Corporate Social Responsibility in the Age of Globalisation

György SZÉLL

Abstract

For social regulation as well as for the field of labour relations the nation-state is still the main framework. Employers associations and trade unions are therefore mostly limited in their action within this area.

Multinational companies as global players were already active since the very beginning of modern capitalism — e.g. Siemens, GE, Ford, GM, Dupont, Suez etc. Also trade unions, as their counterparts developed since the end of the 19th century with their international first forms of transnational co-operation.

The International Labour Organisation has as its very task to be the institution to develop trans-national co-operation of social regulation in the form of labour standards and conventions. A recent activity by ILO is its “Decent work” campaign. However, even the number one economic power and the one, which even goes to war for human rights, i.e. the USA, have signed only a very few of the conventions. They are together with China and some rogue states at the bottom-line in this ranking.

The paper will elaborate the prospects, and show up the problems for the realisation of transnational co-operation of social regulation in an international-comparative perspective.

Setting The Stage

As a starting point I will present the following definition, taken from one of the most active organisations to promote CSR, especially in transition countries and the Third World:

"CSR is defined as the integration of business operations and values, whereby the interests of all stakeholders including investors, customers, employees, and the environment are reflected
Corporate responsibility is no longer a luxury for companies. In today’s global economy, it is critical for companies to embrace social and environmental responsibility in order to meet the demands of their investors, consumers, employees, and communities they serve.” (http://www.csrwire.com/page.cgi/about.html)\(^1\)

However, is Corporate Social Responsibility (CSR) not “one of the biggest corporate fads of the 1990s” (The Economist, 22 January 2004), a lip-service of companies to quiet down critique (Christian Aid, cited in the Economist, the same date) or a real break-through for a new quality of corporate governance (UN, UNIDO, ILO, World Bank, EU, OECD, CSRForum etc.) \(^2\)? Even the US State Department is very favourable, so in a lecture Promoting Corporate Social Responsibility Abroad: The Human Rights and Democracy Perspective. Remarks at the 2002 Surrey Memorial Lecture, National Policy Association, Washington, DC, June 18, 2002, given by Lane Croner, Assistant Secretary of State for Democracy, Human Rights and Labor.

When you browse through the Internet you come across a large number of organisations and publications, which document the dynamics and activities within this field. As The Economist mentions, it seems to have become an own industry — like with the issue of environmental protection —, where thousands of people make their living from.\(^3\) However, in this picture of a “Brave New World” or speaking in the words of the 41st President of the USA, George Bush father, a “New World Order”, there comes opposition from two sides:

1. Radical free-market proponents who — no surprise — rely again on Milton Friedman. They cite him as follows:

   “One and only one social responsibility of business [is] to increase profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud.” (in Capitalism and Freedom. University of Chicago Press, 1962; cited in Nelson, 2004: 14 & Knautz, 1997: 1) You may summarise this position in relation to my topic as “Transnational Competition on Social Deregulation”.

The fundamentalist market proponents take the stand that it is a waste of shareholder’s money to invest into social responsibility by a corporation. A manager or owner

---

1) I have no place to go into the details about what CSR includes and not.
2) A selection can be found on the homepages listed below. For the debate cf. Emerson 2003/2004.
3) And may even study now CSR, e.g. et the Yorck University in Toronto and acquire a CSR-certificate.
can do that for philanthropic reasons out of his own fortune, but not in the name of the company. A similar line of argument is built up by Randall Frost (n.d.) and also by David Henderson, former head of the Economics and Statistics Department of the OECD, in his “Misguided Virtue: False Notions of Corporate Social Responsibility” (2001 & 2002). Actually both argue that CSR is an ideological (sic!) move, which leads to more political intervention by governments and NGOs, hence endangering the free market and freedom. However, the point comes: Is it then defensible to spend corporate money into political parties and election campaigns, into sports and culture by sponsoring them? It may be argued that this is a kind of marketing, and some of the business protagonists make just a case for CSR with that same argument.

