Social responsibility and the company: A new perspective on governance, strategy and the community

Social Responsibility and the Company: A New Perspective on Governance, Strategy and the Community

by Adrienne Von Tunzelmann and David Cullwick

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Corporate social responsibility (CSR) - what's in it for companies? Quite a lot, according to business and public policy consultant Adrienne von Tunzelmann, in her recent book *Social Responsibility and the Company: A New Perspective on Governance*, Strategy and the Community. Ms von Tunzelmann argues that it is not necessary to suppose that companies face an inherent conflict in the choice between the pursuit of commercial success and contributing to the goals of society and the communities in which they operate. She suggests that incorporating CSR policy into business strategy offers a number of advantages. It, may, for example:

- be a way of motivating and building pride in employees and managers (p.33);
- contribute to the development of a "healthier" community (e.g. through a better qualified workforce or a reduction in the level of crime), thus creating a more favourable business environment (p.60);
- assist in identifying new markets and anticipating societal and consumer preferences (p.19);
- allow differentiation from competitors (p.90);
- lead to an enhanced reputation - helping the company to be "well-liked" in the community (p.32);
- encourage a climate of trust and goodwill, facilitative of business (p.32);
- help in overcoming problems associated with the implementation of operational plans (p.40);
- and maintain public confidence in the legitimacy of business operations (p.19)
- minimise the prospects of future regulation (p.91).

Accordingly, rather than seeing CSR as a "distraction" from the main management tasks of directors and executives, or as a tradeoff against profitable activity,. Ms von Tunzelmann promotes the idea of corporations managing their "social environment" and community relationships as part of their "core business". Indeed, she suggests, if there are proven commercial benefits in good corporate citizenship, it can be argued that directors are in breach of their fiduciary duty to "act in the best interests of the company" if they fail to take care of key community relationships. She notes that there are some indications that CSR activity is viewed positively by sharemarket investors (although she admits that the empirical evidence is somewhat mixed) . CSR (or "corporate social investment" as Ms von Tunzelmann prefers to call it) can also be seen as a payback for the freedoms corporations have gained in a deregulated business environment (p.32). Ms von Tunzelmann also suggests that factoring "social considerations" into business decisions may become more important in an MMP environment, with wider public involvement in policy formation and implementation. Citing a speech given at a NZ Employers' Federation conference, she notes that the leadership role business can play in advocacy will rely in large part on establishing sources of knowledge and understanding about matters of social and community concern" (p.13).

The term CSR means different things to different people. Ms von Tunzelmann openly acknowledges that she has explored the topic from a business sector perspective; CSR is set firmly in the context of "creating value for owners". The book draws on material from interviews with a number of business leaders including Reserve Bank Governor Don Brash, NZ Business Roundtable Executive Director Roger Kerr, NZ Employers' Federation Chief Executive Steve Marshall and Telecom Chairman Peter Shirtcliffe. Noticeably absent are the perspectives of trade unions, consumer advocates, church groups and community action groups. While the book does not set out explicitly to explore public policy perspectives on the social responsibilities of companies, Ms von

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Tunzelmann does offer "some concluding thoughts" in this area. She notes, for example, that CSR may be thought of as "a complement, or alternative, to government policies and programmes", "an alternative to regulation of business activity" and that "commercial opportunities are opening up in the provision of social services" (p.l03).

It is debatable how much is "new" in Ms von Tunzelmann's approach to CSR. "Cynics" are likely to charge that it is nothing more than good old-fashioned profit maximisation and that there is little evidence of any "moral underpinning". In many ways, they would be correct. "Strategic CSR" rests on a traditional neo-classical economic view of the corporation as a vehicle for maximising shareholder wealth. Consumers, employees and local communities are to be "looked after" to the extent that it benefits corporate profits and, ultimately, the "owners" of the firm. People are still treated instrumentally as a means towards someone else's financial objective; all that has changed are views about the most effective methods of managing "human" and "community" resources. "Enlightened" managers recognise the potential impact of the social environment. Stakeholder relationships are important to the extent that they produce "value for shareholders" and managers remain accountable solely to shareholders for their "social" decisions. Far from representing a genuine ethical development, such initiatives often appear decidedly manipulative to those who wish to take a wider "stakeholder view" of the firm .

