Corporate Social Strategy as a Key to Sustainable Business

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DECLARATION

I, the undersigned, hereby declare that the work contained in this assignment is my own original work and has not previously in its entirety or part been submitted at any university for a degree.

Signature: _____ Date: _____

Abstract

Corporate social responsibility is a subject that is of concern to most companies that operate on a large scale today. This assignment looks at corporate social responsibility to understand how this fits into a company today. There is a short overview of the history to better understand the underlying factors and to determine the importance of corporate social responsibility. Attention is given to the argument that the current approach of companies to adhere to corporate social responsibility is because of pressure.

There is also a focus on the relationship between business and society to establish how business can view its responsibilities. The example of Shell is used to show how a company under immense pressure can develop sustainable practices to ensure that they remain profitable. After the main discussion some important points are mentioned in the conclusion to clarify the business case for corporate social strategy.

Opsomming

Korporatiewe maatskaplike verantwoordelikheid is 'n onderwerp wat van belang is vir meeste maatskappye wat grootskaals bedrywig is vandag. Hierdie opdrag ondersoek korporatiewe maatskaplike verantwoordelikheid om beter te verstaan hoe dit vandag in die maatskappy inpas. Daar is 'n kort oorsig oor die geskiedenis om die onderliggende faktore beter te verstaan en om die belangrikheid van korporatiewe maatskaplike verantwoordelikheid te bepaal. Daar word ook aandag gegee aan die argument dat maatskappye verantwoordelik optree as gevolg van druk.

Daar word ook gefokus op die verhouding tussen besigheid en die samelewing om te bepaal hoe besigheid sy verantwoordelikhede moet benader. Die voorbeeld van Shell word gebruik om te wys hoe 'n maatskappy onder druk volhoubare gebruike kan ontwikkel om te verseker dat hulle winsgewend bly. Na die hoof bespreking word daar 'n paar belangrike punte in die slotsom saamgevat om 'n besigheidsaak vir korporatiewe maatskaplike strategie uit te maak..

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1. **Introduction: conceptual analysis**

A hot debate raging in the business sector in the global economy: it is all about the responsibilities of business towards society. This can more specifically be called Corporate Social Responsibility (CSR), but many different names today point to different approaches such as corporate social performance, social, ethical and environmental performance, and sustainability performance.

An inquiry into the origins of CSR and how it relates to business strategy, the form it takes today, and the people involved are necessary to understand where it fits in. To elucidate the necessity of a Corporate Social Strategy (CSS), the operations of Shell in Nigeria will be used as an example of how CSR serves as a basis for CSS.

The divide between 'society' and 'business' has kept each from fully grasping the seriousness of the situation. The divide has developed due to this lack of understanding, and this impedes the growth of both of these today while encouraging unethical practices. There is a relation between society and business that has been overlooked. This assignment will focus on this oversight in the hope of encouraging mutual understanding and specifically pointing out the relevance and necessity of a Corporate Social Strategy.

When you look at the generic term business ethics, there are different subsections that can be identified, and one of these very important subsections is social responsibility, or corporate social responsibility (CSR).

Social responsibility comprises two words: social and responsibility. This statement might seem very elementary, but in life it is sometimes the most elementary points of view that can clarify the situation. So exactly what does this term consists of:

When looking at the word 'social' it actually encompasses a number of interrelated definitions such as "living together in communities", "human society and its modes of organisation", "friendly relations or companionship" and "matters affecting human welfare" (Dictionary.com).
Specifically this last definition, "matters affecting human welfare" is striking. But what is interesting is that all the definitions are interrelated, they are all very social.

The point is that 'social' refers to the connectedness and relation between people and the various results/effects of this interaction. It is very clear, however, that this is not something that can be ignored. We are here on earth with billions of other people and somehow we have to make it work. One cannot ignore Aristotle's famous words that "Man is a political animal".

We have natural tendencies to interact with one another in the quest to accomplish our individual goals and realise ourselves. It is useful to turn to the ancient philosophers when reviewing the different perception of social/society. Plato (1987), in *The Republic*, wrote that society is formed because of mutual need; no person is totally self-sufficient and each person has different aptitudes and it is therefore important that every person develops his/her aptitudes because of the interrelatedness of society.

Plato also said that happiness does not only rest on immediate satisfaction but on "unity and harmony in one's life, on the range of one's experience, and the extent to which one has acquaintance with different possibilities, and on the depth and veracity of one's knowledge of oneself and one's world" (Norman, 1998: 22).

Aristotle (Norman, 1998: 32) said "that just as we can see that the eye and hand and foot and every one of our members each has some function, should we not assume that in like manner a human being has a function over and above these particular functions?" We are in a society at any specific time because we need one another. The social is undeniable.

