

# Corporate Social Responsibility

*David Parish shows how companies have been reluctant in the past to take corporate responsibility, sometimes with shocking consequences. However, the climate today is better, although he asks whether this is simply box-ticking rather than real generosity. He concludes by citing the biblical injunctions on care for the poor and marginalised, and suggests legislation to enforce CSR.*

Corporate Social Responsibility. Three words that to some reflect the way that business is developing a social conscience. To others they are a mere Public Relations fig leaf, masking the fact that some businesses continue to exploit people for profit. I have heard it described as 'Cringeworthy Self-serving Rubbish'.

As with most areas of business it depends on the company and the context in which business is being carried out. Does Christian teaching have anything to add to the debate?

Since the introduction of factory methods of production and large-scale use of labour in the 1870s business has been wrestling with its

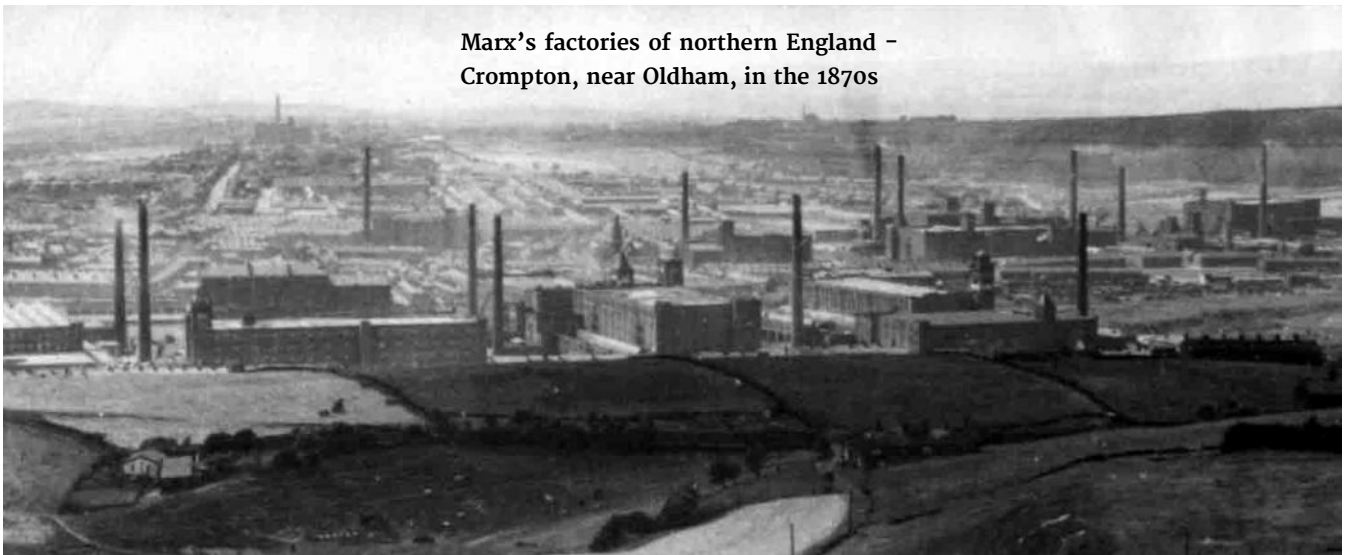
conscience. To a large extent this concerns whether profit should be viewed as the sole mark of the success of an enterprise. Karl Marx, writing *Das Kapital* in 1867 in his small and shabby apartment in London, drew most of his example of exploitation of labour from the factories of Northern England, where the father of his close friend and collaborator Engels owned a factory. Marx's own wife wished that he had made more capital instead of just writing about it; their chairs were so dirty that one friend brought a cloth with him to sit on.

