A response to David Parish on Corporate Social Responsibility

(FiBQ 17.3, pp. 13-19)

***Gary Cundill** finds that David Parish's article in FiBQ 17.3 may be inadequate in its arguments that CSR should be adopted by companies who are not owned by Christians. He adds extra reasons for non-Christian profit-driven corporations to be enthusiastic about CSR.*

In FiBQ 17.3 David Parish has written a useful article on Corporate Social Responsibility (CSR). He has provided us with a historical introduction containing some delightful anecdotes, and he has highlighted some key aspects of the current state of play in this area of business activity. In illustrating some of the points he is making he quotes inspiring examples.

CSR is a large and controversial topic, and David has naturally had to be selective in his material in order to comply with the space constraints of the journal. Several of the issues he deals with could easily form the subjects of articles of their own. For example, I am very sympathetic to the idea of driving CSR via regulation. The question is begged, though – would it then be CSR, or merely legal compliance? This is an important issue, but not one that is practical to unpack in a paragraph or two.

I would suggest, however, that David's description of CSR is marred by one significant flaw that ultimately renders his treatment of the subject unconvincing. He has not addressed adequately the issue of motivation – *why* is it that companies should engage in CSR?

In his section on corporate giving, David makes the bold statement that 'business could and should do more in terms of giving'. The first component, the capability of business to give, is beyond the scope of this response. The second, normative point needs examination. Do David's arguments warrant his

Why CSR? Illustration from the Adam Smith Institute implying that CSR pays financially assertion that business should do more in terms of giving?

The first is that companies benefit from community resources, and therefore should return something to these communities. At face value this argument certainly 'feels' right. It seems only fair that, if a company's owners derive benefit from a company's presence in a particular community, there should be some kind of *quid pro quo*. What has been forgotten, though, is that communities usually do derive benefits from local businesses. These are often in the form of jobs for community members, and the taxes that companies pay to various spheres of government. It only takes a visit to a mining town where the mine has closed down to realise some of the benefits that accrue to the local community from business. David provides no explanation as to why companies should return to the community more than these 'natural' benefits.

The second is that companies that behave irresponsibly can be embarrassed by the media and by non-governmental organisations. This is indeed true, and I will return to this below, but it is a risky argument to use in isolation. If it is embarrassment that companies fear, their managers may decide that it is more cost-efficient to deploy PR (public relations) plans, rather than CR (corporate responsibility) plans. David provides no justification that would persuade managers to favour the latter course in preference to the former.

The third relates to the special case of the Christian business owner, and a substantial proportion of the article is devoted to such a situation. Here David tills fertile soil. God's word to his people includes strong views on the importance of conducting business in a socially responsible way. Examples of these injunctions include the requirement not to maximise profit at the expense of the poor and the alien (Leviticus 19:9-10), the unacceptability of extortionate lending activities (Amos 2:8) and the condemnation of oppressive human resources practices (James 5:4). The problem is this, however: while these injunctions may challenge and inspire Christian business owners, they provide no direct support to the great number of us who are employees in companies that certainly do not seek 'first the kingdom of God'. Those companies that appear in the FTSE100 index on the London Stock Exchange employ 5.9 million people[1]. The majority of their shareholders, often represented by faceless institutions, do not consider themselves bound by these injunctions. What then is the argument for CSR in this context?

A Christian manager may well wish to see a certain proportion of company funds distributed to people in need. Yet the same manager is being paid a salary to serve as an agent of the business owner(s). He or she has a duty to carry out the owner's mandate, which is typically framed in terms of growing the business, increasing profitability, managing risk, complying with the laws of the country, etc. Taking funds that belong to the owner and using them for a purpose such as philanthropy for which they have no mandate may be seen by an outsider as generous and praiseworthy CSR. An owner may take a very different view, however, describing the manager's action as a failure to carry

'Natural' benefits from local business

Crumnock, East Ayrshire, Scotland, devastated by the loss of its coal mine.

Photo: Getupandgo magazine

out the responsibility to deploy the company's resources in the interests of the company and its owner.

If managers, as distinct from Christian business owners, are to be persuaded to expend company resources on CSR, I would suggest that more convincing arguments are needed than are provided by David. But developing such arguments is difficult. For example, how does one go about determining just how responsible a business should be? On an individual level, Christians often fall back on the idea of a tithe, a tenth part of one's income, as a benchmark to work from. But what would the equivalent be for a business – a similar percentage? And even once one has made a decision as to the proportion of a company's resources that should be allocated to CSR activities, the next question is even more difficult – how should these resources be expended? In cash or in kind? On orphanages or wildlife refuges? The concept of stewardship may provide a relatively simple organising idea as we seek to determine God's will in this area (see e.g. Luke 12:35-48). For the sake of space, this response examines just two contexts: first, a business owned by Christians, and second, a business that's not Christian-owned, where I'll consider the actions of a Christian manager.

' As managers do they have a God-given right to divert the company's resources into activities of which the owner may disapprove? '

The first case: in the same way that Christians see themselves as stewards of what God has entrusted them with, the Christian business owner may consider the business to be an extension of personal resources. The task then is to discern what God wishes the owner to do with the resources of the company. As the owner, one can lay down rules for the managers as to how they are expected to go about carrying out the company's business – policy decisions, if you will – which would hopefully include taking cognisance of the biblical passages quoted above. One can issue instructions about philanthropy and tax paying, remuneration practices and community involvement. Ultimately, stewards have the opportunity to seek God's will, and the authority to implement it in the company they own. After all, what God requires from stewards is *faithfulness* (1 Corinthians 4:2).