When we then turn to 'responsibility', it should also be defined as simply as possible to understand what exactly we are dealing with. According to Dictionary.com, responsibility is defined as "a duty, obligation or burden". According to this definition, a responsibility is inescapable and is also something that could possibly go against the desires of a person because it is a burden. It is our human nature to try and avoid burdens, to avoid displeasure in life. In the work of Maitland (2002) he defines morality as the method whereby we resist our self-interest and steer toward our duties. It would seem that, according to these definitions, morality seems such a suppressing notion stifling personal growth. There is indeed an enforcing paradoxical combination in this matter. The definition of 'social' points to an interdependent relationship, and

'responsibility' points to the burden due to this relationship. So on the one hand you're in this social relationship because you have your own goals and others can help you reach these goals (instrumental), but on the other hand you have responsibilities to those that have helped you otherwise the relationship will fail and you will not achieve your goals.

When looking at other definitions that have stood the test of time, the picture does seem a little different however. Both Plato and Aristotle tried to show that a virtuous and good life is the only life worth living. By knowing your function in society and learning more about yourself and your environment, you can become morally discerning and achieve happiness. The problem that Prichard (Norman, 1998:41) identifies is that the motive that Plato and Aristotle provided for a person to act justly or virtuously is his own happiness. A person would therefore not truly be moral because he is just or virtuous, because his actions are motivated by reward and not by a sense of duty.

> For Prichard, duty is not really duty unless it is done for duty's sake. The same criticism could be reformulated, just as powerfully, in terms not of 'duty' but of 'altruism'. Within our own moral culture, largely as a product of the Christian tradition, an altruistic concern for others is widely held to be a, or even the, supreme value. If, however, in caring for other people, I do so because I think that it will make my own life happier, then it would seem that it is not really a concern for others which motivates me, but a concern for myself. (41).

Kant is most probably one of the very first philosophers that focused on duty for duty's sake, in other words to detach duty from any idea of utility. He does this through his categorical imperative that stated, "Actions whose maxim does not accord with the categorical imperative are ones which we ought not to perform. If they cannot be universalised, or if they involve treating human beings simply as means, then they are morally impermissible" (Norman, 1998: 77). What his categorical imperative does is to distinguish between moral and immoral actions.

If the term 'social responsibility' is considered, there is an interesting relationship that exists between 'social' and 'responsibility'. As stated above 'social' is an undeniable part of humans on earth and we need one another to survive. To a certain extent it can already be seen as a responsibility to merely exist as a social being; to exist socially you are required to be responsible. We therefore do need one another, but the inherent responsibilities that this brings about are seemingly unpleasant. If you then bring the definition of corporate/business responsibility and social into this equation it becomes even clearer: business is included in society especially if you see that society is based on mutual needs and different aptitudes/dispositions.

It is useful to repeat one of the definitions of 'social' stated earlier, namely "human society and its modes of organisation". It is therefore much more practical to view business as part of society and (corporate/business) social responsibility as the responsibility of business to go about its daily tasks in a such a way that takes into account all the other entities in society from individuals to state organisations and even beyond the national border if their impact can be felt there. *Social responsibility therefore refers to the duty that business has to ensure that it considers the welfare of society in which it functions and with which it has interrelated relationship.*

Just as responsibility is an inherent part of living in a society, so business is in fact part of a society. It therefore demands responsibility because its existence as well as everyone else's is an interrelated relationship. Business might experience this as encroaching, but business should realise that it is to its advantage to appreciate the essence of its interrelated relationship with their surroundings and use this as a strategy, and not view it as a threat.

2. History and background

How did we get where we are today? How has the concept of CSR developed and how does this impact on a company's strategy?

According to the research of Campbell *et al.* (1999: 375), the courts in the United States of America allowed corporations to make donations only in 1952. Up to that point the opposite was in fact true. For example, in 1881 the Supreme Judicial Court of Massachusetts ruled that no musical or railroad company may legally underwrite

the expenses of a musical festival along the railroad lines. The reason simply was that no funds were allowed to be used for any purpose that did not directly benefit stockholders (Himmelstein, 1997). These regulations restricted the strategic use of funds for purposes other than directly benefiting shareholders.

Looking back at history it is evident that "Elements of corporate social responsibility are not a new phenomenon however, nor indeed are the business practices associated with it. Traditions of corporate philanthropy date back to the Victorian era with the activities of Quaker families such as the Cadburys, Rowntrees and Hersheys who sought to improve their employees' standard of living as well as enhancing the communities in which they lived" (Clement-Jones, 2002: 5). Influences such as Andrew Carnegie, who was the founder of the Carnegie Corporation of New York, were impressive. He once stated that "He who dies rich dies thus disgraced." This influenced the development of social awareness and responsibility, and especially the way that business people viewed social involvement.

This gave rise to the establishment of the stewardship principle. Accordingly managers see themselves as stewards or trustees acting in the general public's interest, recognising the interrelated nature of business and society. Henry Ford added to this view by stating that "A business that makes nothing but money is a poor kind of business" (Clement-Jones, 2002: 5).