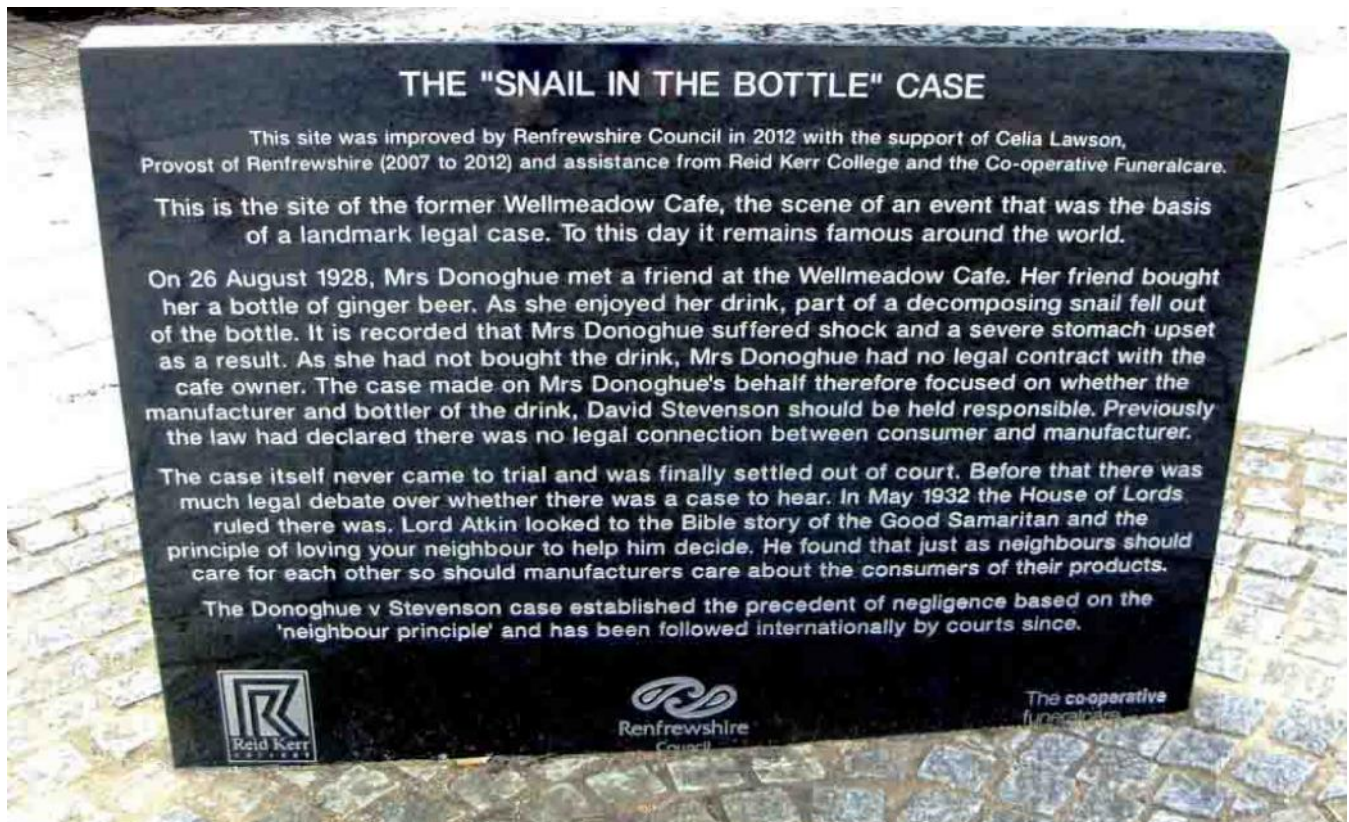
I always feel irony was lost on Marx. Perhaps his Germanic background made him unable to see that it was only Engels' inherited wealth for the

most part that enabled him to devote time to writing, and that his use of the British Library for his research was indirectly funded by the taxes of the wealthy mill owners he condemned. Even today we need to be mindful of the broader ways in which business contributes to society.

In the same era the 'Chocolate' Quakers, Fry, Rowntree and Cadbury, were all looking at ways to improve both working conditions and the quality of their products. It was not unknown at the time for some makers of drinking chocolate to add chalk dust to the product. This period is wonderfully described by Deborah Cadbury in her book *Chocolate Wars*.