Ms von Tunzelmann concedes that financial self-interest is the clear motivation for companies trying to be "good corporate citizens" and it is tempting to take the attitude, as one reviewer did, that "if everyone wins", so what ? To the extent that Ms von Tunzelmann raises the issues for public discussion and highlights the interdependent nature of business-society relationships, her work is to be welcomed. It will provide managers, who wish to take account of the broader effects of corporate activity and make more "socially efficient" decisions, with a commercially acceptable rationalisation .

I have no quarrel with the idea that stakeholder-business relationships can be mutually beneficial or that CSR can make "economic sense". In seeking to maximise profits, business ignores employees, consumers and the wider community at its peril. Decently treated employees, for example, may well work "more productively". Similarly, business must have regard for changing social attitudes and expectations if it is to succeed commercially. However, much of Ms von Tunzelmann's work seems to rest on an underlying assumption of an automatic harmony of interests between "managers", shareholders" and "other stakeholders". Where conflicts of interests are recognised, the supremacy of shareholder claims is taken for granted. I struggle with both presuppositions.

For me Ms von Tunzelmann's approach leaves too many questions unanswered. Why will managers see the long-run benefits of CSR when they are rewarded so often on the basis of short-term results (and are often "not around" to see the longer-term consequences of their decisions)? If the economic benefits of CSR are so obvious, why do so many managers report experiencing conflicts between what is expected of them as profit-maximising managers and what they are personally comfortable with? If the commitment to CSR is genuine, why have managers (and indeed professional accounting bodies) been so reluctant to go beyond voluntary CSR reporting? Why do they not support formal monitoring of corporate performance through the development of mandatory "social" disclosures in annual reports? It is difficult to escape the conclusion that many companies are more concerned with the image (rather than the substance) of being "good corporate citizens".

From a public policy point of view, the ultimate test of the value of CSR cannot simply be what it contributes to management or shareholder interests. What about CSR that "costs profits"? To what extent should the community have to rely on "enlightened managers" (and sharemarkets) seeing the value of CSR? What about companies that don't want to be socially responsible? Why is the "the company" equated with "shareholders"? Is the point of business simply to make money for shareholders? Are workers just "human resources" for the owners of share capital? Do fiduciary responsibilities and reporting requirements to groups other than shareholders need to be formalised in company law? Will "CSR-talk" deflect attention from the need to construct adequate legal control of corporate activity, and put more power into the hands of private managers? In an MMP environment is it time to re-explore the concept of industrial democracy?

Many of these issues were debated during the 1930s (the Berle-Dodd debate), the 1950s and again in the 1970s . Then, as now, different approaches to CSR rested on different views, both about the way the world is and the way it should be. Competing descriptive and normative perspectives, in turn, gave rise to strongly conflicting political visions of the firm and corporate governance structures. Like Millon (1993), I believe the ideological rifts are deep and likely to persist. I suspect we are no closer to a consensus, but it is good to see the issues being aired again.

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PDF | Corporate Social Responsibility (CSR) has become a pervasive topic in the business literature, but has largely neglected the role of institutions. This introductory article to the Special Issue of Socio-Economic Review examines the potential contributions of institutional... institutional theory: new perspectives on. private governance. Stephen Brammer1, Gregory Jackson2,*, and Dirk Matten3. well-being of the community and for the protection of the environ-. ment. The law is now based on a new approach. Pursuing the interests. of shareholders and embracing wider responsibilities are complemen Corporate Social Responsibility and institutional theory: new perspectives on private governance. Stephen Brammer1, Gregory Jackson2,*, and Dirk Matten3. 1Warwick Business School, University of Warwick, Coventry, UK; 2School of Business and Economics, Freie Universita¨ t Berlin, Berlin, Germany; 3Schulich School of Business, York University, Toronto, Canada. other business relationships, impacts on the environment and community and long-term consequences, among others. Margaret Hodge, Minister of State for In-dustry and Regions, described this new concept of the company in the following terms The law is now based on a new approach.

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