There are contrasting elements in history that point to different traditions and origins regarding CSR, making it so interesting and perhaps difficult to implement as a strategy. We cannot escape the fundamental question, whom and what is a business for? The answer once seemed clear, but no longer. "The terms of business have changed. Ownership has been replaced by investment, and a company's assets are increasingly found in its people, not in its buildings and machinery" (Handy, 2003: 71-72). In the autobiography of Henry Adams (1931: 421) there is a paragraph that reads as follows:

"The work of domestic progress is done by masses of mechanical power – steam, electric, furnace, or other - which have to be controlled by a score or two of individuals who have shown capacity to manage it. The work of internal government has become the task of controlling these men …"

Even then the realisation of the immense force of production and the influence that this will have on the economy and power relations was alarming and the need to control this force became evident. The debate continued and in 1967 Clarence Walton (57-58) wrote that there is no stronger motivating force than self-interest and that the expansion of private power into the social domain will upset the already uneasy balance. These two examples echo the general concern of society during a time when the power of business started to equal the power of the state. It has grown and multi-national corporations (MNC) that produce, trade, and grow where it suits them transcend international borders. In the words of Mary Caniffe (2005: 7):

> The rapid growth of the global economy has brought with it increased prosperity in some regions and increasing power and influence for multinational corporations. With this has come increasing public concern about the extent of the power and influence held by a small number of large corporations, about the business and environmental activities of some businesses and a rising level of public distrust corporates.

This centralisation of power in the hands of a few powerful individuals causes concern and raises the question of what the relationship between business and society is. Pava & Krausz (1997) noted that it is becoming increasingly difficult to utilise traditional ethical perspectives to understand the ethical dilemmas of our times. The development of business ethics has taken an interesting path thus far. It developed from an environment where business endeavours were approached with survival and wealth creation in mind. Soon the impact of these activities on those involved, as well as those in its environment, were felt and business could not ignore it, as the voices of the rest of society grew stronger. Now business is in a situation where it is faced with the challenges of CSR and the views associated with it that involve philanthropy, gifting, and approaches such as corporate citizenship (CC).

That is exactly why corporate/business social responsibility is important. It is necessary to understand this relationship and guide the developments in such a manner that is advantageous for all the role-players. Just as business has changed

through the ages, so has the environment in which it operates. By acknowledging this
mutual responsibility business must utilise it as strategy.

3. The example of Shell (Holliday *et al.*, 2002)

Operating in Nigeria has required a shift in approach for Shell. It is not
simply ecological sustainability that needs to be addressed; the business
case for sustainable development in Nigeria rests heavily on social
elements. Shell has recognised that community development is required
for both the company and the region to develop in a sustainable manner.

The Shell Petroleum Development Company of Nigeria Limited (SPDC)
is the largest oil and gas company in Nigeria, accounting for some 40% of
the country's oil production and about 53% of Nigeria's hydrocarbon
reserve base. SPDC is the operator of a joint venture involving the
Nigerian National Petroleum Corporation (which holds 55% of the
venture), Shell (30%), Elf (10%), and Agip (5%).

The company's operations are concentrated in the Niger Delta, which has
a population of about 7 000 000, largely drawn from some 20 different
ethnic minority groups. There are around 1,600 established communities
in the area. There is a history of ethnic conflict in the region and also a
long-standing feeling that not enough of the Nigerian government's
revenue from oil has been reinvested in the Niger Delta. The combination
of these factors makes the area a challenging place in which to work.

SPDC has a long history of assisting the communities in which it operates.
However, discussions with NGOs, resulting in part from contacts
concluded during the Ogoni crisis – a crisis that led to the execution of
Ken Saro Wiwa – convinced the company that it needed to change its
approach from community assistance to community development. The
main objectives of this change in approach were to:

- help communities to help themselves develop in a more sustainable
  way;

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- adopt a participatory approach to the selection, development, and implementation of community projects;

- work in partnership with others; and

- adopt an open and consultative way of working.

With these objectives in mind, SPDC commissioned an external review in 1997 of the way in which it assisted communities. This led to the formation of a new community development department, staffed by development professionals. This in turn led to new ways of working with the communities adopting participatory techniques to help communities to determine their development priorities.

New ways of delivering community projects also began, using partnerships formed with local community-based organisations, NGOs, development agencies, and government departments. Furthermore, a spirit of openness and transparency was encouraged by:

- the publication of an annual report on the company's social and environmental performance (the SPDC *People and the Environment* report);

- an annual stakeholder consultation workshop to review SPDC's programs and performance;

- the co-hosting, with the UNDP, of a partners' roundtable in the Niger Delta;

- SPDC's participation in the World Bank's Business Partners for Development programme; and

- annual appraisals of community projects implemented during a given year (the 2000 appraisal was conducted by independent, external experts, and future appraisals will follow this practice).

The 2000 appraisal of SPDC's $60 million community development programme commended the company for its openness and observed that the company demonstrated a number of best practices. The number of

community-based project management committees continue to grow (200 in 2000), as does the number of international and local partners providing expert help and implementing projects (49 in 2000).