**Marx's factories of northern England - Crompton, near Oldham, in the 1870s**





**Monument erected on the site of the café in Paisley, Renfrewshire, Scotland, where Mrs Donoghue drank the ginger ale**

Slow progress was made during the early and mid 1900s to improve product quality and also to protect the consumer. This was often achieved by individuals being willing to go to court to challenge the company that had harmed them. This produced some of the most interesting cases in British legal history. In *Thompson v London, Midland and Scottish Railway (1930)* the passenger Mrs Thompson alighted from a train in Darwen in Lancashire on a dark wet night and slipped on an ill-lit ramp.

Although a jury found the company negligent, the judge on appeal ruled the company was not liable because the conditions printed on the ticket stated they were not liable for injury.

This is why today when you print out your airline e-ticket the conditions run to two pages! Probably today Mrs Thompson would have been protected by the Unfair Contract Terms Act (1977) and in the recent tragic accident in the Alps it will be interesting to see if the courts allow the airline to claim limited liability.

In 'The Paisley Snail' case (*Donoghue v Stevenson 1932*) Mrs Donoghue drank from a dark brown bottle of ginger ale and as the last amount was poured in the glass out fell a dead snail. Not surprisingly she fell ill, and sued the Stevenson Drink Company and won damages for negligence.

### **The Consumer Revolution**

The phrase CSR only came into use in the 1990s. However Professor Archie Carroll from the University of Georgia traces its modern origins to the 1950s as businesses in America began to grow rapidly in the post-war boom and communities faced with pollution began to organise against the over-exploitation of natural resources, while the labour unions began to push for better and safer conditions in the factories<sup>2</sup>.

This was followed in the 1960s by the rise of consumer groups demanding safer and better made products. Ralph Nader, a graduate of Princeton and the Harvard Law School wrote a

book in 1965 called *Unsafe at Any Speed*.<sup>3</sup> This was a critique of the American automobile industry and in particular General Motors whose spate of accidents had sparked a series of lawsuits against it.

The GM response, according to press reports at the time, was to try and discredit Nader; he won a lawsuit against them for \$425,000 for invasion of privacy. Nader's background is interesting in that he was raised in the Antiochian Greek Orthodox church. His father, who was from Lebanon, owned a bakery and told Ralph that 'not everything can be measured by the dollar'.

However it was in the 1990s that companies began to use the phrase 'licence to operate' and this was popularised by Tomorrow's Company to describe a broader responsibility to stakeholders – checking if the way companies ran their business had public support in terms of product quality and safety, in the way workers were treated and the environment was protected.<sup>4</sup>



## The Company as a Good Citizen

One of the most public exposures of the use of child labour took place at Nike, the sportswear manufacturer. As this quote from *Corporate Social Responsibility* magazine in 2010 shows:

*The 1990s was not a good decade for Nike's reputation. Especially mid-decade, one might imagine that the Greek Goddess of Victory would have wanted to send down Zeus' henchmen to snatch her name back from the Oregon-based sportswear company. Through the 1970s, when it was still known as Blue Ribbon Sports, the company focused its business model on finding low-cost producers overseas in an effort to undercut competitors and gain entry into the marketplace.<sup>5</sup>*

According to an academic paper by Richard Locke at the MIT Industrial Performance Center, criticism of Nike's subcontractors subverting minimum wage laws in Indonesia appeared in 1994 in *Rolling Stone*, *The New York Times*, *Foreign Affairs*

and *The New Republic*. The company tried to ignore the issue, claiming it could not be held responsible for the practices of suppliers. But then in June 1996, *Life* magazine published pictures of a child in Pakistan assembling Nike soccer balls. This was a critical event in reshaping the company's view of its responsibility for the supply chain, according to Locke.