Christian managers working in a company that is not Christian-owned are in a very different situation, as they are bound by the company's policies. 'Bound' may be too simplistic a term, though, since if Christian managers are sufficiently influential, they may be able to exercise their voice (to use Albert Hirschman's terminology[2]) in such a way as to alter these policies. Altering the policies may lead to the company engaging in more CSR-related activities. The problem, though, is whether they *should* do so. As managers do they have a God-given right to divert the company's resources into activities of which the owner may disapprove? Managers' roles may also be defined in terms of stewardship – in this case, as stewards of the owner, with the responsibility of carrying out the owner's will, with the resources that the owner has provided within the company.

So how do Christian managers reconcile duty to the employer, one of stewardship, to the responsibility towards God, also one of stewardship? It is of course easy to argue that, ultimately, responsibility to God must come first (cf. Acts 4:19). The result of this is that there may arise situations when it is appropriate for managers to leave the company (exit, in Hirschman's terminology), rather than to engage in acts of corporate irresponsibility – for example, deliberate tax evasion. But to what extent should Christian managers exercise their influence to cause a company to act more responsibly? How far should we go?

Nick Spencer's useful report '*Doing God': A future for faith in the public sphere*[3] offers guidance as to how Christians can engage within a non-Christian or multi-faith world. He stresses the need to 'show our workings', to be able to explain to non-Christians in terminology they understand, and using concepts with which they can agree, why what we are saying makes sense and should be listened to. Why should companies engage in CSR? Here's my attempt as a Christian manager to provide such a motivation:

The beneficiaries of CSR may be broadly described as people and the planet. People matter to the Christian, not least because we're each made in the image of God. But an argument could be made to almost any business owner that people matter because the company depends on employees and contractors and on human customers. Likewise, the world matters to the Christian, not least because our God took the trouble to make it, declared it good, died for it, and will one day take the trouble to re-create it (Romans 8:18-25). But an argument could be made to almost any business owner that the environment matters because a failure to care for it may impact significantly on the company's ability to operate. Examples may be found in the health impact of urban air pollution on workers in China's and India's cities, and the closing down of mines in the Andes due to their adverse environmental impact.

The work of Aguinis and Glavas[4] on predictors of CSR in companies offers several possible points of engagement for Christian managers wishing to convince non-Christian owners that allocating resources to

CSR makes sense. The appropriateness of each approach will depend on the context.

One argument could be that engaging in CSR may pre-empt government regulation that may be costly to the company. A well-known example of this approach in the international chemical industry is the Responsible Care initiative, aimed at demonstrating to the public and legislators alike that the industry should be allowed, at least in part, to self-regulate.

A second argument relates to reputation, although the comments made above about form over substance remain a warning. One might describe it as 'the golf-club argument'. Many business owners, when introduced to another golf-player, would prefer to be known as the owner of a company not only known to be profitable but also known as a good corporate citizen. Such an argument should not be necessary to persuade a Christian owner who has appropriated the teaching of Matthew 6:1-4. Yet this approach may well see an owner being prepared to allocate company resources to doing good, even if some of these same resources get spent publicising the good done.

A third argument could be framed in terms of enhancing the company's attractiveness to potential employees. The press regularly tell us that new entrants to the job market are now more concerned than in the past about what their prospective employer stands for[5]. An owner could appreciate that a company that can attract above-average employees should be able to compete more effectively in the market-place.

A fourth and similar argument may be made about customers. Some customers at least would not like to think that their purchasing decisions do harm, whether this harm be increased carbon emissions from a larger car, or deforestation of the Ituri Rainforest due to purchasing hardwood furniture. A company that engages in CSR may be able to command higher profit margins if customers' preferences for ethically sourced and environmentally friendly products are catered for.

' Shareholders can expect a more resilient share-price ... to the extent that socially responsible investment funds elect to purchase its shares.'

A fifth argument, relevant to companies listed on Anglo-American stock exchanges, is that shareholders can expect a more resilient share-price if the company engages in CSR to the extent that socially responsible investment funds elect to purchase its shares.

The arguments above are all aimed at persuading a non-Christian business owner that a socially responsible business can be an economically sustainable business, and may even enhance a business' financial returns. I have previously written[6] more narrowly on the question of whether improvements in a business' environmental performance necessarily detracts from its financial performance. What does seem to be reasonably clear from the work carried out by researchers is that CSR generally improves the overall performance of business[7], a comforting piece of information for a business owner.

These are all arguments that a Christian who believes that humanity and the environment matter, but who is conscious of the responsibility not to act in conflict with the desires of company owners, may with integrity deploy to encourage business to do good. The owner still benefits from wealth creation; humanity and the environment may benefit too, or at the very least suffer less damage than might otherwise be the case.

1. http://www.bitc.org.uk/our-resources/report/ftse-100-public-reporting-wellbeing-and-engagement-2015
2. Albert Hirschman, Exit, Voice, and Loyalty, Harvard University Press, 1970.
3. Nick Spencer, 'Doing God': A Future for Faith in the Public Sphere, Theos, 2006.
4. Herman Aguinis and Ante Glavas, 'What we Know and Don't Know about Corporate Social Responsibility: A Review and Research Agenda', Journal of Management, 38.4, 2012.
5. By way of example, see David Ogul, '3 things millennials want in a career', Los Angeles Times, 6 October 2015: available at http://www.latimes.com/brandpublishing/businessplus/uci_extension/la-ss-3-things-millennials-want-in-a-career-20151006-dto-story.html
6. Gary Cundill, 'Must green behaviour always penalise profitability?', Faith in Business Quarterly, 15.1, 2012.
7. A useful meta-study of the data is that of Marc Orlitzky, Frank Schmidt and Sara Rynes, 'Corporate Social and Financial Performance: A Meta-analysis', Organization Studies, 24.3, 2003.

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