Much has been achieved, but much more remains to be done in terms of spreading good practice and raising project success rates. The Niger Delta remains a difficult place in which to work but, in partnership with its stakeholders, SPDC will continue its drive to improve the lives of its host communities and increase its business in the region.

4. Business and the people

Determining the history of CSR or business responsibility is important and so are the people involved in the process. According to Sturdivant (1981) it is not just sufficient for business to obey the law; there are other duties in the eyes of those observing the corporate policy process, and it involves a wide variety of stakeholders.

Indeed the times we are living in are very interesting and challenging. We live in the information age where man has never had as much knowledge as we do now and it is rapidly changing everyday.

> In an important sense this world of ours is a new world, in which the
> unity of knowledge, the nature of human communities, the order of
> society, the order of ideas, the very notions of society and culture
> have changed and will not return to what they have been in the past
> … One thing that is new is the prevalence of newness itself, the
> changing scale and scope of change itself, so that the world alters as
> we walk on it, so that the years of man's life measure not some small
> growth or rearrangement or moderation of what he learned in
> childhood, but great upheaval (Bennis, Benne and Chin,1969: 1).

From this point of view it might even seem impossible to try and manage any relationship between business and the rest of society if the environment is so unstable. In some way business will have to respond to what is going on in society, business

has to be responsive. Caniffe (2005: 7) points out that the role that business has to play to ensure that the benefits of globalisation do not come at the expense of the environment and social fabric is of critical importance. This is indeed true because of the immense impact business can have. Not only should it consider the employees, suppliers and other direct partners in the business, but also constantly be aware of the impact on the larger society and environment.

There are certain rights that each individual has that cannot be ignored when doing business. In this same manner however the term 'corporate citizenship' comes into question. What does this mean and how does this impact on the rest of the citizens in society? The work of Matten and Crane (2005: 171) focused on this specific issue and explored the idea that business enters the picture not because it can claim certain rights but because it has to respect the rights of individuals. The authors argue:, "The effective functioning of liberal citizenship has been sufficiently affected by the corporate uptake of government functions to render corporate involvement in 'citizenship' a largely unavoidable occurrence…" So in fact business is fulfilling many of the functions the state can no longer fulfil itself and therefore business can be seen as a corporate citizen. This is only the beginning of the challenge because if business takes over many of the functions of the former powerful authorities that can no longer administer the services, the question arises whether business should then not also be accountable.

Taking Shell as a case in point, the company realised this and accordingly adapted its approach from community assistance to community development. Its aims (Holliday *et al.*, 2002) were to

- help communities to help themselves develop in a more sustainable way;
- adopt a participatory approach to the selection, development, and implementation of community projects;
- work in partnership with others; and
- adopt an open and consultative way of working

In order for a company to be aware of the issues involved in running a company in a certain community it is necessary to be informed of the societal situation and be responsive. In contemporary times this however means that 'society' could possibly refer to multitudes of interrelated societies due to globalisation. Yet the society they operate in and the unique challenges associated with this cannot be ignored; "The purpose of planning is to achieve an optimal fit between the company and its environment." (Sturdivant, 1981: 159).

When considering business and the people, there are different views as to who are included in this debate, and should be included, when we are speaking of 'stakeholders'. Political theories provide a rather convincing answer, or rather a solution to this dilemma. As Garriga and Melé (2004) noted in their work that explored the political considerations and political analysis, these theories state that business has an inherent responsibility towards society because of its power. The definition of 'people' is extended as power/influence increases and responsibility should increase accordingly. This was the case with Shell, where various steps were taken to ensure that the various stakeholders formed part of the process. One of the projects that was launched was the annual stakeholder consultation workshop as part of Shell's broader objectives of including non-governmental organisations, development agencies and government departments in the process of creating openness and transparency.

It is necessary to drive this interrelated relationship between business and the rest of society in a balanced manner. It is therefore necessary to involve people to lead the business who can understand the diverse impacts of the various stakeholders. At the end of the day it is human beings who drive this whole process. Top level management, the investors (shareholders) and employees are all human beings.

Leadership

Leadership is important in the process of realising a working relationship between society and business. The leadership in both these spheres plays an important role, but in this assignment specific emphasis is placed on business leadership and not political leadership. According to Joanne Ciulla (2002: 334) "the ethics of a business leader has an influence on the ethics of a business. What is less obvious is the role

ethics is playing in the rapidly changing role of leaders and the very concept of leadership in both business and politics." To realise a truly integrated corporate social strategy depends on the "high personal sense of moral duty and conviction …" as stated in the work of Marco Werre (2003: 251).

Ciulla (2002: 334) also looks at Plato for some insight into leadership and finds that contrary to his earlier writings (The Republic) where Plato regarded leaders as being a shepherd to his flock, he (Plato) was of the opinion that "shepherds are very different from their sheep, whereas human leaders are not much different from their followers". The point being made is that leaders are human beings, much the same as the rest of us, and that is where the connection between business and society is. According to Ciulla's study, leadership rests on a specific relationship between the leader and the follower (339).

