate interest of the shareholders. Therefore the directors should undertake wider disclosure of company information for the benefit of non-shareholder stakeholders". Nevertheless, on the whole Japanese companies are still very far away from an adequate level of consciousness of broad social and environmental issues, and farther away from adopting a pro-active attitude in this regard (Miyasaka, 2001).

In the West, especially in the Anglo-Saxon business world, in conformity with the neo-classic credo, it was widely considered that if the essence of business is maximizing owner value by selling goods and services, what constitutes ethical conduct depends critically on business definitive purpose. According to Milton Friedman, "the only entities who can have responsibilities are individuals....A business cannot have responsibilities. So, the question is, do corporate executives, provided they stay within the law, have responsibilities in their business activities other than to make as much money for their stockholders as possible? And my answer to that is, no, they do not" (Friedman, 1984). The same position has been clearly advocated by Sternberg (2000) when she defends the view that if a socially responsible act does not contribute to the business objectives, then companies should not perform it. It may be not only unfair to the shareholders but may also divert resources and attention from the need to conduct business ethically. Social responsibility must ensure in priority that all the business stakeholders are treated with distributive justice and ordinary decency. For her, the problem with the stakeholders' approach is that is could make of accountability something so diffuse and ambiguous as to be effectively absent or leading to endless confrontations.

The New Way toward A Triple Bottom Line Concept ?

The Japanese argument may seem sound if it is acknowledged that regular workers invest a lot of their talent and energy in the long-term success of their company, and should be rewarded accordingly in priority over the other stakeholders whose interest may be more transient. There is no doubt that Sternberg' arguments are also extremely valid and difficult to challenge if we remain in the framework of an instrumental concept of company suited to a neo-liberal way of thinking. Nevertheless, nowadays, the closed knit Japanese "community of fate" is proving too aloof from the broad social context that it becomes dysfunctional and its activities sometimes detrimental to the community at large. Conversely, the social obligation theory advocated by Sternberg, imposing a mere compliance to the letter of the laws and regulations to companies in their activities seems to put too much ethical weight on the concept of free trade and free-market. It is difficult to advocate that corporations are not responsible for the effects that they have on society and on different cultures. It can not be denied that many of them rationally expect to avoid paying a price in terms of lost efficiencies, negative publicity, regulatory compliance costs, for environmental cost cutting or bad employment practices. As a result, they are tempted to place shareholder financial interests over sustainable value creation (Entine, 2002).

In both cases of Japanese and Western companies, in a sense, such attitude and behaviour may be in contradiction with the objectives of their recent business policy. Indeed, it can be argued that the growing emphasis put by companies on their branding strategy, their constant appeal to the emotions and feelings of the consumers, their willingness to present a wholesome image to the world (even in the case of industrial goods or services not directly selling on retail markets) do not fit with a politics of mere compliance and decency in business activities or the narrow interest of a community of fate. In fact, it is the high profile policy they decide to adopt in society that is precisely instrumental to the changes in the company concept and perception that the public at large has of them and of their responsibilities.

This put companies willy-nilly on an admittedly uncertain new path where they will have to care about a so-called "triple bottom line", i. e., financial, environmental and social, requiring the same level of transparency, accountability and responsibility. This line of thinking can be exemplified for instance by the following statement made by the United Kingdom Department of Trade and Industry (2000) quoted by Dodds (2000): "Directors' accountability is not only for the benefit of shareholders but includes soft assets such as human resources; responsible forward looking long-term strategies; responsible fostering of relationships with stakeholders; objective modern standards of professionalism; and collective interests of both current and future shareholders". Of course, if such a statement looks nice on paper, paradoxically, in a corporate world obsessed by financial ratio, it can be questioned whether a company's approach matter in practice if all that shareholders care about is profit. It may be said that shareholders care about the company's reputation because profit in the future may well be linked to it. Reputation is a valuable asset that takes time to build up. So, companies are aware of the danger of damage. Conversely, they also know the opportunities that a successful enhancement of their reputation may bring forward. A well-publicized social responsibility policy may enhance the company's reputation and becomes a useful tool in the marketing mix. In this connection, the names of Body Shop or Ben & Jerry come immediately to the mind. Purposefully, they have developed a corporate policy in which the social responsibility aspect was a key element. There is nothing wrong about this if it corresponds to the genuine corporate philosophy they want to develop for internal and external purposes. Not only can it lead to success on the market but it can also help to create a fulfilling working environment that may lead to opportunity of recruitment of bright and dedicated human resources conducive, subsequently, to a better service to consumers and society.

