

UJ Sociology, Anthropology & Development Studies

**W E D N E S D A Y
S E M I N A R**

Hosted by the Department of Sociology and the
Department of Anthropology & Development Studies



Meeting no 02/2014

**To be held at 15h30 on Wednesday, 12 February 2014,
in D-Ring 506, UJ Kingsway campus**

**Thoughts on Corporations, CSR and Economic Justice
in the South African Context**

- Please do not copy or cite without authors' permission -

Prof Marilise Smurthwaite

St Augustine College of South Africa

- Programme and other information online at www.uj.ac.za/sociology -

Professor M. E. Smurthwaite. St Augustine College.

Weekly seminar: Department of Sociology and the Department of Anthropology & Development Studies at the University of Johannesburg (UJ). Wednesday afternoon, 12 February 2014.

Thoughts on Corporations, CSR and Economic justice in the South African context

The notion of the corporation with a focus on its contribution to economic justice is seldom explored. Furthermore, the term Corporate Social Responsibility (CSR), which, for some, may have an “ethical ring” to it, is rarely used alongside or even associated with a phrase like economic justice. In fact, CSR, a term now used less than previously, given that the more fashionable Corporate Social Investment (CSI) has gained prominence, is most often associated with corporations, their activities, their governance and their annual reports. It is also a phrase bandied about in other contexts (e.g. the press, popular discourse, etc) with, it seems to me, an underlying assumption that we all know and agree on what CSR *is* and, furthermore, that it is important and a “good thing”. These assumptions are unfortunately not accurate and there are a number of ethical questions about some current practices under the CSR/CSI banner. But more of this later.

In respect of the notion of *economic justice*, not only do we find it rarely, if ever, used as a term along with CSR and CSI, but we also find that it is not often used at all. While the concepts of *justice* and, perhaps, even *social justice* have enjoyed considerable attention in popular and academic contexts as well as in religious discourse, the term *economic justice* has enjoyed less attention. A quick search on a website like Addall.com will yield about 20 titles specifically on economic justice. A quick glance at indexes in books on justice reveals no reference to the term. This said, few would deny that *justice* is an ethical concept as well

Professor M. E. Smurthwaite

St Augustine College of South Africa
53 Ley Road, Victory Park, Johannesburg
PO Box 44782, Linden 2104, South Africa
Tel: +27 11 380 9000 Fax: +27 11 380 9200
E-Mail: admin@staugustine.ac.za
Website: www.staugustine.ac.za



as a legal one. *Economic justice*, irrespective of how exactly we conceive of it (and that often depends not only on our ethical approach, but also on our understanding of economy and economics) is likewise an ethical issue. However, the term *corporation* is not an ethical term; nor can the terms CSR, CSI and/or corporate governance be conflated with ethics and the ethical. This, I think is what makes the interface between these various concepts both complex and challenging.

This deficit in discussion of economic justice in the context of the corporation and its responsibilities, both ethical and other, was initially brought to my attention through my own research in this area. Previous academic research had focused on such areas as Economic justice in the Biblical/theological context (e.g. related to the prophet Amos); Ecology and justice; Land restoration; Development studies; Poverty studies; Economics and crime prevention and Empowerment and Redistribution of wealth via taxation (see Smurthwaite 2006: 4). However, little, if any work had been done on corporations and economic justice. Confronted by this lack of discussion and research and having set out to investigate the extent to which corporations in South Africa had/had not contributed to the amelioration of economic injustice after 1994, I found myself wondering why they should have done so anyway. After all, the corporation is not a charity, it is not an NGO or a church, but a business. Did corporations actually have a *moral* responsibility at all and, more specifically, one which required them to ameliorate economic injustices? Was it even reasonable to suggest that the corporation should do anything to assist in the amelioration of economic injustice in a country where political liberation had not been accompanied by economic liberation? Surely that was for the state or the churches or NGOs? On what grounds could we suggest that the corporation was *morally* responsible for this type of task? If it was responsible, then where was this contribution to be found or made? How did CSR (and later CSI) fit into this picture of the corporation and its responsibilities to the society?

Professor M. E. Smurthwaite

St Augustine College of South Africa
53 Ley Road, Victory Park, Johannesburg
PO Box 44782, Linden 2104, South Africa
Tel: +27 11 380 9000 Fax: +27 11 380 9200
E-Mail: admin@staugustine.ac.za
Website: www.staugustine.ac.za



And really this is the focus of my paper today. What connection, what relationship can we find between the notions of *corporation*, *corporate social responsibility* and *accountability* and *economic justice*?