2. But there is also a critique from the left, e.g. by Christian Aid. In their recent paper (2004) they take up three case studies of prominent pro-CSR companies, Shell in Nigeria, BAT in Kenya and Coca-Cola in India. They demonstrate that the CSR-principles are more on paper than in reality. They argue for binding legal regulations instead of voluntary agreements to have really working CSR, and plead for corporate social accounting instead of responsibility. I will come back to this point later, because it is central for the issue of transnational co-operation on social regulation.

In the past couple of years there was much fuss about the so-called Shareholder-value. This approach — based on the same neo-liberal ideology — sees only the capital-owners to whom the corporation has to be responsible. So, the debate and struggle is once again between Shareholder- vs. Stakeholder approaches. What can science in this context contribute to find the appropriate way for better life and a better society on a global scale?

First Act

Companies and organisations are embedded in their geographical, cultural, political, societal and economic environment. From there a social responsibility is a condition for their long-term survival and sustainability. To understand the relevance of the issue and its further prospects, I propose to have first a look backward, i.e. into history, because in my understanding without history we do not understand anything, and therefore also cannot explain the reasons for problems and conflicts. And so we also cannot then enhance to find solutions.

Economic activities were always regulated for political, social, and cultural purposes. And it is not at all the so-called “Invisible Hand”, as Adam Smith formulated so nicely. On the
contrary it was via law and legal action that public authorities looked for the well functioning of the economy, because the economy is not an end in itself — or at least should not be. But that’s where the problems of corporate social responsibility start all about.

Although, like Fernand Braudel in his magnificent three volumes on the material civilisation, the economy and capitalism (1979) demonstrated, the market is a universal phenomenon since the beginning of human civilisation, it was always regulated differently, according to the divergent needs and stages of human development. And apparently the market regulates itself behaviour and produces its norms in a dialectical relationship. Karl Polanyi has very well described this process in his major treatise “The Great Transformation”.

“The principles of the honest merchant” are also such rules. Notwithstanding that there always have been breaches of the rules, and certainly always will be — if we will not be transformed into angels. But this is the exception; otherwise the economic system will break down. Interestingly even criminal organisations like the Mafia or Yakuza have their clear rules to follow within their own economic system — although it may relate to another kind of social responsibility than in the main economic sectors.

Guilds regulated within Europe in the pre-industrial period the economy, safeguarding quality, employment and sustainability. This role was more and more taken over afterwards, i.e. since the development of modern nation-states, by the modern state itself, which introduced welfare systems, to which the companies had to contribute. These welfare systems are often autonomous, independent structures co-managed by employers and workers, or by tripartite structures, including the state.

The role of the state is to guarantee the infrastructure, law, and security to promote society and the economy. However, since the beginning of industrialisation public companies (health, education, water, energy, transport) where created to supply public goods. The organisation has been realised on the local, regional as well as on the national level. So, public corporations producing public goods are by their very conception practicing social responsibility.

Apparently in a socialist system all corporations are by their very definition already socially responsible. I cannot extend this argument here — due to the restrictions of time but also of my topic. In really existing socialism at least some sort of trans-national cooperation on social regulation existed, as the principles of Soviet corporate social responsibility have been exported to the other COMECON-members. An interesting experiment is going on in this regard in China with its “socialist market economy”. At the moment it does not look like that these companies in the wake of privatisation practice a lot of social responsibility. Corruption is still endemic.
The question arises, why has then the issue of corporate social responsibility come so much to the fore since a couple of years? 70% of all leading managers in these companies of the recent scandal-ridden corporations like Enron, WorldCom, Vivendi, Mannesmann, nearly all Japanese banks, Nomura investment etc. had an MBA. So, is this just a problem of false training — then the responsibility of academia would come in? But, Business ethics and CSR are taught in a number of business schools since a number of years — already apparently an indicator for the need.\(^4\) However, this does not seem to have had any great effect on business practices so far. So the problem with corporate governance and corporate social responsibility seems to me more deep lying and fundamental.

