

## CORPORATE SOCIAL RESPONSIBILITY

“The disposition to the affections, which tend to unite men in society, to humanity, kindness, natural affection, friendship, esteem, may sometimes be excessive... The defect of this disposition, on the contrary, what is called hardness of heart, while it renders a man insensible to the feelings and distresses of other people, renders other people equally insensible to his; and, by excluding him from the friendship of all the world, excludes him from the best and most comfortable of all social enjoyments.”

**(Adam Smith (1723 – 1790), Scottish Moral philosopher, *The Theory of Moral Sentiments* (1759))**

When I first saw and read that combination of words, corporate, social and responsibility, the cynic in me smiled for the simple reason that I am of the opinion that business and businessmen tend to subscribe to the theory, the belief, the notion that business is fundamentally about making as much profit as possible and that competition, competitiveness and flexibility fit somewhere in the equation but social responsibility and accountability do not.

Indeed, I suspect that businessmen, certainly at the higher levels within companies and organizations, subscribe to the notion that their primary function in life is to make a much money as possible for their shareholders, that stakeholders is not a recognized word and that responsibility for employees, suppliers, communities and society, do not feature in the mathematics. And, in order to balance that equation the idea that a company or an organization owes any loyalty to its employees has gradually disappeared even though some directors and managers might still believe that a ‘pay slip’ means that loyalty has been bought.

If you agree and accept that shareholders own companies, defined perhaps not just as buildings, plant, equipment, products, services but also perhaps even culture and reputation and maybe even employees, then corporate social responsibility must be a dirty phrase. Indeed, I suspect that one way that companies manage to expand in developing nations, by outsourcing jobs to areas of much lower costs and overheads, is by cutting any corners they may be in relation to social, cultural, ethical and may be even environmental and moral standards as a means of getting ahead in the game of business. But is that right and should it be allowed to happen or is all fair when it boils down to making more bucks?

Capitalism is, for the time being and probably for the foreseeable future, the economic system that is keeping the world, literally, ‘turning and burning’, that is if it is acknowledged and accepted that greenhouse gas emissions are causing irreparable damage to the earth’s environment.

However, competitive capitalism creates only a few real winners, some who achieve a modicum of success and a great many losers and that includes individuals, groups, societies or even countries. Is it time to take a much closer look at other positive economic systems and see how they compare?

Politicians and economists, mainly of a right-wing persuasion, are fond of referring to Adam Smith’s book, *The Wealth of Nations*, and putting their own spin and interpretation on his words and phrases to strengthen the case for policies of privatization, private ownership and ‘laissez-faire’, based on the assumption that society does not exist and individuals are responsible for their own success or failure.

That is why I referred to Smith's earlier book, *The Theory of Moral Sentiments*, and to the opening quotation that seems to imply, at least to me, that man is a social animal who, by and large, believes in qualities such as humanity, kindness and friendship and that we tend to look for social and economic policies, politicians and political parties who make an effort to balance entrepreneurship, success and self-gratification with individual and corporate social responsibility. It may be that I am not my brother's keeper, in the widest possible sense, but surely in any developed and civilized society there are social responsibilities? Besides, it is oft suggested you can tell how civilized a nation is by the way it treats its' old and young.

I also believe that Adam Smith was implying those who do not accept the notion that society exists are more likely to be excluded from the friendship and affection of his neighbours. Perhaps this is where Ebenezer Scrooge, in Dickens' *Christmas Carol*, enters the stage and remains for the whole of the story until such time as he begins to understand that with his wealth and fortune and his place and position in business and his neighbourhood that he will gain more by learning to trust business acquaintances, employees and his immediate society by adopting a degree of responsibility for those less fortunate. I seem to remember there was even a hint at a minor improvement in achieving a life/work balance for Bob Scratchit. Or, have I read that wrong?

For the last decade, probably longer, we have been told that jobs for life are a thing of the past and companies, following the accepted mantra about profit, have happily 'hired and fired' at will and sometimes at a moment's notice and this has given rise to the situation where people have now realised that they are individuals whose sole responsibility and commitment is to themselves and their families. Unfortunately, for business leaders that is, they cannot say that they were not warned of this probable consequence of treating employees with a degree of contempt.

Whatever, it seems that in the present business climate, basically of corporate greed and a growing gap between the pay and conditions of directors and senior managers with 'fat cat' salaries and pay-offs, and that of ordinary employees, the concepts of trust, loyalty and commitment are, with the possible exception of naval and military organizations, now finished. In fact corporate scandals in the USA have, surely, shown that the system can be manipulated by a few simply for personal gain.