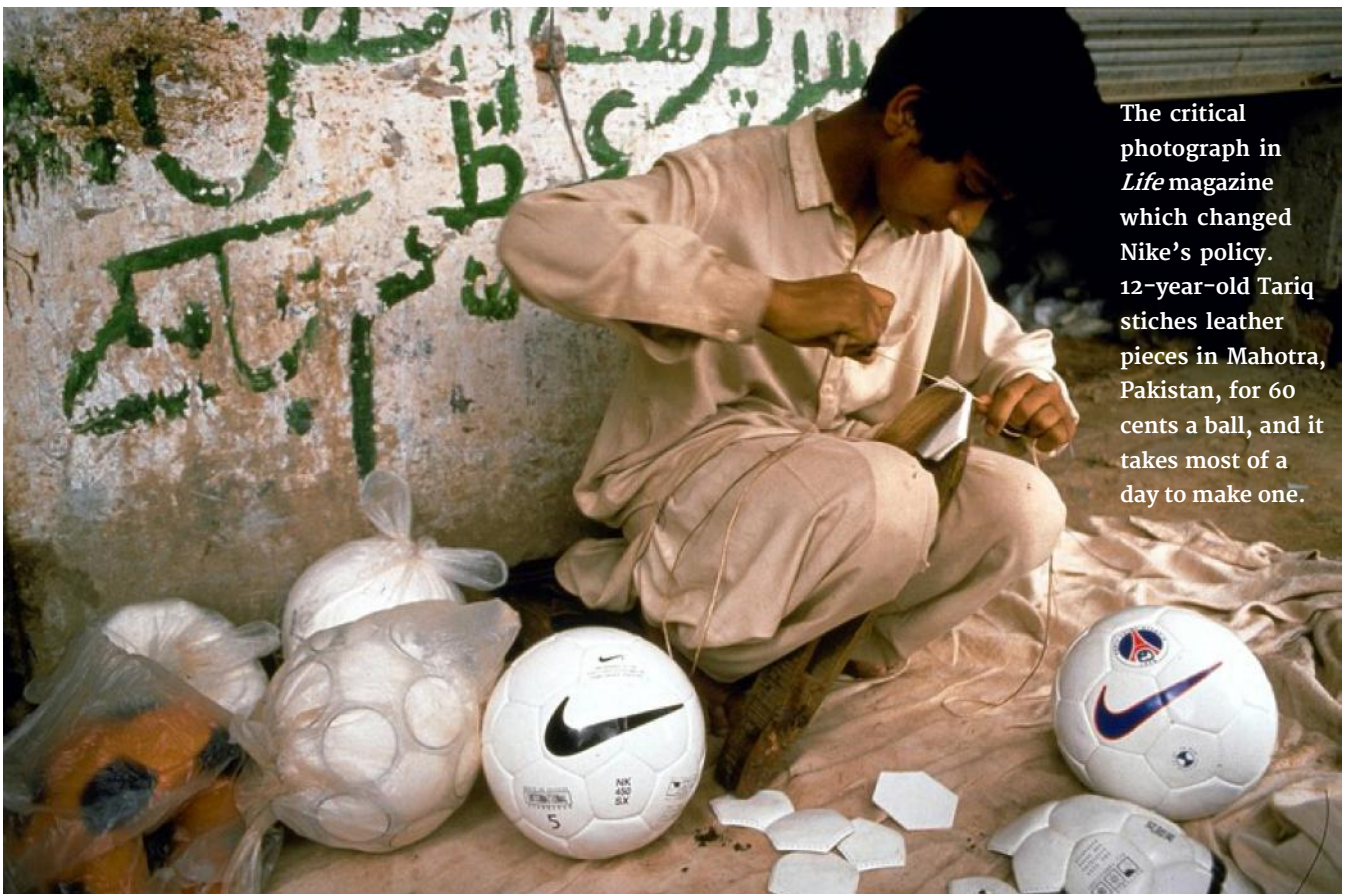
After a 1997 company-sponsored Ernst & Young audit of a Vietnamese factory was obtained and leaked by the Transnational Resource and Action Center (now known as CorpWatch), Nike's chairman and CEO Phil Knight issued a *mea culpa*. This was a major wake-up call for Nike and since then they have tried more than most companies to check their supply chain and ensure it is ethical. As well as their product web site they have <http://www.nikebiz.com/crreport/>, which has reports by independent ethical auditors on their progress to ensure that no child labour occurs in the supply chain.

*Our vision is clear: to help NIKE, Inc. and our consumers thrive in a sustainable economy where people, profit and planet are in balance. To get there, we're integrating sustainability principles and practices into everything we do: design; developing sustainable materials; rethinking processes; advocating for change in industry. To measure our progress, we set ambitious long-term targets and report on our performance.<sup>6</sup>*

Since the banking crisis even the banks are trying to improve, though you might feel they have some catching up to do and a need to reform their internal culture as well as committing to CSR.