All of these point to the growing importance/focus of the strategic role that a business leader plays in the organisation. It is important for business leaders to be ethical, and the role they are playing is becoming more important. This role is based on a relationship (implying that someone has to follow), and the power placed in the hands of individuals plays an important role in determining the broader relationship between business and society. According to Hemingway & Maclagan (2004: 36) "individual managers' organisational decisions are driven by a variety of personal values and interests, in addition to the official corporate objectives."

According to Giampetro-Meyer *et al*. (1998: 1728) it is not a question of "what is leadership?" but rather "what is good leadership?" They state, "We must consider how much short-run profit we're willing to give up in exchange for more ethical corporate cultures" (1735). This balance between a long- term ethical view and short-term profit poses an interesting challenge for leaders and managers. It is important to note the distinction that the authors make between managers and leaders and their strategic role in business.

Great emphasis is placed on the character of the leader in every organisation and how his/her character helps to shape the corporate character. Even though it is important to realise that these leaders have a large impact on the environment around them, it

must be realised that they are human beings and they can also be influenced. According to James Childs (1995: 73) "Being part of a community and the story by which it lives has a significant impact on the sorts of people we are." This shows the relevance of focusing on a relational element when it comes to business and society. We are all humans and at some point the company/business is dependent on the rest of society. William Damon (2005: 24) reflected on this issue and emphasised a very simple yet crucial observation regarding leaders in business: "Small acts of corruption grow into bolder ones, a corner cut here metamorphoses into a law blatantly ignored there and almost without awareness, and ambition turns into criminality."

It is not as if a leader gets up one morning and consciously decides to ignore all the established rules and boundaries. As with most disgraceful actions of mankind, it is a series of events leading to a certain point in time where that person realises that he/she has become a criminal. Damon (28) concluded "Morality is always a work in progress. People who remain aware of their own imperfections and are determined to improve throughout their careers are the ones most likely to do the right thing for themselves and their companies."

The leader is therefore placed in a position where there are conflicting demands from the community he/she operates in and the shareholders that he/she is accountable to. According to Caldwell *et al.* (2002: 161) it is necessary for leaders to seek "the best interests of all stakeholders in a world clouded by uncertainty". In other words the good leader is someone that seeks integrative solutions that benefit all stakeholders. With Shell's Nigerian operations, senior leadership commitment was indicated by Wei-Skillern (2004: 722) as a critical factor for implementing stakeholder management: "Strong leadership commitment to stakeholder management is imperative for stakeholder management to become established as a strategic priority in managers' minds and for its continued development throughout the company."

Leadership is therefore of cardinal importance in ensuring that corporate social strategy is integrated into the company. The challenge is, however, finding leaders that can rise to the multiple interrelated challenges of contemporary business. Ideally such a leader studies his operating environment, considers the impacts of doing business there, yet never forgets the bottom line.

6. First things first

The question arises as to what exactly is the "fundamental business of business", to quote Johann Coetzee (2001). He states the following points regarding ethical practices that should be taken into account when determining the impact of ethics on business: adding value to shareholder investment, maximising utilisation of resources, ensuring the delivery of product integrity in the spirit of client-centred ethics, upholding the principle and practice of consumer sovereignty and applying a productive social conscience and community engagement. On the other hand we must not forget that surely "The business of business is to create and sustain the quality of life for everybody associated with it" (ibid).

The four most important responsibilities of the corporation according to Carroll (1979: 497-505) are: the economic responsibility to be profitable; the legal responsibility to abide by the laws of society; the ethical responsibility to do what is right, just and fair; and the philanthropic responsibility to contribute to various kinds of social, educational, recreational, or cultural purposes.

Surely we cannot forget Milton Friedman (1963: 133) in this regard when he stated, "Corporate officials are in no position to determine the relative urgency of social problems or the amount of organisational resources that should be committed to a given problem". The executive is thus an agent of the shareholders of the company and has to represent their interests as best he/she can. Is this not an ethical move in itself to ensure that the interests are protected of those who are taking the risks and creating wealth for all those involved in the undertaking?

These are the kind of tensions that top management faces when they have to direct the company. These unimaginable pressures almost seem surreal when you realise that there are people from all walks of life who could be affected by the choices he/she makes. Quite simply, yet overwhelming, "the challenge is to normalise and integrate the ingredients of man, morality and material" (Coetzee, 2001). As was the case with the Nigerian operations of Shell, they implemented integrated community development so that the company and the region could develop in a sustainable manner.

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According to Douglas Griffin (2002: 95), "theories of leadership today naively continue to view the individual as the unit of the social/cultural system, which continues to be understood as controllable…" This is where the importance of leadership is revealed once again as illustrated in the preceding section. There is a constantly changing environment and a good leader will remember this and the various impacts that this will have internally and externally.