I will argue that to do this, we need firstly to consider what we mean by '*economic justice*' and secondly, to understand something about the notion of '*corporation*'. Given this, I will briefly outline my understanding and approach to *economic justice*. Then I will argue that any understanding of the relationship that a corporation has with society, the role it plays and the responsibilities it has, moral or otherwise, will be shaped by our view on the nature, moral agency and purpose of the corporation. I will try to clarify the main approaches in these areas and in so doing show that such a clarification provides us with a kind of analytical framework, which will not only enable us to assess particular corporations and their policies, structures and practices in terms of where they fit as corporations per se, but will also provide a key to answering today's question i.e. whether there is any possible relationship between the corporation and its activities and economic justice. Given the considerations on these two concepts (the corporation and economic justice), I will suggest how we might view the interconnection, (if it exists) between the *corporation*, *corporate social responsibility* and *accountability* and *economic justice*. The task is perhaps too large for the time available, but I will attempt it nevertheless

Let us begin by considering *economic justice*. Our understanding of the term will be grounded in our understanding of justice and of economics and economy. As we cannot here explore all possible interpretations and understandings of justice, I will merely sketch my approach with a couple of remarks to point out where it differs from some. The approach is rooted in what Curran (2002:188) calls the "Thomistic and neoscholastic concept of justice". Thomas Aquinas was considerably influenced by Aristotle, but differed

Professor M. E. Smurthwaite

St Augustine College of South Africa
53 Ley Road, Victory Park , Johannesburg
PO Box 44782, Linden 2104, South Africa
Tel: +27 11 380 9000 Fax: +27 11 380 9200
E-Mail: admin@staugustine.ac.za
Website: www.staugustine.ac.za



from him in certain ways. Both see justice as a virtue, but Aquinas did not view this virtue as a “balance between two vices” (Smurthwaite 2006:130) but as a cardinal virtue (the others being prudence, temperance and courage) directing the person’s relationship with both society and with other people. For Aquinas, injustice was a vice as “it was contemptuous of the common good and undermined social solidarity and equality” (Smurthwaite 2006: 131). Justice understood in this way includes what may be called *legal justice* (sometimes referred to as *contributive* or *social justice*); *commutative justice* (sometimes referred to as *balancing justice* or *exchange justice*, given that it “blind” and denotes arithmetic equality) and *distributive justice* (incorporating its principles of equal treatment, consistent administration of rules and restitution). It is useful to note in passing that the term *social justice* remains a fairly contested term, some viewing it as combining all three types of justice (Curran 2002:189), some suggesting it equates to legal justice (Höffner1983: 690)and some suggesting that it refers to particular justice *issues* like the gap between rich and poor, refugees and so on. (Dorr 1991) (see Smurthwaite 2008 for a full discussion).

In regard to *economics* and *economy*, if we adhere to the theoretical paradigm which sees economics as a scientific pursuit in line with the natural sciences and views the economy as value-neutral, the market as paramount, the person as *homo oeconomicus* motivated by self-interest and a search for utility, economic growth as the answer to all economic difficulties, our understanding of economic justice may be limited to some notion of the “trickle-down effect” or some understanding that allowing “the market” to function with as little government interference as possible on the basis of self-interest is the best way to ensure the good of all in society. It has long been shown that this does not ensure such outcomes. As Wilber (1991: 214) noted over twenty years ago

Scholarly work in economics over the past fifteen years demonstrates that, under conditions of interdependence and imperfect information, rational self-interest frequently leads to socially irrational results.

Professor M. E. Smurthwaite

St Augustine College of South Africa
53 Ley Road, Victory Park , Johannesburg
PO Box 44782, Linden 2104, South Africa
Tel: +27 11 380 9000 Fax: +27 11 380 9200
E-Mail: admin@staugustine.ac.za
Website: www.staugustine.ac.za



In other words, such a perspective “has no conception of the common good” (Clark 1997:4).

In contrast, if we believe that neither *economy* nor *economic systems* are value neutral and do not exist for their own sake, that the economy should serve human beings, not the reverse, that persons have an innate dignity and should be seen holistically as social, physical, intellectual, spiritual, moral, beings rather than as economic units, that there are numerous human needs that the market cannot meet; that persons are not merely motivated by self-interest, and that the common good “cannot be relegated to the position of a *by-product* of individual self-interest” (Smurthwaite 2006:148), but that it may be understood as encompassing

... everything that is conducive to the human flourishing of each person in a community...and to the flourishing of the association as a whole. The common good is universal, distributive, communicable to many without belonging exclusively to anyone. The common good...is not the sum of individual interests, nor of general or majority interests, but is something that transcends particular interests. It is a good in which all can participate, and thus “common” – although not everyone participates to the same degree or in the same way (Melé 2002:194).

