Theme Paper

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Theme: Embedding CSR Mandate into Corporate Business Strategy

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Directors should not take anything for granted, including the expectations and support of their stakeholders and societies and communities in which they operate. They should periodically reassess the purpose and visions of the companies on whose boards they serve. In so doing, they should consider whether or not their aspirations and preoccupations are still aligned with those of their stakeholders, many of whom might be re-thinking their priorities and prospects in the light of further extreme weather events and additional evidence of the impact of human activity upon the environment, bio-diversity and global warming. They and stakeholders may share the concerns of speakers at IOD’s international conferences in recent years. Widespread transformation to more sustainable lifestyles and business and development models may need to occur while there is still time (Stern, 2015; UNEP, 2019). Responsible board leadership may now be arguably an essential requirement for our survival (Coulson-Thomas, 2019a).

IOD’s 14th International Conference on Corporate Social Responsibility (CSR) represents an opportunity to consider whether and how the principles and experience of corporate social responsibility should now apply to all corporate activities. The theme of the Institute’s 2020 conference is “embedding CSR mandate into corporate business strategy”. Continuing stakeholder loyalty should not be assumed. To restore trust in enterprise and capitalism, increase faith in markets and make a greater corporate and collective contribution to tackling challenges facing mankind and seizing related opportunities, boards may need to rethink their aims and goals and secure a fresh mandate from stakeholders. This might involve engaging with them beyond the normal cycles of AGMs and corporate reporting and dialogue with a wider range of interests. A board with a mandate can be in a stronger position to be bold in terms of innovation and corporate objectives and also more determined to achieve them.

Corporate Purpose and Board Priorities

Relationships with stakeholders have been considered a central element of responsible leadership (Maak and Pless, 2006a & b). It involves acting responsibly towards the various stakeholders in an organisation. Boards are expected to discharge their obligations to key corporate stakeholders, while at the same time addressing requirements for affordability and the efficient use of resources and also acting responsibly towards the environment and wider society. Boards can face difficult choices in terms of who to benefit and to what extent. They need to balance the interests of different categories of stakeholder (Pless, 2007). They have to weigh up contending interests, including a company’s own longer-term requirements, against
finite resources. There may be arenas in which a company could make a greater contribution, and some groups might be in a stronger position to promote their self-interests than others.

To what extent should a company have a social as well as an economic rationale? A corporate social purpose should be more than empty rhetoric. It should not promise too much and raise hopes that cannot be fulfilled. Being over-generous to ‘buy support’ might be irresponsible and problematic in a competitive market. Paying salaries beyond what is considered fair might attract criticism. Like ‘gold plating’ or giving excessive value for money, it might prove unaffordable in the long run. A board should be realistic. How many people would pay more for less environmentally damaging forms of production? Can a company use resources more effectively than alternatives? Might shareholders make better and more responsible use of money if it were distributed to them as dividends? Might Governments be able to assemble the critical mass of funding required to tackle certain social problems if companies were taxed more highly, or would this be counter-productive? Does the case for wider corporate social involvement need to be put, a social purpose justified and the trust of sceptics earned?

A purist argument is that directors should not fund social responsibility projects without the consent of shareholders (Friedman, 1970). However, a reputation for social responsibility might attract talent and customers and increase the value of their stock. What if a stakeholder mandate was obtained for a revision of corporate purpose to include sustainability and/or social considerations? What if people exercise individual rights to invest in ESG funds, work for companies with a social purpose, or exercise informed choices to spend their money on more socially and environmentally beneficial outcomes (Coulson-Thomas, 2019a & b)? Could a business model with ‘higher purpose’ benefit both society and the bottom line (Richer, 2018)? A board that is open about its intentions and which has secured stakeholder support might be freed of the temptation to be defensive, overly cautious and apologetic. If it behaves responsibly and ethically, it might be able to proceed with confidence. A wider agenda might be backed by stakeholders and regarded as acceptable, legitimate and worthy.

Board Leadership for Shared Challenges

Governments cannot address challenges such as global warming and climate change and their many social and other consequences on their own. They need the ‘buy-in’ and support of their citizens and the business community. However, they might find themselves under increasing pressure to act. Might Government intervention be crude, ponderous and counterproductive compared with the greater sensitivity, diversity and freedom of markets (Friedman, 1962)? Alternatively, are the state and business actually and/or potentially symbiotic (Iverson and Soskice, 2019)? Might a variety of enterprises acting responsibly and largely unhindered within open markets inside a dynamic capitalist system unleash the diversity, creativity and innovation and the flexibility and options required to complement national and international initiatives and work with them? Do they have the capabilities to be productive collaborators?