It must be asked: "Can a corporation have a conscience?" (Goodpaster & Matthews: 2003: 133). Goodpaster & Matthews (139) also then asked whether "it meaningful to apply moral concepts to actors who are not persons but who are instead made up of persons?" As stated before, you should not apply these moral concepts because, firstly, at the end of the day, the organisation comprises human beings of different faculties and parts. Secondly, these human beings have to make moral decisions because they are influencing the rest of society, even more so because their impact will be much greater than that of other human beings. It is important to realise that the responsibility inevitably lies with individuals and not the company. This responsibility refers specifically to the bottom line of the company, how their pursuits will impact on the rest of society, and finally how they will respond.

Business operates in society but is not simply guided by altruistic reasons. There are organisations that are established for this purpose, and they operate in the non-profit sector of the economy. It is true that "the proper business of business is business" (Crook, 2005: 18). What becomes evident is that there should be a balance between the different ethical and economical demands put on business. What is also evident is that this can only be achieved if business and the rest of society can communicate clearly that they are indeed striving to reach the same goal even though they do not realise it. This is not a straightforward zero-sum game where the victory for the one is a loss for the other. In reality a victory for one could possibly mean a victory for all if the goals are communicated effectively. This is the heart of corporate social strategy.

When viewing this challenge from a different cultural perspective, it is interesting to see what a business leader from such a big company proposes. Ryuzaburo Kaku (2003:105), the honorary chairman of Canon proposes that the path of *Kyosei* should

be considered. *Kyosei* translates into "'spirit of cooperation' in which individuals and organisations work together for the common good." It is this realisation that cooperation is the driving force behind long-term success that led Kaku to further say that it is not the large global problems such as Third World poverty that corporations have to solve. The survival of these corporations depends on their response. Kaku (105) stated; "To put it simply, global companies have no future if the earth has no future."

This is an instrumental way of viewing social responsibility and not an intrinsic view. Companies/corporations have to make sure that what they are doing and how they are responding to the demands of society do not erode their competitive position. According to Martin (2003: 85) there are a number of obstacles that face companies that intend to be more responsive, "If they invite government oversight, they may find themselves hampered by regulations that impose onerous costs without generating meaningful societal benefits in return. And if they insist on adopting the wage scales and working conditions that prevail in the world's wealthiest industrial democracies, they may succeed only in driving jobs to countries where less stringent standards are the norm." Indeed Friedman is right when he says that it is only people who can have responsibilities but people unite in purpose and business and companies are the instruments whereby individuals interact with the rest of society. Lee and McKenzie (1994) agreed with Friedman but make an interesting and important addition: Shareholders and the general community might be better off because executives go beyond the narrow interests of the shareholders and realise their responsibilities beyond profit maximisation.

The rest of society has to realise that a business is established because, as stated earlier, "the business of business is to create and sustain the quality of life for everybody associated with it" (Coetzee, 2001). This summarises the different approaches and contrasting views. Firstly, it states that business should create quality of life for all associated with it. This implies a focused, perhaps even inward process where individuals come together and decide what is good for them. As the organisation expands and it influences many more persons, creating wealth and sustaining it for "everybody associated with it" becomes a challenge. Now the process is not focussed inward alone because the size and power of large companies

compel them to include not only the persons directly associated with it, but also other people in society at large who are now becoming associated with it. This is an internal and external view that companies have to take.

Yes, the primary focus of a business is to be profitable, otherwise it should not exist. The question however arises as to why companies actually get involved with any kind of CSR initiatives. Many argue that companies merely get involved in CSR for instrumental reasons; there is a distinction between corporate philanthropy and corporate social responsibility. Corporate philanthropy refers more specifically to activities in the interest of society, and CSR is connected to a certain advertising or marketing-based motive (Moir & Taffler, 2004). Although their study is limited to business giving to the arts in the U.K., they found that there was almost no evidence of pure altruism (ibid). Caniffe (2005: 8) said, "Business that help tackle social exclusion and build stronger communities can in turn gain through new market opportunities and customers."

This gives rise to speculation on a meta-ethical level regarding the motives behind social involvement of any company. It cannot be ignored. If companies only get involved because of social pressure, or trends, what will happen if these trends change? Should we be worried that we will all wake up one day and find that the world has turned a blind eye to any form of ethical behaviour in business because those with the power have engineered it? As stated previously (Handy, 2003: 71-72), (Pava & Krausz, 1997), and (Bennis, Benne and Chin,1969: 1), we are living in a constantly changing environment with changing trends and more importantly changing paradigms that influence these trends. When looking at all these different demands on business and different views of CSR, it is necessary to remember that the business of business is business and corporate social strategy must make business sense.

7. The business case for CSS
Lord Tim Clement-Jones (2002), the CBE and chairman of DLA Upstream said, "We are waking up and wanting to know more about the major influences on our world. It's no longer just the radicals who are questioning the impact that business has on society." Investors are requesting that there be some sort of quantifiable performance

measurement to indicate the impact of corporate social responsibility. This is spurred on "by attacks from activist groups who placed a spotlight on the behaviour of these firms" (Thomson: 2005: 27).