Bloomberg News in 2014 carried this story on Morgan Stanley::

*Morgan Stanley has been recognized today as the top community-minded company for its size and as the top company in its industry in The Civic 50, an annual initiative that identifies*



The critical photograph in *Life* magazine which changed Nike's policy. 12-year-old Tariq stitches leather pieces in Mahotra, Pakistan, for 60 cents a ball, and it takes most of a day to make one.

and recognizes companies for their commitment to improve the quality of life in the communities where they do business. The survey was conducted by the National Conference on Citizenship (NCoC) and Points of Light, leading experts on civic engagement, and published by Bloomberg News.<sup>7</sup>

Morgan Stanley received the No. 1 ranking for all large-cap companies and the No. 1 ranking across all financial services companies. The firm also achieved the top ranking across all companies for its organisational commitment, a measurement based on the scope of community engagement programming and how fully the firm engages all of its resources to strengthen communities. Additionally, the listing placed Morgan Stanley second among all companies for its ability to measure impact and third for fostering civic culture.<sup>1</sup>

In the UK, with Prince Charles as its President, Business in the Community (BiC) has been encouraging companies to improve their support for the communities in which they operate. They offer self-diagnostic tools to help companies check on progress as well as

publishing annual league tables. BiC promotes a Responsible Business Week and recently Stephen Howard, Chief Executive of BiC, wrote this on his blog:

*I've been asked a few times in recent months why we need a Responsible Business Week. This question in itself highlights just how pervasive the continuing trust problem facing business is. Every day businesses are engaged in activity which tackles some of our big issues, creates value and unlocks innovation, yet much of this activity is never communicated to customers and employees let alone the wider public or media. Many businesses are also reluctant to engage in transparent conversations about their value to society for fear of public backlash.<sup>8</sup>*

### Corporate Giving

Another question that is often asked is how generous are these companies?

The Directory of Social Change in 2013 published its *Company Giving Almanac* of UK companies and analysed the top 418 corporate donors to UK charities. The companies gave a total of £600m including £470m in cash. However

20% of the largest companies gave 90% of the cash. This represents only 2% of the voluntary sectors income compared with public donations making 43% and statutory funding of 37%. Compared with 2012 corporate giving has fallen by 25% in the same period that profits grew 55%.

In the table below I have taken UK companies from the DSC list and compared their giving to turnover as this is more constant than profit and companies state profits in various ways. This shows the majority give less than 0.1% of their turnover. Compared with profit most give around 1% though the average for the 418 companies was less than 1%.

When Hector Laing – later Lord Laing – was CEO of United Biscuits he suggested a 1% Club that all businesses, large and small, could sign up to. Laing was a leading Evangelical layman and often spoke at the Business Study Group at LICC.

Direct giving is important to charities as their key need year to year is to cover the core costs of the activities they provide. Clearly business could and should do more in terms of giving as part of their commitment to the communities in which they are based. A good example of this is the project 'Islington Giving' which was

Company	Turnover £	Cash given UK £	Cash given world wide £	Total cash	% of Turnover	Comments
Accenture	17bn	118k	28m	28.1 m	0.16%	
BP	2.3bn	4.5m	65m	69.5m	0.3%	
EDF	6.4bn			3.2m	1.5%	Giving via EDF Energy Trust
Heathrow Airport Ltd	2.4bn	620k			2.56%	HAL use noise fines to fund their community foundation
HSBC	51bn	0.6m	59.6m	70.7m	0.13%	
Lloyds group		83m	510m	5.93m	0.2%	Giving via Lloyds Foundation
Morgan Stanley	2.5bn	90k	Not recorded	990k	0.05%	
Marks and Spencer	9.9bn			6.9m	0.07%	



launched about five years ago by the Cripplegate Foundation and McQuarrie Bank, whose UK Head Office is in Islington. The initiative brings together businesses of all sizes who donate money and human resources to help local charities. This type of community giving is expanding in London and 'Love Kingston' has similar objectives; I am currently working with local businesses in Richmond and Twickenham to start 'Giving Across Richmond'. 'Trust for London' is championing the expansion of this type of initiative in all the London Boroughs and other cities and major companies are exploring this type of localised community programme.