The Need for Clear Rules and Guidelines

However, such policy has to be used with a lot of cautiousness. It goes without saying that corporations should not make claims for products, services and allegedly followed policies that are inaccurate or misleading. The emphasis that is put on branding renders the corporations all the more increasingly vulnerable to a backlash. The controversies in the early 1990s that damaged the reputation and profitability of Body Shop and Ben & Jerry have demonstrated that companies whose environmental practices do not meet industry standards or a corporation's marketing claim can experience severe damage when stakeholders believe that they have been betrayed (Entine, 1995). On the one hand, this reinforces the point of view of those asking for more stringent rules on companies' activities. However, on the other hand, it can also be argued that imposing too many constraints and control may not only push them to become reactive and even defensive. The danger may discourage them to adopt a pro-active attitude in regard of their social responsibilities. So, the best policy should be to let the consumers decide. Facing with discrepancies between what was proclaimed and the reality on the field, it may be advocated that "the market" will eventually make the decision.

There is a necessity to provide effective standards against which businesses or business managers can be judged rapidly. Measurable standards of financial performance and use of funds are available on the stock market. There is also a growing number of so-called "socially responsible" funds providing a benchmark for socially responsible investment all over the world. It may raise companies' awareness of how they affect different groups and induce them to undertake social audits assessing the effects of their procurement, production, marketing (from advertising to sales) activities. If awareness levels are high or growing, the next step would be to measure perceived egregiousness to understand the degree of disapproval and the specific aspects of the company's actions that consumers or other stakeholders find objectionable or to understand more clearly what the expect from the company. In so doing it will be possible to value the claims they make and to mitigate or correct any bad effects. Consumer boycotts have contributed to some spectacular successes for relatively powerless groups. In the process, companies were most often taken off-guard and suffered severe economic consequences because of their lack of preparation. This pushed some of them, such as Nike, Nestle and Shell that had been involved in protracted fights with activist groups, to undertake social audits and to publish now on a regular basis social accountability reports based on the "triple bottoms" approach. Following the trend, many others adopt a pro-active policy. They try hard to develop accurate, useful and credible indicators of progress in terms of economic prosperity, environmental quality and social justice. Such social audits may be based on codes of conduct and benchmarking developed by national authorities and international organizations such as the WHO and UNICEF but companies could develop them on their own. It could lead to changes in the company's practices, by providing convincing explanations for existing practices or by publicizing ameliorating actions.

＊ Nevertheless, it may not be sufficient. This is a valid argument but that seems to be putting once again quite a lot of faith in the "free market" ideology to sort out issues that have very complex socio-cultural, economic and political ramifications. a recent report published by Christian Aid (2004) argues that internationally binding rules are necessary to control multinational companies in developing countries because their voluntary social and environmental initiatives are not adequate. Many cases confirm that companies' level of awareness of the specific and broader issues that have to be dealt with business, for example in the third world countries, is very shallow. It is also true of the consumers at large. Therefore, even cautiously admitting that the market (and the stock exchange) might reward and sanction corporate behavior in the long run, it remains that there is a danger that a number of stakeholders and the physical environment itself may have suffered irretrievable damages before the public opinion (the consumers and the social activist, especially) react and action is taken. Christian Aid is pushing the British government and the European Union to adopt binding human rights, environmental and social standards for European companies operating overseas.