Then we will be likely to have an understanding that

Economic decisions have human consequences and moral content; they help or hurt people, strengthen or weaken family life, advance or diminish the quality of justice ... (US Catholic Bishops 1997:13)

On the basis of this understanding we are likely to ask different questions to ascertain the justice of economic systems and of particular economies. So, for example, we might ask the extent to which economic decisions and institutions protect or undermine the dignity of the person as well as protecting and facilitating the marginalised in the society (the poor, the elderly, the unemployed, the sick etc.). We might evaluate particular economic systems in terms of what each “does *for* and *to* people and *how* people participate in it” (US Catholic Professor M. E. Smurthwaite

St Augustine College of South Africa
53 Ley Road, Victory Park , Johannesburg
PO Box 44782, Linden 2104, South Africa
Tel: +27 11 380 9000 Fax: +27 11 380 9200
E-Mail: admin@staugustine.ac.za
Website: www.staugustine.ac.za



Bishops 1997:31). We might ask the extent to which socio-economic rights are respected (and the SA Constitution includes such rights in sections 24-29); and we might understand that ensuring economic justice is the responsibility of all stakeholders in society and not the responsibility of the market. Therefore we might concur with the SACBC who stated:

It is sometimes suggested that economic laws, like the basic laws of nature, are beyond human control; that we can no more influence them than we can defy gravity or stop the motion of the planets. Therefore, it is argued, the existence of poverty and unemployment, and the inequitable distribution of wealth, are the result of inescapable economic laws, and must be accepted as such. ...

This argument must be rejected. It fails to take into account the fact that economic consequences come about as a result of human agency. At the heart of every economic system lie human needs, human abilities and human decisions, and it is the choices which we make in addressing those needs, sharing those abilities, that determine the justice or injustice of the economic system (SACBC 1999:5).

In my view, economic justice means “the community must ensure that each human person’s basic needs are met, unless the scarcity of resources is so extreme that this is impossible. This is not the case in our country or in the global context” (Smurthwaite 2006:151). In addition, economic justice requires that we provide for and take cognizance of the needs of the marginalised (the poor, sick, elderly). The way we order the economy and its social and economic institutions should make it possible for all people to take part “in the life of the society” with due respect to human dignity, creativity and freedom. It should enable all persons to benefit from and contribute to the common good.

The SACBC (1999) also suggested that if we wanted to consider indicators of economic *injustice* in a society and its economy, these would be poverty, unemployment, materialism and greed, the extent of the gap between rich and poor, discrimination against women, threats against family life and environmental degradation. It is in these areas that we might seek to ameliorate economic injustice in South Africa, and, in the case of my own research,

Professor M. E. Smurthwaite

St Augustine College of South Africa
53 Ley Road, Victory Park , Johannesburg
PO Box 44782, Linden 2104, South Africa
Tel: +27 11 380 9000 Fax: +27 11 380 9200
E-Mail: admin@staugustine.ac.za
Website: www.staugustine.ac.za



it was these indicators which I aligned with the corporate governance indicators which business uses for accountability reporting to assess their contribution or otherwise to ameliorating economic injustice with regard to their policies, their structures and their practices.

Let us turn now to a consideration of the *corporation*. It seems to me that we must ask ourselves about the purpose of the corporation if we want any chance of discovering whether such a moral responsibility as contributing to economic justice would be either mandatory, voluntary or simply an unnecessary part of corporate responsibility and accountability.

To fully comprehend this purpose and its implications, it is necessary to understand the debate surrounding other notions about the corporation, most notably its nature, its moral agency and its role *in*, relationship *with* and responsibilities *to* society. The way we conceive of its nature and moral agency has a direct bearing on the way we will view its purpose. The latter, in turn, is fulfilled by means of its relationship with society and its role and responsibilities in society. (Smurthwaite in Williams 2008: 13)

It seems to me that the debates and disagreements in this area provide the key to understanding whether or not the amelioration of economic injustice is part of what a corporation needs to concern itself with. Let us briefly consider each of these notions about the corporation in turn:

Firstly, consider the *nature* of the corporation. What is a corporation? How do we understand what it is?

Considering the literature and acknowledging that there is work done in fields as diverse as business ethics, legal theory, and economics, we find a variety of possible understandings. Broadly speaking these can be divided into two categories:

Professor M. E. Smurthwaite

St Augustine College of South Africa
53 Ley Road, Victory Park, Johannesburg
PO Box 44782, Linden 2104, South Africa
Tel: +27 11 380 9000 Fax: +27 11 380 9200
E-Mail: admin@staugustine.ac.za
Website: www.staugustine.ac.za



- those who understand the corporation as only a legal entity or legal fiction
- those who argue that the corporation is both a legal entity and something else. The ‘something else’ varies and includes viewing the corporation as a citizen, a juristic person, an individual person, a community, a part of a community, or even, a group of individuals united by chance. (see Smurthwaite 2008: chapter 1)

Without going into a detailed discussion of each possibility, I suggest that such an examination reveals that, despite much disagreement, there *is* agreement that the corporation “exists in law”, has something to do with persons, and is not a mere isolated entity but exists “in the context of the wider community” (Smurthwaite 2006: 84). My position aligns with those who understand the corporation to be a legal entity as well as a community of persons situated in a wider context (social, political, economic, environmental). This context cannot merely be ignored.