How ambitious should a board be in the pursuit of socially beneficial outcomes, either alone or in collaboration with public and other bodies? Should more directors strive to confront shared challenges and address the many opportunities that are already evident or implicit within them? How will they decide which opportunities to pursue? Will additional sources of advice and support be required? For some boards, the responsible course of action might be to shut down activities that may be profitable, but are impacting negatively on the environment and/or the quality of life of others. How many boards take externalities into account? If directors and business leaders rise to the occasion and behave responsibly, they
will deserve the trust and support of stakeholders and the public. If they stand aside, might more people question the relevance of private enterprise and its legitimacy? Will directors ‘go missing’ when they have a once in a generation opportunity to make a wider contribution?

Socially Responsible Strategizing

Directors should ensure that corporate objectives are responsible, and that steps they take to develop a corporate strategy, the strategy itself and how it is implemented are also socially responsible. Social responsibility has been identified as a core component of responsible leadership, but other elements include sustainability and green development (Atunes and Franco, 2017; Lasrado and Bimal, 2018). Boards need to take a longer-term view and act responsibly towards the environmental context in which societies exist and endeavour to ensure that what is most important for them can be sustained. Directors may be alert to changing customer requirements, but to what extent are they aware of their anxieties and those of other stakeholders? Do they care enough about the communities of which they are a part to be always on the alert for opportunities to make a more positive and broader impact?

Do directors always have the best long-term interests of stakeholders and the communities and societies in which companies operate at heart? Do they like them or just see them as potential sources of revenue? Is it OK to be cold but efficient? Are directors sensitive to environmental and social concerns as well as financial pressures? Are they committed to delivering sustainable social value and outcomes? Do they endeavour to ensure that all corporate aims, policies and strategies are socially responsible and not just those earmarked to satisfy a legal CSR obligation? In the case of qualifying Indian companies, do boards try to ensure that a 2% of net profit requirement does not distract from achieving a more demanding objective that all corporate activities should be socially beneficial and contribute to inclusive and sustainable development? Are corporate strategies in place to make this happen?

If more companies are to become social contributors as well as economic players, do their directors need to ensure that corporate strategies are responsible in relation to community, social, environmental and UN sustainable development goals (United Nations, 2015)? Should more companies have an ethical social purpose as well as financial objectives? Should financial profit be seen as but one measure of performance and the efficient use of natural resources and corporate capabilities? Are social measures of performance and contribution needed to complement traditional financial ones (Coulson-Thomas, 2019c)? Are the change agendas of boards aligned with the goals of local and national Governments in the territories in which they operate and contributing to their achievement? Are enough boards working with these authorities and other entities to support the extension of the shared and circular economies and create and disseminate shared value? Do the discipline of CSR and its people need to step up from project to enterprise level to help facilitate this?

Building Bridges between Business and Society

How many companies are considered a good corporate citizen and how many are seen in a negative light, for example as a polluter or a contributor to global warming? Some directors and boards feel under attack for compounding environmental and other problems. They might be tempted to hunker down, avoid confrontation and make hay while they still can. Instead, should they be engaging and endeavouring to build bridges between business and society? Directors who find themselves criticised for activities undertaken to fulfil obligations to stakeholders and satisfy their demands, could enter into a dialogue with them and/or
contribute to public debates on what such obligations and the requirements of their stakeholders should be. Most directors do not set out specifically to pollute the environment, wipe out species or trash the futures of their children. They and the communities and societies of which they are a part face shared challenges of reassessing priorities and adjustment.

Responsible leadership involves caring enough to provide practical, accessible, affordable and easy to use support to those who need to change. Performance support tools can enable users to build relevant capabilities as and when required. They can incorporate critical success factors for excelling in key roles and quickly deliver multiple benefits for both people and organisations. They can also benefit the environment by improving the effectiveness of purchasing and enabling more informed and responsible procurement choices (FitzGerald, 2000, Coulson-Thomas, 2009 & 2010). Responsible leaders should not just talk about responsible conduct, they should endeavour to help people to behave responsibly and also use what their companies produce responsibly. Suppliers should work with their customers to develop less environmentally damaging and more sustainable solutions to their requirements.

There is scope for collaboration to bring about the change of aspiration, demand and activity needed to transition to more responsible lifestyles, business models, cities and societies. If boards work with public bodies, NGOs and other companies to build more sustainable communities, what should their roles be? Should they be catalysts in enabling business responses to social issues that can either usher in or accelerate social change? Are annual board reviews and nomination committees consciously setting out to build more socially responsible boards? Could CSR or a broader vision of a socially responsible company and responsible board leadership provide a new agenda for governance? What should this be? What objectives should be set and strategies formulated for more business inspired social initiatives and community involvement? How might these be aligned with national actions to implement UN Sustainable Development Goals (SDGs) and address the needs of wider society (United Nations, 2015)? Is this what good corporate citizenship should be about?