My basic thesis in this context is that the ongoing outsourcing and privatisation of public goods, based on neo-liberal ideologies and practices, for the necessity to introduce the concept and hopefully also the praxis of corporate social responsibility. I think it is worthwhile to come back here to the writings by Karl Marx, although for many he seemed to be completely outdated with the breakdown of really existing socialism in the Soviet Union and its satellites. I will try to demonstrate the validity of Marx’ main approach. There is now doubt that we are living in Really existing capitalism. Karl Marx phrased accurately as main principle of the capitalist system: “Enrichissez vous, enrichissez vous!” But not as a person, but for the corporation because it will go down within the competition if it does not accumulate the highest possible surplus value, i.e. profits to reinvest. Corporate social responsibility has no place in this logic of primitive accumulation and primitive capitalism.

**Second Act — The situation**

A couple of decades ago the following slogan was well accepted in the United States of America: “What is good for General Motors is good for the U.S.A!” And we can continue today: “What is good for the oil-industry ...”, “What is good for the military-industrial complex ...

This logic led amongst others to the retreat of signing of the Kyoto protocol by the George W. Bush Administration, eventually to the Afghanistan and Iraq wars etc. The corporations, which financed the election campaigns of George W. Bush, have tripled their share value last year. However, corporate social responsibility applies also to future generations. To contribute to the survival of humankind is definitely the most important corporate social responsi-

\(^4\) One third of MBA programmes in Europe already offer CSR modules, and 12 percent have dedicated CSR programmes. *(Survey Teaching and Research in Europe on CSR. International Centre for corporate social responsibility/European Academy of Business in Society. Cited in Christian Aid 2004: 8)*
bility.

That leads me to a differentiation within the concepts of corporate social responsibility: There is a corporate social responsibility inside the corporation — and there is a corporate social responsibility outside the corporation. These orientations may complement each other, but they may also contradict each other. I will follow here the Green Paper by the European Commission (EC 2001: 9ff.): 5

The internal dimension:

- Human Resources Management
- Health and Safety at Work
- Adaptation to change
- Management of environmental impacts and natural resources

The external dimension:

- Local communities
- Business partners, suppliers, consumers
- Human rights
- Global environmental concerns

However, there is no explicit mentioning of the kind of decision-making, i.e. involving unions and employees. The Green Paper goes on in developing a holistic approach, which includes:

- Social responsibility integrated management
- Social responsibility reporting and auditing
- Quality in work
- Social and eco-labels
- Social responsibility investment.

Here we are at a very important point for realising corporate social responsibility. The pension funds have become the biggest worldwide investors. And they invest globally. And they invest

---

5) The Green Paper launched at the end a consultation process to which some 250 organisations responded. The results were presented one year later in another document entitled “Corporate social responsibility: A business contribution to Sustainable Development”. In the meantime the EC collected more reactions at different occasions with presentations all over Europe. This initiative should contribute to a new version still in 2004 of the document. (Cf. Bé, 2004)

The UK is proud to have out of 250 reactions produced more than 80, and that it has nominated in 2000 the first Minister for CSR. (UK 2002)
the money of employees, not of corporations. They can and do invest already more and more into companies with CSR strategies.

Two excellent indicators for corporate social responsibility are:

1. Tax payment and
2. Employment.

Ad 1) Definitely every society needs some public authority, and this has to be paid by the community — corporations and citizens. So, tax evasion is the absolute contrary of corporate social responsibility, however, all kind of tax evasions are regarded by most companies as normal practice. So the part of taxes paid by companies had radically decreased over the last couple of decades in all OECD countries. E.g. 60 % of US companies did not pay any corporate tax between 1996 and 2000 (Pearlstein, 2004). In Third World countries companies practically never paid taxes, and the former socialist countries have enormous problems to establish a tax system — that is something, which the neo-liberal consultants did not teach them.

Ad 2) In regard to employment it is for sure that a company does not exist to create employment, but goods and services. So, it can definitely not be the main target of corporations to create jobs. It is one of the biggest lies that they defend jobs when they are fighting against ecological and other restrictions. Again and again workers and their representatives go into this trap, not realising that this argument disappears in the wind under other circumstances. Fortunately the times seem to be over when share prices rose when a company made a larger number of workers redundant, because investors realise that then the situation must be very serious. However, again it is a different issue to practice a “hire-and-fire” policy by management, where all risk is born by the employees, and management after their mistakes even leave with a golden handshake.