Given that there are differing positions as to what the *nature* of a corporation is, it is not surprising to find that there is no agreement on whether we can consider it to be a *moral* agent or have *moral* responsibility. A moral agent, as understood in philosophy, means an agent capable of right or wrong behaviour and one who can therefore be held responsible and accountable for such behaviour. Our understanding of what the corporation *is* affects how we view the *moral* agency issue. This in turn has implications for whether we would suggest that a corporation has a *moral* responsibility to contribute to the alleviation of social, economic, and environmental injustices and ills. It is clear that the issue of corporate *moral* agency holds implications for the corporation’s relationship with society, its responsibilities, liabilities and accountability. The literature seems to suggest three possible stances on the *moral* agency issue:

- The first holds that the corporation is *not* a moral agent, has no capability for moral action, cannot have moral responsibilities ascribed to it and so is only accountable

Professor M. E. Smurthwaite

St Augustine College of South Africa
53 Ley Road, Victory Park , Johannesburg
PO Box 44782, Linden 2104, South Africa
Tel: +27 11 380 9000 Fax: +27 11 380 9200
E-Mail: admin@staugustine.ac.za
Website: www.staugustine.ac.za



for practices as set out in law (whether ethical or unethical, moral or not). This position is taken by those legal theorists holding to concession theory, by economists like Hayek, Friedman and Galbraith among others (see Smurthwaite 2006; 2008; Wogaman 1996; Danley 1994; Morse 1999, Friedman 1970; Sternberg 2000 etc). On such an understanding, the corporation would have no moral responsibility to ameliorate economic injustice in a country like South Africa. In our contemporary society, this is not generally seen as an acceptable option anymore, although it is clearly one which was held to in the later 20th century.

- The second holds that moral agency in the corporation, and so moral responsibility and accountability, vests in the individuals as persons and as community. So for example, those legal theorists adhering to aggregate theory, and those business ethicists writing from a virtue ethics, corporate citizenship, or Catholic Social thought perspective would adhere to this view. This understanding of moral agency begs questions about which individuals or members of the community are responsible and accountable to which degree and for what? (See Smurthwaite 2006; 2008).
- The third position claims that the corporation *is itself* a moral agent, with moral responsibilities and may be held accountable as such. Some who hold this view see the corporation as the equivalent of an individual moral person (some legal theorists who adhere to “real entity theory” like French (cited in Phillips 1992)), while some, like the business ethicist Donaldson, (1989: xii) claim that the corporation is a moral agent with both moral responsibilities and rights, but these are not quite the same as those of an individual person. While this approach may seem logical in theory, in practice it raises many questions. For example, on the issue of moral responsibility or accountability, one cannot engage with an “entity”. Inevitably one engages with persons, whether as representatives legal or otherwise, as individuals, as spokespersons for the corporation. (see Smurthwaite 2008 for further detail)

Professor M. E. Smurthwaite

St Augustine College of South Africa
53 Ley Road, Victory Park , Johannesburg
PO Box 44782, Linden 2104, South Africa
Tel: +27 11 380 9000 Fax: +27 11 380 9200
E-Mail: admin@staugustine.ac.za
Website: www.staugustine.ac.za



It seems then that on the basis of our understanding of the *nature* and *moral agency* of the corporation, we may situate ourselves in one of two broad options in respect of the **purpose** of the corporation.

If we believe that the corporation is merely a legal entity with only legal responsibilities, is not a moral agent, and has no moral responsibilities, we are likely to join those like Friedman, Sternberg and others, arguing that the only purpose of business is to make a profit for shareholders. If, on the other hand, we find our sympathies with those who believe that the corporation is both a legal entity and something broader, and who believe that it is either a moral agent per se or that moral responsibility and accountability lies with the individuals who make up the community of the corporation, we are likely to believe that business has a broader purpose, i.e. what I refer to as the ‘profit plus extras’ orientation. It is the exact nature of the ‘extras’ which creates most debate in this area of corporate purpose. Broadly speaking, on the basis of the literature, one could say that these debates or disagreements lead us to conclude that, in addition to making a profit for shareholders or owners, there are a number of understandings of the “extras” component. In other words, apart from the somewhat eccentric notion held by Keely (cited in Melé and Fontrodona 1997:2), that corporations have no purpose, we find a number of possible views on corporate purpose emerging in the ‘profit plus extras’ contingent. The corporation’s purpose may include:

- making a profit, but also developing individuals and serving the common good
 - being a good citizen
 - producing good human beings and contributing to the community as a whole
 - being socially responsible in addition to making a profit (e.g. relieving poverty)
- (see Smurthwaite 2008: 29 or 2006: 97)

Professor M. E. Smurthwaite

St Augustine College of South Africa
53 Ley Road, Victory Park , Johannesburg
PO Box 44782, Linden 2104, South Africa
Tel: +27 11 380 9000 Fax: +27 11 380 9200
E-Mail: admin@staugustine.ac.za
Website: www.staugustine.ac.za