### Box-Ticking?

However despite all this activity there remain those who are sceptical of how deep CSR runs in large companies. I recently was given this quote by the owner of a medium-sized media company:

*In every company on earth there will be practices which are driven primarily by fear and not love, and that manifests itself in all sorts of*

*obvious ways, primarily companies that seek to save their lives and not to lose their lives for Christ's sake which perverts all of their practices. The most distorted practice I find is where companies have corporate social responsibility arms, because I now understand by that they have simply forgotten what they are doing. If they do it in a godly way, the generation of good products, that is corporately socially responsible.*

*That is how to bless the world - provided they operate by godly principles - not by having their little department called the CSR department. It is out of being a fully godly company that they bless society, not by doing this to benefit the shareholders and having a little department, glued on the side called the corporate social responsibility department; that is a misunderstanding. We challenge companies to shut down their corporate social responsibility department and simply use that energy to be corporate, a body that is socially*

*responsible in a way that it does everything. One of the things God has shown me is that the entire mechanism needs to go into reverse, so that if a company seeks first the kingdom of God in all its righteousness, it will be by design begin to honour God in all its dealings: it will benefit customers as a natural result of its staff being fully released to do what they were created to do collaboratively; that will generate such customer loyalty and flows of income that the company will not need to worry where its money comes from to lubricate its operation because when we seek first the kingdom of God, everything else we need is added on to us.*

*But it seems that the business culture has become profoundly separated from that truth and it believes that it means to add everything to itself and therefore uses everything else to do that, with a profoundly devastating effect on staff, morale, and the beauty and functionality of companies. People as a result work too much, too hard, there is very*





**‘Generous and ready to share’**  
 Volunteer and clients at West End Foodbank, Church of the Venerable Bede, Newcastle upon Tyne.  
 Most UK foodbanks are supplied by and run by churches.

*little play, there is very little singing in the work place, many workplaces are ugly, many people work long hours, many people feel discontented.* <sup>9</sup>

Perhaps an extreme view but heartfelt. In a secular age companies might not recognise that they are part of God's Kingdom but like the secular rulers, through whom God works out his plan for the world, God does use good corporate actions for the common good.

The other factor in a media age is that companies are being held to account through campaigns on social media. The outcry on various sites and in the press about the poor handling of the response to the deaths of two young children in a hotel leased by Thomas Cook has forced the current CEO Peter Fankhauser and his predecessor Harriet Green to publicly apologise for the way they handled the response.<sup>10</sup>

### **The Biblical and Early Church Perspective**

Generous giving is a theme throughout Scripture and in particular Paul in his letter to Timothy (1 Tim 6::18) tells the rich to be: 'rich in good works, generous and ready to share'. This is in line with an Old Testament heritage which set aside surplus for the poor, widows and aliens (Leviticus 19:9-10 and Proverbs 22:9).

Also the church throughout history has a good track record of seeking to provide financial support for the economically disadvantaged in the church and the wider community. Dr. Bruce Winter has used the quote 'Seek the Welfare of the City' from Jeremiah 29:7 as the title of his book about the benefactors in the early church.<sup>11</sup> The original reference of the prophet's words were that the Jews should act as conscientious citizens of the country - namely Babylon - where they were in exile, but they have a wider relevance.

In *Wealth and Poverty in the early Church and Society*, editor Susan Holman quotes Clement: 'One should engage in wealth in a dignified manner and share humanely, not in bad taste or boastfully'.<sup>12</sup> She points out that Clement frequently used the term 'philanthropos' in this context.

The church in Alexandria, though mainly comprised of poor workers and artisans, also had a wealthy elite drawn from Imperial and civic circles, as well as successful traders in the major commodities of the Middle East.