The Necessity of rules on NGOs Activities

The same requirements should be expected in regard to the activities of the non-governmental organizations (NGO) themselves. NGOs play a very useful role of watchdog and they should always be prepared to counter the companies' claims about their reasons for undertaking egregious acts and the veracity of the ameliorating actions. Further, they should continue to communicate the negative consequences of any company's action in order to enhance perceptions of wrongdoing (Klein, 2003). However, NGOs often take on too much responsibility and are not publicly accountable. They argue for a broader view of accountability, based on the claim that they fight for the rights and welfare of persons and groups who are supposedly powerless. It may be so but it should not make them free from the obligation of accountability. The same approach as with corporations is not possible with the NGOs but other kinds of measures must then be developed in order to have a clearer image of their activities. It is well known that some NGOs are managing as large amounts of money as multinational companies. They have activities in many countries, recruit high-level personnel and make investments that have a direct influence on the life of many people, especially in the third world. Although this can be seen as a healthy development because it provides a counter power to the might of the multinational corporations, it is not sustainable without a minimum of accountability. NGOs are not required to disclose as precise information as corporations and they are not imposed any "market discipline". Many of them have a notoriously weak managerial structure, little expertise in asset management (including human resource management) and almost none in marketing. Therefore, it is not surprising that there are legitimate doubts about their ability to manage the funds coming from donators and about their activities in general.

As acknowledged by Greenpeace itself, in the aftermath of the Spart Brent confrontation with Shell that led to a serious blow to its reputation : "Greenpeace needs to open itself and repair its image for being bureaucratic, secretive, even untrustworthy" (Financial times, 10 January 1996). The well-publicized cases involving Greenpeace and other activist groups, fighting against Shell, the French government, Japanese whales fishermen, the scientific community and the media, always raised the same archetypal issues such as the contested use of science, the role of the media and the problematic role of dialogue in stakeholder conflict resolution (Entine, 2002). In almost all cases, although positioning themselves as taking the ethical and scientific high road, the NGOs seldom made a persuasive case, showing that theirs was indisputably the "superior choice". Scientific phenomena are very complex. To give a very simple example, to ask for a reduction of the C02 level in North-East Asia (China, Siberia, North and South Korea, Japan) because it is supposedly responsible of the greenhouse climatic effect can not be done without taking into account that it would increase the S02 level that is responsible for acid rain. Obviously, a balance between the two gases should be maintained. There are still a lot of uncertainties about the effectiveness of specific options to combat climate change. So, first of all, the short and long-term environmental consequences in terms of their climatic and acid rain impact must be thought about (Dodds, 2000).

Admittedly, ideological opposition will always exist between the corporate world and the activist NGOs. There is nothing wrong about this as long as a dialogue exists and the rules of democracy are respected. In view of the often observed reluctant attitude of local authorities to fight for environment and social causes because this may have a negative effect on foreign direct investment or relationships with the business establishment in general, it is understandable that NGOs sometimes proceed to spectacular actions in order to pull public opinion in their camp. However, it should never preclude an objective discussion on the costs, benefits, and effects on economic growth and other economic and social implications of specific options. The same can be said of causes with an obvious political overtone, such as the one defended by the "Free Tibet" organization, in order to stop the launching of a controversial pipeline that should link the Tibet area to Lanchow (Dodds, 2000). If there may exist some sound political, social and environmental grounds to question the project, it cannot neglect the fact that Tibet is a remote place, economically backward and needing very badly access to energy sources to boost its already belated economic development. The debate should not be so ideologically biased that it occults such basic facts. Likewise, in some respects, Nestle was surely insensitive to the socio-cultural and economic environment in the African countries where it wanted to sell its milk power format. It did not consider such factors in the decision-making process and it took a long time and many circumvolutions to shift toward a more (albeit ambiguous) pro-active position. However, it remains that the attitude of NGOs also smacked sometimes of paternalism vis-à-vis the African mothers who, as consumers, had also the right to have a choice in the way they wanted to feed their babies. It could be argued that to impose breast-feeding as the only "natural (and thus superior) choice" undermined somehow such a right (Robinson, 2002).