I have argued that taking a position in respect of the *nature, moral agency and purpose* of the corporation provides the basis for and implications for the corporation's *relationship with, role in and responsibilities to society*. It is here that we would begin to talk of what moral responsibility business has, what business should be morally obliged to do and it is here that we might look at issues of accountability. However, discovering possible approaches to this corporate *role, relationship and responsibility* is a difficult task for a number of reasons. One of these is the body of literature which is both prolific and complex, with numerous and varied explanations by different authors as to how to approach this issue. Terminology is variously used and understood, and there is no one conceptual or operational definition of corporate social responsibility or even of corporate social investment. In addition, as I have said elsewhere, "the notion of *moral responsibility* is slippery. Some theorists do not acknowledge that business *has* such a responsibility. Others use the term to apply to certain *duties* of business, yet those same duties may not be seen as *moral responsibilities/duties* in another author's work" (Smurthwaite 2008: 30). Suffice to say that there seems to be some resistance to the notion of *moral responsibility* on the part of corporations and some arguments on this I have also dealt with elsewhere (2008: 31). There is far less disagreement on fiduciary responsibility, whether taken in the legal or financial sense.

I will not here attempt to summarise this plethora of views and disagreements, on the corporation's *relationship with society and its role in and responsibilities to society*, other than to say that in very general terms there are narrower and broader perspectives on this issue which are in line with the "profit only" or "profit plus extras" notions mentioned earlier. Rather than a summary of the details of a bewildering number of possibilities on the corporation's role in and relationship with society, I would like to share with you some of the work I did on CSR (published in 2011), which raises some of the issues and ethical questions in this area. I do this in an attempt to consider CSR and the accountability issue in

Professor M. E. Smurthwaite

St Augustine College of South Africa
53 Ley Road, Victory Park , Johannesburg
PO Box 44782, Linden 2104, South Africa
Tel: +27 11 380 9000 Fax: +27 11 380 9200
E-Mail: admin@staugustine.ac.za
Website: www.staugustine.ac.za



relation to corporations and economic justice. I therefore quote a fairly lengthy extract from this paper published in *St Augustine Papers* (Vol 12 no 1 2011 20-23) as a way of considering some of the aspects of this complex area.

“CSR, sometimes re-labelled as “corporate citizenship” by business, has been classified as a ‘vacuous’ and amorphous concept, (Danley 1994); a modern myth where business obeys the law and uses CSR to cover up its real moral responsibilities and amoral business activities (De George 1996); or a term which has so many meanings that it is difficult to know what the expectations for socially responsible behaviour are (Sethi 1996; Whitman 1996 and Zadek 2004). Despite arguments that CSR is based on principles of stewardship and charity (Post, Lawrence and Weber 2002:61-64)), and focuses business on taking responsibility for the consequences of its actions (Post, Lawrence and Weber 2002:56), there are other less positive views. These include the argument that CSR tries to be “...a moral alternative to Friedman’s classical view” (Green 1996:40-1) without bankrupting the company, a so-called “ethical concept” which, in practice, could assist with social problems and be good for the company’s profits and image as well (Buchholz and Rosenthal 2002:304). The latter view is typical of what are called “instrumental approaches” to CSR, or, in ‘business-speak’ the ‘win-win’ approach to CSR, the so-called ‘business case’ for CSR. Now what does this mean and what does it say about our values?

Theoretically, CSR can be divided on the basis of its objectives into four basic categories (Garriga and Melé 2008). Instrumental approaches are one of these categories and see CSR “as a means to the end of profits”. This could mean CSR’s focus is on maximizing shareholder value with a focus on short-term profits; or gaining competitive advantage with a focus on longer term profits or CSR could actually be a form of marketing. The latter is the so-called “cause-related marketing” where the activities are ‘altruistic’ but the aim is actually to market the company. It is seen as a kind of ‘win-win’ approach or, more bluntly, ‘enlightened self-interest’ (Garriga and Melé (2008: 78).

Professor M. E. Smurthwaite

St Augustine College of South Africa
53 Ley Road, Victory Park , Johannesburg
PO Box 44782, Linden 2104, South Africa
Tel: +27 11 380 9000 Fax: +27 11 380 9200
E-Mail: admin@staugustine.ac.za
Website: www.staugustine.ac.za



Now it appears that since the late 1990s, this instrumental type of CSR has been on the increase, with CSR being a strategy for maximising profit using “marketing tools” to “stimulate stakeholders’ behaviours that enhance corporate performance” (Gond, Palazzo and Basu:2009:57; see also Vogel 2005). This is linked to notions that CSR needs to be justified, and explains why both in academia and in corporate practice there is reference to the “business case” for CSR, where the financial benefits of socially responsible actions are stressed. The theme is “CSR for profit”, the focus is “economic” or “strategic” approaches to CSR rather than “duty-aligned” or “ethical” perspectives. While the latter approaches still exist, the former are becoming dominant as is illustrated by the marketing perspective on CSR. Furthermore the instrumental approach has spawned various “CSR-oriented industries”, CSI being but one example. (Gond et al: 68).