In really existing capitalism it is true that the corporation has to make at least no losses, because otherwise the costs have to be borne by somebody else. So, social policies have to be mainly done by public authorities, which may be complemented by subsidiarity and social networks. And for structural change public compensation and subsidies may be necessary. However, for that purpose you need public funds, i.e. tax revenues.

One other important point: Corporate social responsibility cannot be practiced in the long run by one or several corporations alone, it has to be shared by all corporations, otherwise as with ecological standards, social dumping may arrive.
This brings me to the issue of ownership: Some corporations like the German Bertelsmann and also Rockefeller, Ford or George Soros have transferred their main assets into foundations. Apparently these foundations are by their very definition already socially responsible. This holds also true for another form of ownership: the co-operatives. The biggest co-operatives in the world — Desjardins in Québec and Mondragón in the Spanish Basque country e.g. — are economically and financially very well functioning corporations. They do not need a Code of Conduct, because it is built in into their ownership structure. More radically in this regard are even the Kibbutzim, although they are in some crisis now — not unrelated to the difficult political circumstances and with it the economic situation in Israel.

Within a capitalist system the banks have a core function. It is not only that their representatives in two-tier governance sit in all supervisory boards, but they also exert an enormous influence on the main decisions of corporations, as these have only between 20-40%, in average around 30% of own capital. The rest has to be borrowed from banks. So, the banks could exert the decisive influence for the introduction of CSR. And there are in their eyes many good reasons for doing it, as they can then better control their investment and have a long-term perspective.

In this line, since a number of years different indexes have been developed, which reflect social responsible investment. E.g. the FTSE4 Good does not include companies, which produce tobacco, nuclear energy and arms. The Dow Jones Sustainability Index has no exclusions, but functions on a ‘best in class rationale’ with benchmarks sector by sector. These indexes have in average a 25% higher yielding than the average Index. So, it seems it pays off to invest into CSR-companies.

Coming back to the core issue — if CSR should be voluntary or obligatory — the historic experience shows as with the length of working day, health and safety, starting in the 19th century, all need legal, binding regulation, otherwise most companies will just not follow. The case of the optical producer Zeiss in Germany (which turned later into a foundation) is interesting so far. The philanthropic owner introduced voluntarily the eight-hour working day, and this set the example for the workers’ movements to ask for a generalisation of this rule. But this historic experience also exemplifies that all these regulations could only be won through organised, collective efforts by social movements and their political organisations. Which by the way is also true for all other fundamental human social rights.

6) The second biggest media-conglomerate in the world, and Europe’s biggest.
And a similar argument holds true for environmental protection. “In most cases, factors other than the given voluntary approach seem to explain the major part of any environmental improvement that has taken place.” (OECD, 2003: 62)⁷

After all, for social regulation as well as for the field of labour relations the nation-state is still the main framework. Employers associations and trade unions are therefore mostly limited in their action within this area. But today in the Age of Globalisation, as the title of this conference formulates, financial speculation is one of its main driving forces. 1.3 trillion US$ are everyday circulating around the globe in the search for profitable investment, 95 % is for speculative purpose, the rest to settle commodity and service moves.⁸ 20 years ago it was the other way around. And the main actors in this computerised world are the banks, hedge and pension funds, collective investors. And all this happens without any political or social regulation. Actually, one of those who profited most of these deregulated financial markets, the Hungarian-American George Soros, wrote in 1998 a book with the title “The crisis of global capitalism”.⁹ In this book he claims that these unregulated markets are more dangerous for freedom than Stalinism has been.

Third Act — Transnational Enterprises and Organisations as Actors

The Illinois Institute of Technology has since a number of years a Center for the Study of Ethics in the Professions, and has collected and documented 850 Codes of Conduct. The Center differentiates between four groups:

1. Professional and Trade Associations
2. Business Organisations
3. Government Organisations
4. Others

I will follow their system in the discussion. Transnational companies (TNE) as global players were already active since the very beginning of modern capitalism — e.g. Siemens, GE, Ford, GM, Dupont, Suez etc. Today there are some 63,000 TNEs with some 800,000 subsidiaries

⁷ Cited after Christian Aid (2004: 8).
⁸ The American economic Nobel-prize winner, James Tobin, proposed some 25 years ago a tax on all capital transfer to be invested in the Third World. So, at least it would have some social benefits. The introduction would definitely be a form of transnational co-operation on social regulation. (Cf. for an overview on the ongoing debate http://www.ceedweb.org/iirp/)
⁹ But for sure also the trade unions are in a crisis. The one may be linked to the other.
worldwide — up from 7,000 in 1970. However, it is estimated that only 3,000 of them are active within the field of CSR.