Business Giving and Corporate Philanthropy

For many centuries some individuals have given a proportion of their private wealth for the benefit of others and good causes. Critics of business sometimes suggest that companies take rather than give. They cite surpluses paid to shareholders as dividends rather than invested in better services, noxious emissions from factories and products of consumer capitalism such as polluting vehicles that contaminate our air and degrade our health. They point out that fossil fuels threaten our prospects of survival on our endangered planet whenever they are burned. Many young people around the world have little awareness of the significance of incorporation or the role of company directors. Is the criticism turning them against business? Do they blame businesses rather than their customers for current forms of what Thorstein Veblen (1899) termed conspicuous consumption and which encouraged Andrew Carnegie (1889) to call for excessive wealth to be distributed for social good? Do young people see our contemporary companies as a major threat to their life chances and future generations?

Should more be done to put a positive case for business and board leadership and direction in the creation of opportunity, innovation and wealth (Zitelmann, 2018)? Should directors stress benefits shared by a variety of stakeholders and wider society, such as value to customers in voluntary exchanges in the marketplace, dividends to shareholders including pension funds, public services funded by corporate and business related taxation, or incomes of employees that also support local communities? Where there is competition, what about the benefits of
diversity and choice? Maybe stakeholders should reflect upon their own responsibilities and what they require from companies. Polluting cars are bought by customers. Our lifestyles, consumer preferences, laws, regulations and what we are prepared to pay determine what is produced. Some demanding customers blame those who supply them when they do not like the environmental consequences of their purchases. Is this hypocritical and schizophrenic?

Some business leaders, entrepreneurs and owners become philanthropists. They ‘give back’ to people in need. They share their success. Generations of wealthy people have donated to: public libraries; schools, colleges and universities; and hospitals, medical research and other causes. Concerned individuals address gaps in funding and/or become social entrepreneurs. Should companies establish philanthropic funds to kick start social ventures, undertake blue skies research when and where they have the capabilities, support those at the ‘bottom of the pyramid’ or help the excluded to participate? Catalytic projects could be funded to unlock other resources in support of the achievement of environmental, social and UN sustainable development goals (United Nations, 2015, UNEP, 2019). Might such expenditures also benefit a brand, especially when corporate CSR and philanthropic strategies are aligned? Could funds be raised from other and external sources to support CSR and philanthropic projects? How might this best be done and how could social media and crowd funding help?

Recognising Stakeholder Perspectives

Ethics has been described as the heart of leadership (Ciulla, 2002 & 2006). Exploring the relationships between ethics, leadership, social responsibility and governance can help us to understand the nature of responsible leadership (Doh and Stumpf, 2005). Ethical and responsible leadership in commercial activities such as buying and selling could be expressed by helping and supporting the interactions of buyers and sellers so that customers can acquire an offering, solution or outcome that is right for them in terms of their aspirations, preferences, priorities and values and is also sustainable. Acting ethically and responsibly towards stakeholders can involve helping rather than harming them and taking steps to enable them to understand offerings and alternatives, their relevance and suitability, environmental and other implications, and their true internal and external costs, rather than taking advantage of innocence, naiveté or ignorance (Coulson-Thomas, 2009 & 2010).

Directors favouring change and alternative approaches, business models and/or offerings should not automatically assume that a majority of stakeholders will be for or against particular courses of action or activities. Stakeholder trust, social and ethical priorities and views on social responsibility and what is acceptable can and do change. Engagement with stakeholders that makes them aware of different options might speed up a process of adjustment. In particular, growing public awareness of the impacts of climate change is making people more alert to the need for action to reduce harmful emissions. Investors who seek ESG opportunities and organisations that declare climate emergencies are potential allies in the creation of more sustainable and less environmentally damaging choices. How aware of stakeholder agendas and changing priorities are many corporate boards? Where aspirations and goals are shared, do directors look for collaboration opportunities and alliances?

What roles could and might supportive stakeholders play in the furtherance of a company’s social responsibility mission? What should be done to engage them, develop a shared vision and agenda, and continue the movement of CSR considerations from the margins to the mainstream (Hopkins, 2016)? How might stakeholders help the transition from an associated portfolio of CSR projects to an integrated and socially responsible company? With their
Corporate Governance Considerations

Responsible leaders ensure that an organisation has a responsible purpose and acts as a responsible entity (Basu, 1999, Coulson-Thomas, 2019a & b). Rethinking the purpose of a company, greater pressure from stakeholders and concerned citizens, and the adoption of a social as well as an economic mandate may all have corporate governance consequences. Governance arrangements might need to embrace a social as well as an economic purpose, greater stakeholder activism and collaboration with both public bodies and private sector organisations. Does good social responsibility governance practice need to be codified, or might this inhibit creativity and the development of approaches that better reflect the social aspirations and stage of development of individual companies and their circumstances?