What it means is that CSR is less about a corporation’s contribution to the common good and the needs of the community and more about self-interest and the costs and benefits (financial and otherwise) of particular projects. This, in turn, means CSR needs to fit the “win-win” paradigm and become a kind of “strategic philanthropy” (Gond, Palazzo and Basu: 2009:67). “In practice this new instrumental CSR is thus portrayed as a panacea to solve negative perceptions regarding corporate malpractice, and therefore as being naturally good” (Gond, Palazzo and Basu:2009: 67). Small wonder then that CSR is sometimes seen merely as a “face” which business puts on to get social acceptance for its activities.

I would argue that if indeed this is a preferred version of CSR our vision of the good is truncated: it is not a notion of the common good in the sense of ensuring those conditions of social life which enable all individuals and groups to “achieve their own fulfilment in a relatively thorough and ready way” (GS 74). It does not envisage contributing to the welfare of the community as a whole and is not an inclusive concept. Rather we are talking here of an exclusive good where the interests and benefits of particular groups (and not necessarily the groups who are on the receiving end of the CSR) are prioritized and used as the basis for decision making. Notions of stewardship and charity become really notions of looking after self-interest and contributing where best that self-interest can be profitably fostered. At its

Professor M. E. Smurthwaite

St Augustine College of South Africa
53 Ley Road, Victory Park , Johannesburg
PO Box 44782, Linden 2104, South Africa
Tel: +27 11 380 9000 Fax: +27 11 380 9200
E-Mail: admin@staugustine.ac.za
Website: www.staugustine.ac.za



worst, people are merely a means to the end of profit and the good done by the CSR project is really a by-product of the operation of the market. There are indeed ethical questions to be asked in adopting this variant of CSR: not only is profit more important than social responsibility, but also its focus is on “the means of achieving CSR reputation rather than the end of social welfare” (Gond et al: 76).

There are also some real dangers in adopting this approach to CSR which we should perhaps take heed of. ‘Doing good to do well’ may not always be as good as it seems and it may also raise questions about approaches to sustainability. Gond et al (2009) argue that corporations that practice this type of CSR have similarities to the Mafia and gain advantages in areas with weak governance, focusing on profit and self-interest and emphasising the “superior culture” of the firm, an emphasis which is fertile ground for *deviant activities*. Where corporations operate to get what they can while they can and leave when the going is less profitable, communities are damaged. Furthermore, instrumental CSR does not consider normative questions, and so one may ask what happens in situations where a contribution to stakeholders or society will not bring profit? The answer to this is that CSR could either become opportunistic, changing track and commitments depending on the profits to be made, or it could become less about contributions which are truly needed and more about whatever fits the ‘business-case’ needed or not. Because this version of CSR is “normatively weak”, CSR could merely end up serving particular interest groups or even having negative effects on communities, effects which remain hidden under the guise of CSR actions, while actually being dubious business practices. (see Gond et al).

It seems clear therefore that this type of CSR has grave ethical shortfalls and excludes a meaningful understanding of the common good. In its practice, we could even go as far as to suggest it is unlikely that it will contribute to the common good but may in fact foster unethical practice and may return us to an adapted version of the Friedman dictum that the social responsibility of business is to make a profit for shareholders. And here there is a link with a certain understanding of sustainability, a notion which sees achieving sustainability as

Professor M. E. Smurthwaite

St Augustine College of South Africa
53 Ley Road, Victory Park , Johannesburg
PO Box 44782, Linden 2104, South Africa
Tel: +27 11 380 9000 Fax: +27 11 380 9200
E-Mail: admin@staugustine.ac.za
Website: www.staugustine.ac.za



rich with possibilities of making profit by developing products and technologies which are environmentally friendly (Hart 2001:7). Sustainability is thus a business opportunity for growth, contribution to the society and profit all rolled into one. This ties in with Vogel's observations (2008: 184) that some use the idea of sustainability to make profits over the long-term, adopting the so-called 'business case' for CSR which in practice means 'doing good to do well rather than doing good to do good'. He argues that despite wide CEO support, the jury is still out on whether this so-called business case for CSR *does* deliver long-term profits. For Vogel, despite widespread criticism of Friedman's position that the business of business is only to make a profit for its shareholders, and widespread acknowledgement of CSR as a strategy, in fact "many contemporary advocates of CSR have implicitly accepted Friedman's position that the primary responsibility of companies is to create wealth for their shareholders. But they have added a twist: in order for companies to do so, they must now act virtuously." (Vogel 2008:190). Presumably, then, sustainability, is rather a useful concept: it has an ethical ring to it and suggests you are acting virtuously even if you have merely coopted the *idea* of sustainability and the *use* of the word at strategic intervals in marketing operations and materials.

We need to ask ourselves about the ethics of this. Can we just see sustainability as a business opportunity for profit or, as often seen in business, politics and academia, as a synonym for CSR as a 'business case'? Does this type of understanding point to ethical shortcomings and ethical risk?"