The activists are therefore playing a very important role as the voice of the people. Activists have placed the focus on human rights related issues like never before and have helped to force companies to take on duties that make them more socially responsible. This is however not necessarily good because companies therefore act "virtuous" because it is in their own best interests. And if companies act virtuous to the advantage of the greater good, should there be concern how you do it? According to Clive Crook (2005: 3) "they (champions of CSR/activists) have held companies to account, by embarrassing the ones that especially offend against the principles of CSR, and by mobilising public sentiment and an almost universally sympathetic press against them." On the other hand "good-news CSR stories of companies performing valuable roles in society are not given such prominence as they do not make such exciting news" (Thomson, 2005: 27).

How can a balance be maintained? Is CSR not over-inflated by mass media that operate 24 hours a day and that focuses on all the negative stories and never reveals the benevolent actions of companies and how much they actually have contributed and are still contributing? Perhaps Crook (2005: 13) was right when he said that "if self-interest, guided as though by an invisible hand, inadvertently serves the public good, then it is easy to see why society can prosper even if people are not always driven by benevolence.".

When looking at the broader evolution of Shell's stakeholder approach, it is evident that "the key objective of the strategic transformation was to adapt Shell's vision and business principles to address a wider range of stakeholder concerns, to develop management systems to integrate principles of sustainable development into everyday practice, and to measure performance from multiple dimensions throughout the company's operations" (Wei-Skillern, 2004: 717). In the end outsiders as well as insiders acknowledged that the stakeholder management strategy was still a work in progress (725). This is of fundamental importance because it shows that Shell is

aware of the fact that it still has something to learn despite being one of the leaders in the CSR field.

This approach of recognising the different responsibilities placed on business is something that is supported by Shell International (1999) and the public statement by Mark Moody-Stuart (Shell Transport Board of Directors): "My colleagues and I are totally committed to a business strategy that generates profits while contributing to the well-being of the planet and its people. We see no alternative."

It is remarkable however that Shell is constantly adapting to the environment they operate in and is considering the multitude of stakeholders. This illustrates how a company has realised that it is in interdependent relationships with the different societies it operates in and it would be to their advantage to cooperate and act responsibly.

There is a great need to determine the need for corporate social strategy to avoid an inflated, over-exposed impression of the practices of companies. There is an even greater need to be able to bridge the gap between business and the rest of society, and we need to "understand business and what society expects of it" (Sustainability, 2005). Sustainability is a consultancy and an independent think tank that assists business in its quest for sustainable development and corporate responsibility. Sustainability claims: "Representing over ten nationalities, our multi-disciplinary team works to clear rules of engagement to achieve traction and change" (Sustainability, 2005). One thing that is made very clear is that there is a need for business and community to connect. As stated at the beginning of this discussion (History and background) that 'social' refers to 'living together in communities', 'human society and it's modes of organisation', 'friendly relations or companionship' and 'matters affecting human welfare'. 'Social' therefore has a direct impact on business and how it stands in relation to the other actors/role-players, whether they are individuals, governments, non-governmental organisations, non-profit organisations, etc.

According to Fisscher, Nijhof and Steensma (2003: 209), "Social dynamic processes of action and interaction should also be taken into account when designing and

steering business." We cannot deny "MNCs are often well placed to address and manage sustainable development issues, having the resources, experience, capacity and project management competencies to define the problem, to develop pragmatic and workable solutions, and to implement them" (Barrington, 2005: 50). But the reality of sustainability is that if too much pressure and demands are put on a business, they will themselves not be sustainable and the relationship will fail. This is fatal for all parties involved.

This entails a "social push and leadership pull" (Goyder, 2005: 199), meaning that visionary leaders pull their organisations to higher standards and the push comes from society in the form of anti-slavery campaigners, environmental activists, etc. This points to the direct relationship of internal and external forces. Any business venture at any given time is not isolated (and especially not larger companies or MNCs) and the impact they have needs to be managed in accordance with the society of which they are part. Goyder (2005: 210) neatly draws up the following analogy that explains the delicate balance that has to be struck:

> The company is a living system. Employees are its lifeblood. Management is the heart that keeps the blood pumping. Strategy is the brain, and measurement and communication the central nervous system. Culture is the DNA. Leadership and continued entrepreneurial energy are its soul and spirit. Governance and accountability are its rhythms and disciplines, like exercise a means of keeping this living organism fit and lean. Unless we understand social responsibility in this wide context, we will continually fail to manage risk, sustain performance and earn trust.

There needs to be a mutual understanding of the impact that our multilateral actions have on one another. It is in this understanding of impact and cooperation that we can find a balanced corporate social strategy. Davis (1967) wrote that the amount of social power that businessmen/women wield is reason for their social responsibility. He continued by saying that whoever does not use his/her social power responsibly will lose it. In the long run those who do not use power in a manner which society considers responsible will tend to loose it because other groups will occupy it, especially when society demands responsibility from business (Davis, 1960: 63).