I suggest, again, with the introduction and use of such management fads as layering and business process re-engineering accompanied by resource re-allocation, that junior and middle management positions, in addition to those on the shop-floor that any possibility of career progression and therefore commitment to a company has all but disappeared. And the associated programmes of downsizing and outsourcing jobs now mean that the notion of employees supporting a company or an organization through hell or high water has gone along with the loss of trust, commitment and loyalty.

In the last few years we have all read of instances where companies have decided, in order to reduce overheads and improve the 'bottom line', that they are outsourcing jobs from, for example, the United States or the United Kingdom, to countries where labour costs are considerably cheaper, primarily China and India. This has happened mainly in manufacturing industries but is gradually happening in the service sectors where jobs in areas like call-centres associated with banking, insurance and travel are being moved to countries like India and increasingly IT sector jobs associated those same services are likely to be lost to India and Russia.

Why do government, politicians and businessmen not understand the way to grow an economy is by investing in research and development and in products and plant and by investing in training people and not by losing, exporting or selling-off employment opportunities for successive generations?

It is hardly surprising, after the corporate scandals, debacles and pension-fund warnings issued by companies let alone the corporate 'fat-cat' image of Chairmen, directors and other senior managers, over the last few years that public trust in business leaders, the concept of corporate governance and responsibility is at an all time low. Worse, I strongly suspect that there will be little change in attitude by those with power because they appear to work from the old adage, 'the more you get the more you want'. As the Canadian-born US Senator S I Hayakawa suggested,

"Animals struggle with each other for food or for leadership, but they do not, like human beings, struggle with each other for that that stands for food or leadership: such things as our paper symbols of wealth (money, bonds, titles), badges of rank to wear on our clothes, or low-number license plates, supposed by some people to stand for social precedence."

**(S I Hayakawa (1906 – 1992), Canadian-born US Senator and Educator)**

Most would agree that senior business managers have, with large salary increases, large private pension contributions, generous share options and a wide variety of other self-awarded perks, brought this on themselves and on their companies. I suspect that it will take many years of pressure from one source or another, and perhaps even the introduction of some form of legislation and regulation, before much greater effort is made in acknowledging corporate social responsibility.

There are those who, perhaps naively, believe checks and balances on directors pay, perks and share options are carried out by investors at annual general meetings when they approve company reports and the remuneration reports, but it is not the case. The public, and belatedly pension fund managers who invest the monies of employees, have, sometimes, displayed moral outrage at the inequitable distribution of rewards including share options. However, it seems to be a problem where directors of public companies are determined and forceful and where there are absent shareholders and weak non-executive directors. As Adam Smith pointed out in *The Wealth of Nations*,

"The directors of such companies, however, being the managers rather of other people's money than of their own, it cannot well be expected that they should watch over it with the same anxious vigilance with which the partners in a private co-partnery frequently watch over their own.....Negligence and profusion, therefore, must always prevail, more or less, in the management of the affairs of such a company.....Without an exclusive privilege they have commonly mismanaged the trade. With an exclusive privilege they have both mismanaged and confined it."

**(Adam Smith (1723 – 1790), Scottish Moral philosopher, *The Wealth of Nations*, (1776))**

Many employees no longer trust their senior managers to provide any kind of direction when it comes to governance, ethics and corporate social responsibility and even less on warm-words about the state and value of company pension schemes. And this loss of security in work and the loss of integrity has gradually but inexorably translated into a general decrease in commitment to organizations in favour of commitment to personal career and progress and much greater demands for a life/work balance. What some companies are failing to understand is that corporate social responsibility is here and it will continue to grow embracing a moral dimension.

I suspect that with the regular reports of corporate greed or corporate failure in one area or another, it will take a very long time for that trust to return, if indeed it ever does. So, how did we end up in this mess?

Some organizations may have established internal training programmes on governance, company ethics, behaviour and corporate social responsibility and the data protection act but few appear to have spelled out precisely what is meant by ethics and how any ethical dilemmas might be addressed by a company when sourcing products.

Others have introduced an internal system of 'whistle-blowing' such that if an established code of corporate ethics has been issued and someone is seen to violate that guide then they encouraged to report it and in some cases to a third party. And yet others still choose to ignore corporate social and environmental responsibilities.

However, when big cases of 'whistle-blowing' are reported in the media the resultant investigations and even court cases have often lead to the whistleblower being removed, ostracized or even made redundant even in the European Commission, a euphemism for being sacked, whilst the perpetrators appear to escape unscathed. And, dealing with transparency, integrity, responsibility and accountability how many company annual reports include statements, not comments, on how they are dealing with areas such as revenue, number of employees and comparisons with previous years and whether they might recruit in the coming year?