The Possibility of a Collaboration between NGOs and Corporations

Therefore, nobody has ever the hands completely clean or can claim to detain without discussion the ultimate solution in complex cases involving ethical issues. The simplistic distinction between "nice" NGOs that defend the poor and oppressed people against "nasty" corporations thinking only about money does not reflect the more complex reality. Besides responding to the overdue need for more transparency and accountability in view of their important social roles, to have common standards of accountability should help to reconcile the conflicting interests NGOs often have with companies. Dialogue can only work when the participants perceived themselves as mutually legitimate.

In the statements of companies involved in activities related to social responsibilities and that have developed a clear policy in this respect, it is clearly stated that social responsibility has nothing to do with unproductive "do-gooding". Quite the contrary, it positively requires that owner value be maximized. Social responsibility and business ethics is not incompatible with business operations but is necessary for business's existence as an activity. There is awareness that social responsibility is not an optional extra, a bit of fashionable behavior irrelevant to most businesses. It is crucial because such choices are unavoidable. It permeates businesses' everyday activities, from recruiting and lay-off, selecting suppliers, setting prices, allocating resources, etc. Such companies intend to convey the message that, unlike short-term profit, owner value necessarily reflects the indirect, long-term and qualitative effects of a company's policy. As Sternberg (2000) argues, it does not mean that social responsibility and the implementation of a policy based on it is the same thing as business success, or that the one guarantees the other. It is entirely reasonable to believe that business performance should be enhanced by ethical conduct. However, before taking any decision, companies must ensure that the shareholders are convinced of merits of the policies that they want to implement. If they remain unconvinced companies should never attempt to impose them at their detriment.

In many instances, companies emphasize the necessity of working together with their own government, NGOs, local governments and citizens' movements. There are more and more examples of companies involved in successful economic development and educational projects in the third world with NGOs, local authorities and citizen movements (Dodds, 2000). Their business expertise gives the opportunity to corporations to help third world producers to develop marketable products. It can start from the research and development stage up until the commercialization. But, the projects are most often difficult to mount because of the conflict of interests it implied and the problems to have all the parties agreeing on the basic principles and basis for action (Dodds, 2000). It is also why the collaboration with NGOs is so crucial. They have more experience in working with local populations and can be instrumental in creating the drive and trust necessary to bring success.

It is all the more crucial because companies remain very cautious for obvious reasons. They know for a long time that in the eyes of public opinion they often operate at a disadvantage. There are deep and lingering concerns about their motives and they understand that they have also to take into account "the hearts and emotions of public opinion" (Entine, 2002). As Sternberg (2000) rightly observed it is true that the multiple stakeholders' theory will always result in almost intractable practical realities confounding the need for a dialogue. Public opinion can be manipulated by any of the parties. There will always be opposition between those who believe that environment, employees, shareholders, or any other stakeholder, stands as the most important one eclipsing the rights of the others. However, contrary to her condemnation of the very principle of the multiple stakeholders' concept, it could be argued that there is no other solution, short of coming back to the concept of companies isolated from their environment, solely operating for the sake of narrow interests such as the defense of a privileged stakeholder or in order to maximize profit.

Admittedly, all what can be expected is good will among the parties in order to reach practical solutions backed up by clear binding rules agreed upon by all the parties. It means the recognition that companies indeed exist to create wealth but that social responsibility linked to sustainable development is a must and not something merely advocated as a tactical tool to placate public opinion, superficially satisfy the other stakeholders and avoid legal problems. Conversely, it should be acknowledged that market economy is the only workable type of socio-economic organization. So, business concerns have a legitimate right in making money and reward financial risk. The solutions that companies propose are not always and necessarily driven by pure financial considerations. Corporate claims should not be rejected a priori as it was the case in many well-publicized problems. All the parties should be ready to accept as legitimate objectives a risk/cost analysis exploring all the options without ideological biases and to be able to compromise even if the verdict is not conformed to the expectations.

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