Interventionist Governments and legislatures may introduce new requirements to speed up corporate responses to climate change, environmental and other challenges. These may create extra costs, but also opportunities for corporate responses that complement those of public bodies, embrace new approaches and business models and demonstrate responsible corporate citizenship. Do some boards need to renew or sharpen a focus upon increasing productivity and the efficient use of resources to achieve agreed ends? Should directors do more to stress the relative freedom that companies have to creatively explore alternative ways of generating greater economic and social value with the minimum of inputs, especially of limited natural capital and fossil fuels, and while reducing negative impacts upon the environment?

Articulating a Compelling Cause

Motivation, tone at the top and showing that one cares can be important for building relationships and a more caring form of capitalism (Barman, 2016). How should a social tone at the top be expressed? Many young people in particular relate to causes that echo their concerns. In developing countries, according to global company executives contacted in one investigation, the purpose of a company was a significant factor in attracting talent and corporate purpose ought to benefit a job candidate’s home country and express the value of global citizenship (Ready et al, 2008). Should more boards give a lead in: articulating a social purpose and agenda that turns a business into a cause that engages stakeholders and secures their support; embedding them into corporate vision and values, strategy and governance arrangements; and ensuring these are aligned with corporate conduct and activities?

A board that is able to articulate a wider social mission as a cause that is supported by multiple stakeholders may find that it can be more nimble than a democratic Government that is constrained by its past and a previous manifesto. Whereas public bodies tend to adopt single and standard solutions as and when they can secure funding in an annual budgetary cycle, boards may find they can simultaneously pursue different possibilities. They may be flexible to suit local interests, reallocating resources as required. CSR can be a catalyst to increase engagement, build relationships and usher in a more collaborative form of capitalism (Coulson-Thomas, 2014 & 2018). Engagement with stakeholders can take place throughout
the year and, unlike democratic Governments with uncertain support in Parliament, they may not need electoral support before taking difficult decisions or moving in a different direction.

Corporate Involvement in Community Developments

Responsible leadership and stakeholder management are inter-related and impact on organisational outcomes (Doh and Quigley, 2014). Responsible business leaders endeavour to ensure that all corporate decisions and activities and their outcomes and impacts are both socially responsible and ethical. They do not limit ethical considerations to a subset of corporate operations. Other than when required to do so by law, does it make sense to distinguish particular activities as CSR projects and apply different criteria to them? Might the board and management of a company whose operations are an integral element of certain communities have a better understanding of local issues and needs, and where it could make the greatest contribution, than members of a Government department who draw up national guidelines? Do enough companies have the programme and project management skills for implementing socially responsible community development strategies and transitioning to become a socially responsible enterprise and an active corporate citizen?

Where a board engages with stakeholders, pursues a responsible purpose and seeks to devote a company’s resources to maximising the social and economic value of its contribution and achieving sustainable development goals, could the devotion of effort to CSR projects that meet a legislative requirement result in a less than optimal use of resources? Community engagement can help to ensure that corporate activities are socially relevant. Do corporate communications need to be social purpose driven to achieve this outcome? Do companies have the people and capabilities needed for successful community engagement, social innovation and entrepreneurship? Do corporate policies, processes and practices support them and do they enable socially responsible initiatives and activities to be effectively monitored, evaluated and reported? Are social benefit, value added and return on investment measured?

Responsible leadership has been championed by IOD for approaching 30 years. Its elements are evident in the names of Golden Peacock Awards and international events at which members can discuss, demonstrate and share what they do to respond to developmental, existential and social challenges. Telecoms companies can connect the unconnected. Energy companies can reduce harmful emissions and transition to renewable sources. Other entities can also use their corporate capabilities in appropriately beneficial ways. Most directors have a historic opportunity to re-purpose and re-engage with the communities and societies in which they operate by embracing total corporate social responsibility. They can earn the trust and respect of the excluded and younger generations by pursuing social as well as economic aims and working to ensure a carbon-neutral and more sustainable and inclusive future.

References


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Maak, Thomas and Nicola M. Pless: 2006a, Responsible Leadership: A Relational Approach, in Thomas Maak and Nicola M. Pless (eds.), *Responsible Leadership*, London, Routledge


Further Information


United Nations (2015), *Transforming our World: the 2030 Agenda for Sustainable Development* [Resolution adopted by the General Assembly on 25 September 2015], 70/1, New York, NY, UN General Assembly


Further Information

The 14<sup>th</sup> International Conference on Corporate Social Responsibility is organized by India’s Institute of Directors (http://www.iodglobal.com/). Further information on the international conference can be obtained from: https://iodglobal.com/events/up-coming-events.html

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