And it is in the context of such questions that we need to ask whether the corporation can make any contribution to economic justice, in the sense we described earlier, if corporations adopt the view that doing good must be tied to furthering self-interest and making a profit (in addition to the profit already made as part of the financial aspect of the business).

However, if we really wish to examine such issues, there is more work to be done. In addition to understanding the concepts of *corporation*, *economic justice*, *CSR/CSI*, we need Professor M. E. Smurthwaite

St Augustine College of South Africa
53 Ley Road, Victory Park , Johannesburg
PO Box 44782, Linden 2104, South Africa
Tel: +27 11 380 9000 Fax: +27 11 380 9200
E-Mail: admin@staugustine.ac.za
Website: www.staugustine.ac.za



to acknowledge the complexity of the task. Research in this area, becomes plausible, not merely through some sort of empirical approach, but also through carefully designed qualitative research where an analytical framework or model is used as the basis for our research. In this area of economic injustice, we might ensure firstly that we try to ascertain, through, for example, a detailed discourse analysis, where the corporation places itself in terms of its position on the nature, the moral agency, the purpose and the role, and responsibilities of the corporation. Secondly, we must try to align the areas or indicators of economic injustice with the areas that corporations use as the basis for their reporting: the triple bottom line notion, of financial, social and environmental accountability. Having done this we might be ready to select and analyse all those policies, structures and practices of the corporation which relate to indicators of economic injustice, as these occur in the three categories usual for business reporting and accountability, namely, financial, social, and environmental. In this way we may obtain some idea of where and to what extent a business actually has conceived of and executed its moral responsibilities in terms of its wider context. And, what we may find may be surprising, positively or negatively.

So, for example, in my own research, I found that the corporation concerned had both explicit and implicit aims, and its purpose was expressed in overall, as well as in financial, social and environmental objectives or aims. Analysis revealed a “mixed discourse, embodying an effort to blend the human with the financial. The blend is not necessarily an easy or comfortable one” (Smurthwaite 2006:284). This meant there was both a ‘people-focused’ discourse in the social aims, but “also discourse which ...[suggested]... using people as a means towards the financial prosperity of the organisation” (Smurthwaite 2006: 290). On the one hand, the discourse embodied values underlying the market economy and demonstrated “a utilitarian perspective of purpose and aim” (Smurthwaite 2006: 290), on the other, some discourse emphasised contribution to the community. This conflict in purpose was borne out in corporate practice where, for example, the corporation appeared

Professor M. E. Smurthwaite

St Augustine College of South Africa
53 Ley Road, Victory Park , Johannesburg
PO Box 44782, Linden 2104, South Africa
Tel: +27 11 380 9000 Fax: +27 11 380 9200
E-Mail: admin@staugustine.ac.za
Website: www.staugustine.ac.za



to be “bent on increasing profits and reducing costs by reducing staff numbers”. (Smurthwaite 2006: 590). Yet despite the mixed messages in the purpose, the sincerity of their commitment to ameliorating economic injustice was found in their having state of the art policies, where issues of economic injustice were taken into account. However, an analysis of the structures (governance, staff hierarchies, gender, remuneration etc) revealed a perpetuation of the status quo, rather than changes. Finally, the practices of the corporation, in diverse areas of activity, revealed both positive attempts to ameliorate previous economic injustices as well as some areas where such practices were not evident.

We must therefore acknowledge that making ethical judgments as to whether economic injustices have been addressed is a complex task, and requires a nuanced understanding of the various issues and concepts involved. It also requires an acknowledgement, that despite stereotypes of “good” and “bad” companies, it is difficult to assess such contributions fairly other than through a relatively detailed examination. As with all human activity, we will find some who do and some who do not accept moral responsibility and accountability beyond the ‘letter of the law’ and the ‘tick box on a form’ that must be submitted. Furthermore, it is a mistake to believe that ameliorating economic injustice should be placed solely in the area of so-called CSR or CSI. Corporations do and can make such a contribution in diverse areas of their activity and practice: financial, social and environmental. As to an actual model, that we can use in such analysis: that is a task for another day, as explaining and illustrating how such a model is built would keep you here for a great deal of time. Suffice to say, that corporations do have moral responsibilities within the context of society, and these may plausibly be said to extend beyond the ‘letter of the law’. There are many contemporary cases which illustrate that corporations are required to account for irresponsible behaviour, whether financial, social or environmental. Likewise we could make a strong case that corporations may not turn a blind eye to their moral responsibilities in both national and global contexts, even if we can give countless examples that illustrate the opposite.

Professor M. E. Smurthwaite

St Augustine College of South Africa
53 Ley Road, Victory Park , Johannesburg
PO Box 44782, Linden 2104, South Africa
Tel: +27 11 380 9000 Fax: +27 11 380 9200
E-Mail: admin@staugustine.ac.za
Website: www.staugustine.ac.za



Reference list

Buchholz, R. A. and Rosenthal, S. B. 2002. 'Social Responsibility and Business Ethics' in Frederick, R. E. (ed) *A Companion to Business Ethics*. Oxford: Blackwell's Publishers, 303-321.