How many companies make a real and conscious effort to be seen to support local causes or make positive moves to contribute to the growth of a local community? How many bother in their report to make mention of company policies on the environment, support for local initiatives and charitable donations? How many make clear what the company assets are including buildings, plant and other equipment and, more importantly, how their activities affect not just the social and economic well-being of the local community but also, given the on-going interest in global warming, how it affects their immediate environment?

This suggests, perhaps, that in addition to failing to communicate policies and plans and win the trust and confidence of their employees and their customers, senior business managers are also failing to present a positive image of their companies such that trust can be re-built. In my view this problem stems from the difference between management and leadership. There are those, still, who suggest that managers are also leaders and that leaders are also managers.

Frankly this is nonsense for the fundamental reason that a manager is a person who has been given responsibility, by someone else, for making decisions but a leader is the person who has the necessary skills, knowledge, experience and ability to assume responsibility for resolving a difficult situation and, he or she will not necessarily be the senior person present in a group.

But what about ordinary employees, what can they do to shake of the taint or smell of corporate scandal, greed, failure or irresponsibility? On the surface not a lot and the only option they appear to have is to leave and find a company or organization or a particular job that more closely matches their wants and needs and that possibly aligns with their views and attitude to, for example, ethical and moral values and corporate social responsibility (CSR).

Nonetheless, you might not be surprised to note that many employees like their workplace and their work colleagues and that is a result of group or team spirit but not teamwork, but apparently not many particularly like the work they do, they do not like their managers and some do not like their company or organization for a variety of reasons. This could have something to do with glossy recruitment practice and advertisements that over-hype the company, the job, the position, the professional or academic qualifications required and often the remuneration and career prospects. It is the difference between possible, perceived or even raised expectation and reality.

It could also have something to do with instability brought about by constant change, progressive or otherwise, that leaves them unsure of what they are doing or should be doing or suddenly changes their area of work or responsibility and is not what they were originally recruited to do. Unfortunately that side of business will not change for the fundamental reason that many people subscribe to the theory that not only is constant change necessary but that constant change is progress.

How many companies even bother to ask their employees how they feel about the company, the organization, company products, company image, general working conditions, job opportunities, promotion prospects and pay? I wonder how many are in the slightest bit interested in what the employees think their about the company and its culture and reputation.

Sometimes people discover, or realise with experience, that the values of an organization do not fit their own moral, ethical and social values or do not offer the career and promotion prospects they believed were on offer. They must decide to remain, and possibly feel unfulfilled and frustrated, or leave to pursue other possibilities. Only time will tell, if sufficient employees leave an organization, whether companies and directors will begin to understand that 'macho' management style does not always work and more especially when there is a clear lack of corporate ethics and social responsibility within a company. However, we must all accept that, as individuals, we have a collective responsibility to maintain our own level of ethics to ensure best business practice is not sacrificed on the altar of corporate profit.

But, does this economic model apply to all advanced, industrialised nations? The simple answer is no. Raw and unfettered capitalism only encourages greater and greater competition to the extent that some concentrate solely on maximizing profits and adopt an aggressive, gung-ho attitude to both business and to management. This approach means that other stakeholders, especially employees and communities are not considered in the profit equation; it also means there will be only a few winners and the rest will be losers; and, it proves there are no or few ethics and morals in business.

From reports in the media it seems that business in general has become more corrupt in that businessmen appear more concerned with making money and maybe even avoiding forms of taxation by whatever means and turning the positions of director and manager into a gambling process rather than a profession with integrity and social, ethical and moral values and more than a degree of concern for environmental issues; that is why there is a need for regulation not only to ensure that there is real competition in every areas of business and commerce but also to ensure that boundaries are not crossed too often.

And on the matter of regulation of commerce Adam Smith suggested,

"To widen the market and to narrow the competition is always the interest of the dealers ... The proposal of any new law or regulation of commerce which comes from this order, ought always to be listened to with great precaution, and ought never to be adopted, till after having been long and carefully examined, not only with the most scrupulous, but with the most suspicious attention. It comes from an order of men, whose interest is never exactly the same with that of the public, who have generally an interest to deceive and even to oppress the public, and who accordingly have, upon many occasions, both deceived and oppressed it."