The TNEs are at the forefront of global CSR, may it also be because they are most visible and became also therefore targeted in the first place by NGOs, although there are most SMEs, which have a much worse record. But you cannot stage a boycott against them.

Also trade unions, as their counterparts developed since the end of the 19th century with their internationals first forms of trans-national co-operation. However, since a couple of years this new dimension of transnational co-operation really has been opened more substantially. Actually in the 1960s first initiatives of sectoral unions, first of all the International Federation of Chemical Workers, started to initiate global works councils. But the time seemed not yet ripe, and — the two so-called oil-crisis helping — these institutions did not sustain. So far the trade unions have been very slow to catch up with the debate on CSR. An exception is the recent publication by UNI, the Union Network International, the worldwide confederation of the national service unions. They start their analysis with the crisis of corporate governance, referring to the recent scandals. They ask for “fair shares” and “worker friendly regulations”, develop an action plan and designate themselves as a “global stakeholder”. But as the World Bank reported, all this is still in the very beginning.

More successful seem to be the textile campaigns, which struggle for decent work and the suppression of Child labour. Within the OECD a Working Group has formulated Codes of Conduct since 1997. (OECD 1999, 2000)

The European Union has first of all just been an Economic Community, creating a Single Market for free trade and free movement of capital and labour. However, it has been soon been complemented by the European Social and Regional Funds to promote social justice and solidarity to help less favoured regions. I referred already to the Green Paper from 2001, which documents that the EU strives to become the world leader not only in regard to the knowledge based economy, but also in regard to CSR. It has established in 2003 a Multi-Stakeholder Forum on CSR, which is co-ordinated by the European Foundation for the Improvement for the Living and Working Conditions, itself an organisation which promotes since more than a quarter of a century transnational co-operation on social regulation by social dialogue, consulting and research. (Kriege, 2002)

On the EU-level a Social Charter has been voted in 1992 together with the Maastricht Treaties. And in 1994 the Directive for European Works Council was finally introduced after many years of preparations. Similar initiatives are starting within Mercosur. In the meantime some companies like VW, Siemens, Daimler Chrysler have even established World Works
Councils. In this regard, European companies, and foremost German ones are in the lead. Japanese companies are much more reluctant. However, recently the Keidanren Committee on Management and Labor Policy published in his Summary of Position Paper 2004 in Part 3 “Employers in the Future” the following statement: “All enterprises should be aware that careful observance of corporate ethics indicates respect for social responsibility and is part of risk management at the same time.” (2003: 5) They also argue “Management and labor are a stabilizing force in society. … Enterprises do not merely exist for the purpose of generating profits through fair competition; they must also be socially useful.” (2003: 6)

The main actor on the global level are still — or at least should be — the United Nations — although they are often systematically weakened by the USA. Already in 1977 the UN Centre on Transnational Corporations put a draft for a “Code of Conduct on Transnational Corporations” forward. It contained all the elements we are discussing today. (Christian Aid, 2004: 6 & UNCTAD, 2001: 5-7) But it has never been adopted due to the resistance by the USA and the UK — in stark contradiction to the words by Lane Croner. The same fate happened to a proposal for the Rio UN-Conference on Environment and Development.

However, the example on the OECD/UN conventions on bribery, which have been signed by all OECD-members and by 100 UN-members shows that binding conventions can be passed — when it is in the US-interest. (Christian Aid 2004: 3). However, another problem remains the one of implementation in the case of the “good ones”. Quite a few countries, which even have signed most or many of the conventions, do not look after their realisation. Italy is in this regard quite a bad example.

And another initiative, UN Global Compact launched by General Secretary Kofi Annan in 2000, gives also hope for some breakthrough.