L'Etang (1994: 115) wrote, "It can be argued that corporate social responsibility is a good example of business responding to society's needs." She does however place emphasis on the central role that two-way communication plays in specific regard to public relations. L'Etang also highlighted another very interesting point: "Corporate social responsibility may be seen as an investment against the day when a crisis occurs and the company needs all the goodwill it can muster" (116).

Earlier in this assignment (*Leadership)* the work of Giampetro-Meyer *et al.* was used to illustrate the impact of business leaders on the short-run profitability of the company. What is interesting here is to see that they encourage a healthy balance between the role of managers and short-run profit on the one hand and leaders' and ethical corporate cultures on the other. This is a very important distinction and one that could possibly help to maintain this crucial balance. If a company only focuses on its short-run profits and neglects its ethical obligations, there will be no long run. The opposite is also true. The challenge is to consider the impact on business and its stakeholders and how this will influence the existing interrelated relationship..

After the Enron incident the ethical view has changed and also the compliance environment. Chris Gilmour wrote an article in which he investigated the nature of this change and how this impacted on the auditing environment. Gilmour (2005: 44) wrote, "Traditionally, auditors were deemed to be watchdogs, not bloodhounds. Some would say there had not been enough of the bloodhound, but with abuses like Enron, that is changing." The impact of ignoring ethical practices and social awareness in the short term will surface in the long term. Perhaps you and I might possibly not feel it, but it would definitely be felt by those around us and the next generation, our children. That is what this is about; ensuring that whatever we do is sustainable through responsible practices.

In the work of Dentchev (2004: 400-406) there is valuable evidence in support of corporate social performance (CSP), which relates directly to CSR. Although he stated that "the strategic relevance of CSP to business is still in its infancy", Dentchev also made the following statement in support of CSP/CSR as strategy: Improvement of stakeholder relations, motivation, satisfaction, loyalty, confidence, good corporate reputation, and CSP are helpful to improve business models. He also pointed to

negative effects, such as harm to "core business" (if managerial focus is diverted), and window dressing (bad corporate image/lack of credibility).

The negative effects can however be seen in the light of poor administration and management of CSP/CSR strategy. These negative effects can be avoided, but the argument is supported that a good corporate social strategy is valuable and if neglected or poorly implemented, could be damaging. It is therefore necessary that the strategy be carefully considered before being implemented at all.

This can be summarised neatly in the words of Juran (1988: 139): "If the goals are poorly chosen, the planning will be done to reach the wrong goals. We shall be 'doing things right' but not doing the right things."

8. Conclusion

Today we live in a world that has reached advanced stages of globalisation and development and the result is a highly interrelated relationships and co-dependence. Decisions have to be made from this point of view, never losing sight of the impact of these decisions.

No longer can business see itself in isolation from the rest of society. There is no separate business and society, only society of which business forms part. This should however not be seen as an externally enforced responsibility but rather a self-realised opportunity. Leaders in business should live up to expectations and develop their business in a sustainable manner through effective corporate social strategy.

This is strongly encouraged by examples such as Shell, where their environmental and social operating environments encouraged them to adapt to circumstances in order to remain profitable and sustainable. The following points are of cardinal importance when considering CSS:

Openness and Transparency
- Annual social and environmental report
- Annual stakeholder consultation workshop

- Cooperation with the World Bank and UNDP in various programmes
- External and independent appraisals of projects implemented

By encouraging this kind of behaviour, communities can have the chance to raise concerns regarding the business practices of the company and help to ensure that the corporate social strategy is inclusive.

Leadership commitment

Any CSS project is doomed to fail if it is not supported and even initiated by top level management. It is this kind of dedication and involvement that creates an atmosphere where openness and transparency can flourish. If leadership does not show an interest in this matter, the employees will most probably also not and this sets into motion a vicious circle that creates an undesirable and isolated structure within the company.

Integrate principles of sustainable development into everyday practice

To ensure that a CSS can be implemented successfully, it is necessary that the principles of sustainability be considered continuously. Realising the impact of decisions and considering whether these will have a positive or negative effect on the business and its surrounding environment, is extremely important.

Considering sustainability means that a company has to take a stance that looks at the bigger picture of business within society and also the long-term effects of this relationship.

CSS and profitability

Just as important as including a broader view of the company and the rest of society in the long term, it is necessary that this does not prevent a company from being profitable. This is also part of determining a successful CSS. If the CSS interferes with the profitability of the company it is no longer sustainable and should be reviewed.

Work in progress

At all times it is necessary to remember that any CSS is work in progress. As everything around the company changes, so must the CSS of the company. At all times it is necessary to be aware of new challenges and never rest on laurels. This approach will put the company ahead of its competitors and ensure that it stays ahead.

It is also important that every company develop its own CSS because of the unique operating environments of every company. No two situations are exactly the same. It is good to look at examples such as Shell and the points highlighted here, but it is necessary to develop a unique CSS for every unique environment.

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