**(Adam Smith (Smith (1723 – 1790), Scottish Moral philosopher, *The Wealth of Nations*)**

Whilst the UK appears to have adopted completely the US capitalist model of 'laissez-faire', associated with competitiveness, innovation, greed, job insecurity, weak labour laws, low pensions and poor benefits, reduced public expenditure in some areas and enormous and growing social inequality, our neighbours in Europe have not gone quite as far and still appear to retain a system of taxation that is based on income and revenue to that those who are paid the most contribute more to the needs of society. France, Germany and Italy, Spain and the Netherlands have higher levels of public expenditure and many of their peoples appear much more content. As the US economist J K Galbraith wrote,

"The rational liberal, in the future, will resist tax reduction, even that which ostensibly favours the poor, if it is at the price of social balance. And, for the same reason, he will not hesitate to accept increases that are neutral as regards the distribution of income."

**(John Kenneth Galbraith. (1908 - 2006) US Economist, *The Affluent Age* (1958).**

Many countries in the European Union have much more generous state pensions and benefits, there is a greater degree of cohesion and social security but unemployment figures are, for the time being, poor. However, the Scandinavian countries, Denmark, Sweden and Norway have much higher levels of investment in public services, standards of education are very high, employment is high, benefits are high, productivity and entrepreneurship are high and so is competitiveness. So, why can advanced industrial countries not consider their economic and social model? I wonder what would happen with a change of national politics in those countries and would a shift in political direction lead to an increase in disenchantment and disruption.

I suspect, although I have no proof or research to support the statement, that the majority of people see no point in living on meagre handouts from social security and instead would choose to look after themselves and their families through paid employment. To that end it must be the responsibility of politicians and senior businessmen to create opportunities for employment and to pay a reasonable wage to avoid 'means-testing' benefit schemes getting out of hand.

It is quite possible that a majority of people hope and believe that companies might act not only in a responsible manner in their pursuit of profit but that they, by that I mean Chairmen, Chief Executives and Boards of directors, will comply with every facet of the law to ensure that their company, their organization, maintains ethical standards, which include integrity, openness and respect for their employees, customers and suppliers as well as looking after the best interests of shareholders. But, regrettably, it seems that politicians and businessmen often do not have ethics.

The creation of wealth should not be diametrically opposite to the implementation of corporate social responsibility, indeed providing goods and services of a good quality that people need and at a reasonable price should be the norm and not the exception.

Successful companies must understand and appreciate the need to invest in people as well as products, procedures and practices within their organization as part of their commitment to social as well as environmental issues. Indeed, it would make corporate sense to act in a completely responsible social manner as part of the process of adopting a shared responsibility to economic and social issues by taking into account the needs of the community they serve for the fundamental reason that it has been shown time and again that adopting ethical values tends to improve business and improve the 'bottom-line' but only when customers pay attention to those same social, ethical and environmental issues. Therefore, not to make an effort to alter business strategy to improve social, environmental and ethical values might be seen as corporate irresponsibility.

It was, somehow, comforting to read that the award for Impact on Society for small companies in 2003 went to Adnams, a Brewer and Wine Merchant in Suffolk, because, according to the judges, their values were based on achieving customer satisfaction, making environmental improvements, maintaining links in the local community and had a strong commitment to their employees thus underpinning an understanding of the need for individual motivation and communication between owners, managers and employees. These are many of the clear reasons for business success.

Also, we have to acknowledge that the numerous and various flora and fauna and mineral resources on our planet and in our oceans are not infinite and that is why we must make greater and greater efforts to re-cycle and re-use minerals and metals and natural elements and to make greater efforts to provide alternate sources of power, solar, wind or whatever else is renewable.

It is why companies involved in all aspects of fuel production and exploration should invest more to seek to minimize greenhouse gas emissions; and, why people must understand that demanding more and more wealth and manufactured products only increases deprivation in other areas and this gives a moral as well as an ethical twist to social responsibility. As Francois Noel Babeuf, a French journalist and commentator on social and moral values, wrote in the 18th century,

"Nothing has been better proven than this maxim: that one succeeds in having too much only by causing others not to have enough."

**(Francois-Noel Babeuf (Gracchus) 1760 – 1797) French Journalist)**

Companies and organizations are established by people, human beings; companies and organizations are managed by people, in positions of responsibility and accountability, and they employ people who use their knowledge and skills to innovate or manufacture and provide goods or services to people, customers, clients or patients. Therefore, we all have a duty and responsibility to consider social, moral and ethical issues when we purchase any goods, use any products or make use of utility services to ensure that we do so taking environmental matters into consideration.

We often hear about, and are lectured to, on best business practice but somehow I get the feeling that this is not applied to areas such as corporate social responsibility, and more especially when related to social, ethical, moral and environmental issues. There must be room for greater effort and involvement and perhaps we need to take a closer look at how other countries, companies and organizations are managed and led and to change, where necessary, our overall social, ethical and economic model.

(4060 words including quotations)

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