This perhaps helps to answer the question, whether companies should be obliged to put some of their profit into doing good, or is this purely something for individuals to do. Many first century traders would certainly be some form of corporate entity, from family and clan-owned businesses to more formal trading partnerships for specific ventures or voyages. In law today the incorporated is considered a 'juristic person' and

acts in that capacity and even acts committed by a previous CEO are still the responsibility of the present CEO.

## The Reformation

Though the Reformation produced much individual piety it did not seem to extend in the main to their business dealings. Sir Richard Gresham, a leading City figure and Anglican layman of note, was known as a bit of a brigand. When I researched the impact of the Reformation on business morality for an article last year it was clear he was not alone in sharp use of business practices.

When Martin Bucer was Regius Professor of Divinity at Cambridge in 1550, he wrote to the young King Edward VI enclosing a copy of his work *The Kingdom of Christ* on how a country could be ruled on the basis of Christian teaching. This covered a chapter on how to regulate business and how it could serve the 'commonwealth' or common good. 'Marketing (i.e. trade) is a business which is honest and necessary for the commonwealth...Therefore in as much merchants commonly reject this purpose they break out in wickedness and greed' - they live immoderately and they perpetuate frauds'.<sup>13</sup>

He then goes on to suggest that since companies were not trading ethically the King appoint overseers of business and trade.

## Should Government Intervene?

At present under UK law companies are encouraged to report on their CSR activities but it is not mandatory. Nor is it mandatory to engage in any kind of CSR activity.



The Indian Government in their new Companies Act of 2013 make both the reporting and engagement in CSR activity mandatory and the Act contains two pages detailing the type of activities the government wishes to see; the companies must devote at least 2% of profit to CSR activities.

In South Africa although the 1973 Companies Act does not mandate CSR activity, the King Committee report on company governance recommends that companies report on their CSR activities in a consistent format. Most companies now comply.

Recently the Scottish Government has launched the Scottish Business Pledge in which Government and Businesses will work together to

ensure business and the community flourishes.<sup>14</sup> The key requirements for those companies joining the scheme are to pay The Living Wage and initially at least two of the other nine commitments which include encouraging better workforce engagement, community support, investing in youth and innovation.

Similar initiatives for the whole of the UK would be very helpful in encouraging consistency and ensuring that companies that have a good track record are recognised. Perhaps a 'quality mark' could be given by government that companies could use on their letter heading similar to the 'Queen's Award for Enterprise'.

Without legislation or official government support it is unlikely that CSR will become the norm for every company and it will also prevent CSR becoming a simple 'box ticking' exercise or a nominal response simply to satisfy public relations. Companies benefit from the resources provided by the communities in which they are based and therefore it seems a natural extension of their activity to give something back into those communities.  

1. Deborah Cadbury, *Chocolate Wars*, HarperCollins, 2011.
2. [www.academia.edu/419517/Corporate\\_Social\\_Responsibility\\_Evolution\\_of\\_a\\_Definitional\\_Construct](http://www.academia.edu/419517/Corporate_Social_Responsibility_Evolution_of_a_Definitional_Construct)
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7. [www.bloomberg.com/article/2014-07-11/ajaYrbyj107U.html](http://www.bloomberg.com/article/2014-07-11/ajaYrbyj107U.html)
8. [www.bitc.org.uk/services/benchmarking/cr-index/2015-company-listing](http://www.bitc.org.uk/services/benchmarking/cr-index/2015-company-listing)
9. These views were expressed by Jeremy Higham of J&E Higham.
10. [www.theguardian.com/business/2015/may/20/thomas-cook-says-sorry-over-handling-of-childrens-deaths-compensation-case](http://www.theguardian.com/business/2015/may/20/thomas-cook-says-sorry-over-handling-of-childrens-deaths-compensation-case)
11. Published by Eerdmans in 1994.
12. Susan Holman (ed.), 'Wealth and Poverty in the Early Church and Society, p.74
13. Wilhelm Pauck, Melancthon and Bucer, Westminster/John Knox Press, 1969, p.342
14. [news.scotland.gov.uk/Speeches-Briefings/Launch-of-the-Scottish-Business-Pledge-192b.aspx](http://news.scotland.gov.uk/Speeches-Briefings/Launch-of-the-Scottish-Business-Pledge-192b.aspx)



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