

Corporate Social Responsibility and Business Objectives

Sergei Lukin

Belarus State Economic University

lukin23us@yahoo.com

Abstract

The major internal reason for forming CSR policy was the realization by the management and the owners of the direct correlation between the economical results of the companies activities and their image, behavior patterns towards personnel, partners, society in general and the environment. Image can be a tool of commercial success. Such hierarchy of aims and means is leading towards basing CSR policy building not on eternal ethic principles, rooted at the Christianity, but on “opportunistic ethics”, public opinion. Of course, there are companies, which perceive or at least declare healthy development of a company as a living body, the wellbeing of all stakeholders, society in general and the environment as priority objective. This approach is the closest to the vision of catholic social thought. In this vision the concept of company’s social responsibility is broader and deeper then CSR definition. It includes responsibility in front of God and people for one’s activity, serving God in the business field.

Russia has rich history of corporate charity, interrupted for more then 70 years by Bolshevik revolution. Post-communist period in Russia and Belarus is characterised by simultaneous slow intervention of CSR ideas from the west, flashbacks of communist approach to social responsibility and slow renaissance of local charity and social responsibility traditions. Complex symbiosis of these phenomena exists in the modern transitional society of Russia and Belarus. The state, especially in Belarus, strives to keep the image of being the only really socially responsible institution. Many private enterprises are focused on their sheer survival, and they have to bear the occasions of “charity racket” from the state. In this situation the role of Christian social thought, restoring lost personal values and setting for business high goals of piety, can’t be underestimated.

Introduction

Corporate Social Responsibility (CSR) is a reality of recent decades. The necessity to form a policy of interrelations with society was first taken into consideration by American and European companies at the end of the 1970-ties. In countries with transformational and post-transformational economics, Russia in particular, the CSR notions became frequent only the last 3-5 years. The term CSR itself was established only about 20 years ago.

One can distinguish between internal and external motivations, driving the companies to develop their CSR policies, including, first of all, corporate ethics, corporate policy towards society, environment protection policy, HR policy, humanitarian aspects of relations with suppliers and consumers.

Following reasons can be qualified as external motivations: the increasing of environmental problems caused social tension, directed at states; governments, in their turn, pushed for stricter environment protection standards; trade unions are forcing new standards in protection of labour and social policies, adding to new state standards in the labour legislation field.

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Company's Objectives Hierarchy During CSR Policy Forming. CSR Definitions

Economic theory mainstream, that is more conservative than economic practices, is noticeably changing its direction. It moves towards the position of those, who admit possible existence of companies' objectives, other than profit maximization. More than that, such objectives can be of higher priority. For example, CEO's priorities could be the company's growth, or its positive image. This conditions enable CEO to increase his fees, personal influence, career growth opportunities etc..

Company's image can be a tool of sales and profit increasing. One of the major US companies union, promoting CSR conception, defines it as: "Achieving a commercial success by the means, based on ethic regulations and respect to people, communities, environment" (Business for Social Responsibility. "Overview of Corporate Social Responsibility" 2003.¹ In this definition the commercial success posed as a target, and CSR as a tool to reach it. Such hierarchy of aims and means is leading towards basing CSR policy not on eternal ethic principles, rooted at the Christianity, but on "opportunistic ethics", public opinion. For example, British Co-operative bank is considered to be among the leaders in implementing CSR principles into the company's activities. At the "Policy of ethic investments", developed by the bank, the denial to credit selling weapons to dictatorships, to invest into tobacco and natural furs production and distribution companies is declared. It implies that trading arms to countries, not perceived by British government as dictatorships is acceptable. It's still a topic for discussion, what is more harmful for environment: production of natural furs (wasteless), or production of synthetic fiber from oil. The public opinion at the moment is against natural furs. This is how the positive image of the bank is created. Of course, there are companies, which are at least declaring the CSR as the core objective of their activities. Healthy development of a company as a living body, the wellbeing of all stakeholders, society in general and the environment are priority objectives for them. Profit and sales revenues are the indicators of proper functioning of the company and are the source to reach the main target, but not the target itself.

The image, described above might be idealistic, but it's used as reference point by real companies. At the World Congress for Sustainable Development following definition of CSR was given in the Lord Holm and Richard Watts' report "Making Good Business Sense": "CSR is a constant adherence of business to committing actions on ethical basis and delivering to economical development, rising living standards of the employees, their families and society as a whole at the same time". This approach is the closest to the vision of catholic social thought.

Catholic Social Thought on the Objectives of Enterprises

According to CST, objectives of any business are derivatives from the objectives of economics. Joseph Kardinal Hoffner, summarizing the regulations of *Gaudium et Spes* and *Quadragesimo Anno*, noticed, that economics is not the only and highest matter, but it should be given a right position at the "proper objectives hierarchy" (QA 43). Higher position in this hierarchy is taken by dignity and freedom of a person, marriage and family, religion and morality, cultural values and "*the ultimate goal and sum of all things*", God (QA 43). An attempt to destroy this harmony and turn higher values to the objects of economical processes is a technocracy and humiliation of humanity (see GS 64). The goal is not persistent increase in material welfare, but serving to common social aims. During last decades, people were offered new products they did not demand, because they didn't know such goods can be produced. Gradually new tendency is finding its way: people and society are making

demands to the economics in the field of environmental protection, for example (creation of ecologically harmless machinery and vehicles etc.).²

Pope John Paul II is defining a sample of “*society of free labour, enterprise and participation*’ in “*Centesimus annus*” (CA 35), and comments on this: “Church is acknowledging the rightful *function of profit* as indicator of normal operation of an enterprise... But profit is not the only indicator of existing conditions at the enterprise. It happens that economical sowing is perfect, but people, that are the most precious possession of the enterprise, are offended and humiliated. Besides that it’s unacceptable for moral reasons, such situation will negatively influence economical effectiveness of this enterprise in future. Truly, the aim of an enterprise is not simple profit generation, but the existence of this enterprise as a *community of people*”. (CA 35). In this regard it’s stressed, that the aim of the enterprise is primarily wellbeing of the involved person, based on proper hierarchy of objectives. It explains the importance of involving the enterprise stuff to the company management in the catholic social doctrine. This problem was a topic for discussion at one of the previous conferences.