On the global level the ILO and trade unions try to introduce Minimum labour standards into the WTO-agreements, although until now in vain. And finally a last initiative of transnational co-operation on social regulation is the working group on an ISO CRS-norm. (IISD n.d.)

**Main theses**

The main theses are:

11. Transnational co-operation on social regulation is an emerging trend and necessity in a globalising world.

12. Social rights and rights of labour, but also those of the consumers — who mostly are
also producers — citizens, the community up to the global level have to be taken care of. That means that there is corporate social responsibility inside and outside the corporation, which partly may overlap.

13. Within the corporation the respect of minimum labour standards is an essential social responsibility.

14. To the outside it is the respect of social sustainability (Agenda 21), which is a relevant criterion.

15. Social responsible investment may promote corporate social responsibility.

16. The main actors in this field are enlightened management and trade unions.

17. The central problems for a successful transnational co-operation of social regulation are
   — on the micro-level the competition between companies and language barriers as well as cultural differences.
   — on the meso-level sectoral and regional egotism and
   — on the macro-level (nation-state, continental regions, the globe) institutions like the WTO, IMF and competition between global players.

18. Corporate governance comprises
   — decent work
   — transparency
   — participation
   — accountability
   — corporate social responsibility and
   — sustainability.

19. The EU and Japan could be leaders in this endeavour.

20. The role of science is to support and assess critically these activities.

Fourth Act — Conclusions

We may summarise as follows: There are many activities in regard to CSR going on, thousands of leading companies, besides unions and NGOs are involved as the main global organisations as well like the UN with their sub-organisations ILO, UNCTAD, UNIDO, UNEP, UNRISD, the World Bank — however, not the International Monetary Fund —, the OECD, the EU and many others. So, it seems that CRS is more than just a fad, as it has now a history of more than 25 years, and the conservative, market-radical critiques seem to be more and more marginalized. However, the critique from the left I am sharing:
Corporate Social Responsibility in the Age of Globalisation

Corporate social responsibility demands transnational co-operation and it demands social regulation. Voluntarily-followed guidelines are not sufficient in the long run. They are a good beginning; however, they have to be made sustainable — not to be an object of the ups and downs of the economy and the markets, and changing leaderships as well as political majorities. Corporate social responsibility is best exercised by co-management and co-determination; otherwise it remains a paternalistic, but not a democratic responsibility. This leads directly to the issue of participation and economic democracy (Kester & Pinaud 1996; Lammers & Széll 1989; Széll 1988, 1992, 2002).

CSR in the words of some protagonists is a question of survival of capitalism. Marc Benioff and Karen Southwick plead for a “Compassionate Capitalism”.10 Much more clear are the words of Sir Geoffrey Chandler, the Shell CEO, who was responsible for its much lauded first General Business Principles in 1976: “Doing right because it is right, not because it pays, needs to be the foundation of business, with principle, not profit, the point of departure. There does have to be a choice about priorities. ... If we are to preserve the most effective mechanism the world has known for the provision of goods and services — that is the market economy with the public limited company its main instrument — then it has to be underpinned by principle. Financial failures can destroy individual companies. Moral failure will destroy capitalism.” (Nelson 2004: 10) Is this then neo-capitalism? However, for the more critical CSR proponents, CSR is at best a step forward into the direction of a post-capitalist society. Let us have trust, as trust is the basis of society, and let us have hope, because without it, life would be dull.

References:

10) This sounds very near to George W. Bush’s 2000 election campaign slogan “compassionate conservatism.”
Washington, DC, June 18. http://www.state.gov/g/drl/rls/rm/11405.htm


Corporate Social Responsibility in the Age of Globalisation


Harmondsworth/Penguin & London/New Left Review.


Polanyi, Karl (1957): The Great Transformation: [the political and economic origins of our time]. Foreword by Robert M.MacIver. Boston: Beacon Press [c1944].


Széll, György (2002a): ‘Sociology and Industrial Democracy,’ in Nikolai Genov (ed.), Advances in Socio-

Homepages
Center for the Study of Ethics in the Professions, Illinois Institute of Technology, USA http://www.ut.edu/departments/csep/PublicWWW/codes/index.html
CSRwire (News service), Brattleboro, VT 05301, USA http://www.csrwire.com/