In general Christian social doctrine is of normative nature. It provides frame of reference to person, corporation, and society in general. They are encouraged to develop up to the stated level. Some intermediate levels are also described to help assessing the growth. CSR policy is based on the experience of successful companies and in general can be characterized as a positive doctrine.

Social Conception of Russian Orthodox Church and Russian Experience of Corporative Charity

The Principles of Social Conception of Russian Orthodox Church are also stating the social responsibility of business. It’s imposed with two main responsibilities. First is a just payment for fair labour. Church claims, that refusal to pay for fair labour is not only the crime against human, but is also a sin. Second, the God’s commandment orders every worker (and primarily, the businessman) to care for those unable to earn their living for several reasons: for the weak, diseased, refugees, orphans and widows – and to share the fruits of one’s labour so “*that the LORD thy God may bless thee in all the work of thine hands*” (*Deuteronomy, XXIV, 19-22*)³. This emphasize that the main goal of human activity is piety and that long-term success (in business, in particular) depends on godly deeds.

Russia has rich history of corporate charity, interrupted for more then 70 years by Bolshevist revolution. Many entrepreneurs of Russian Empire perceived active involvement in financing and monitoring of social programs as their Christian duty. In 1910 in Russia at least 4762 charity societies and 6278 charity institutions existed. Only 25% of their budget was formed by state and local authorities’ treasury. The rest three fourth were from private donations, mostly of the merchants.⁴ These assets were spent purposeful, with the use of business skills of the donors, and in most cases more effectively than in case of state financed social programs. Money was mostly directed at help to handicapped, widows, aged, children and pupils; at medical help. Tannery owners Bahrushin, being very ascetic in their style of living, built churches, hospitals (including well-known Bahrushinskaya (Ostroumovskaya) in Moscow), charity houses, children shelters, free housing for widows with children and female students etc.. Famous Prohorov dynasty donated lots of money to educational institutions. Such entrepreneurs as P.G. Shelaputin, S.A. Protopopov, merchants A.D. Alekseeva, N.M. Bardygin were well-known charity-givers.

During the 73 years of communist party government all social responsibility was taken by the state. But as it was properly noted by Joseph Kardinal Hoffner “state care acts coldly and impersonal”. This was experienced in full measure by everyone who lived in Soviet Union. Post-communist period in Russia and Belarus is characterised by simultaneous slow intervention of CSR ideas from the west, flashbacks of communist approach to social responsibility and slow renaissance of local charity and social responsibility traditions. Complex symbiosis of these phenomena exists in the modern transitional society of Russia and Belarus. The state, especially in Belarus, strives to keep the image of being the only really socially responsible institution. Many private enterprises are focused on their sheer survival, and they have to bear the occasions of “charity racket” (Alekseeva) from the state. In communist times many manufacturing enterprises held financial responsibility over kindergartens, hospitals etc.. In the recent years it became a common practice of putting the burden of supporting inefficient agricultural enterprises at the successful private production and service companies (from outside it looks like they volunteered for this) In this situation the role of Christian social thought, restoring lost personal values and setting for business high goals of piety, can’t be underestimated.

“Homo Economicus” & CSR

Classic abstract “homo economicus” had little interest in social responsibility. He cared for his personal needs only. But in real modern society, just as at the times of A. Smith, most of the people have more complicated motivation of their economical behaviour. Adam Smith, in his “Wealth of Nations” was just proving that even if the society would consist exclusively from merchants, pursuing their own interests, but respecting the right of others to pursue one’s interests, such society could have existed. This society would be far from perfect, resembling unconscious human body that can still perform critical living functions. In his unfortunately less-known work “Theory of Moral Sentiments’ Smith wrote: “among the different members of the society there should be no mutual love and affection, the society, though less happy and agreeable, will not necessarily be dissolved. Society may subsist among different men, as among different merchants, from a sense of its utility, without any mutual love or affection; and though no man in it should owe any obligation, or be bound in gratitude to any other, it may still be upheld by a mercenary exchange of good offices according to an agreed valuation. Society, however, cannot subsist among those who are at all times ready to hurt and injure one another.”⁵

Christian social thought has a mission of drawing individual economical behavior motivation closer to the Christian ideal, of influencing every person, of purifying him from «homo economicus» so to reveal the image of God inside of him.

¹ Quoted after Olga Alekseeva. *Corporation as a Socially Responsible Member of Society*: www.Cafrussia.ru/kf/docs/article-kso-Alexeeva1

² Joseph Kardinal Hoffner / *Christliche Gesellschaftslehre. II.III.I.§2.*

³ *The principles of social conception of Russian Orthodox Church. VI.6.*

⁴ S.K. Nikitina. *History of Russian Entrepreneurship* .- M.: «Publishing house «Economics», 2001.- C.288

⁵ Adam Smith. *Theory of Moral Sentiments. II, II, 16.*