Clark, M. A. 1997. 'Catholic Social Thought and Economic Theory: Some Preliminary Reflections'. *International Symposium on Catholic Social Thought and Management Education*: Antwerp. Available online at www.stthomas.edu/cathstudies/cst/conferences/default.html.

Curran, C. E. 2002. *Catholic Social Teaching. 1891-the Present. A Historical, Theological and Ethical Analysis*. Washington D.C.: Georgetown University Press.

Danley, J. R. 1994. *The Role of the Modern Corporation in a Free Society*. Notre Dame USA: University of Notre Dame Press.

De George, R. T. 1996. 'The Myth of Corporate Social Responsibility' in Houck, J. W. and Williams, O. F. (eds) *Is the Good Corporation Dead? Social Responsibility in a Global Economy*. Maryland, USA: Rowman and Littlefield Publishers Inc, 17-33.

Donaldson, T. 1989. *The Ethics of International Business*. Oxford: OUP.

Dorr, D. 1991. *The Social Justice Agenda. Justice, Ecology, Power and the Church*. New York: Orbis Books.

Friedman, M. 1970. 'The Social Responsibility of Business is to Increase its Profits'. *New York Times Magazine* September 13 1970. Available online from <http://www.colorado.edu/studentgroups/libertarians/issues/friedman-soc-resp-business.h..>

Professor M. E. Smurthwaite

St Augustine College of South Africa
 53 Ley Road, Victory Park , Johannesburg
 PO Box 44782, Linden 2104, South Africa
 Tel: +27 11 380 9000 Fax: +27 11 380 9200
 E-Mail: admin@staugustine.ac.za
 Website: www.staugustine.ac.za



Garriga, E. and Melé, D. 2008. 'Corporate Social Responsibility Theories: Mapping the territory' in Crane, A., Matten, D. and Spence, L. J. (eds) 2008 *Corporate Social Responsibility. Readings and cases in a global context*. London: Routledge, p. 76-98.

Gond, J-P., Palazzo, G. and Basu, K. 2009. 'Reconsidering Instrumental Corporate Social Responsibility through the Mafia Metaphor'. *Business Ethics Quarterly* April 2009 Vol 19 no 1, p. 57-85.

Green R. M. 1996. 'Responsibility and the Virtual Corporation' in Houck, J. W. and Williams, O. F. (eds) *Is the Good Corporation Dead? Social Responsibility in a Global Economy*. Maryland, USA: Rowman and Littlefield Publishers Inc., 37-47.

Hart, S. L. 2001. 'Beyond greening: strategies for a Sustainable World' in Starkey, r. and Welford, R. (eds) *The earthscan Reader in Business and Sustainable Development*. London: Earthscan Publishers Limited, ch1, p7-19.

Höffner, Cardinal J. 1997 (2nd ed.) *Christian Social Teaching*. Köln: Ordo Socialis.

Melé, D. and Fontrodona, J. 1997. 'Individual and Corporate Responsibilities in the Social Teaching of the Church'. *Interantional Symposium on Catholic Social Thought and Management Education*: Antwerp. Available online at www.stthomas.edu/cathstudies/cst/conferences/default.html

National Conference of Catholic Bishops United States Catholic Conference. 1997. (Tenth Anniversary Edition) *Economic Justice for All. Pastoral Letter on Catholic Social Teaching and the US Economy including A Catholic Framework for Economic Life and A Decade after "Economic Justice for All": Continuing Principles, Changing Context, New Challenges*. Washington: United States Catholic Conference Inc.

Phillips, M. 1992. 'Corporate Moral Personhood and Three Conceptions of the Corporation'. *Business Ethics Quarterly*. 2 (4), 43-439.

Professor M. E. Smurthwaite

St Augustine College of South Africa
 53 Ley Road, Victory Park , Johannesburg
 PO Box 44782, Linden 2104, South Africa
 Tel: +27 11 380 9000 Fax: +27 11 380 9200
 E-Mail: admin@staugustine.ac.za
 Website: www.staugustine.ac.za



Pope Paul VI. 1966. *Gaudium et Spes*. London: Catholic Truth Society.

Post, J. E., Lawrence, A. T., and Weber, J. 2002. 10th ed. *Business and Society. Corporate Strategy, Public Policy, Ethics*. Boston: McGraw-Hill Irwin.

SACBC. 1999. *Economic Justice in South Africa: A Pastoral Statement*. Pretoria: SACBC.

Sethi, S. P. 1996. 'Moving from a Socially Responsible to a Socially Accountable Corporation' in Houck, J. W. and Williams, O. F. (eds) *Is the Good Corporation Dead? Social Responsibility in a Global Economy*. Maryland, USA: Rowman and Littlefield Publishers Inc., 83-100.

Smurthwaite, M. E. 2006. 'The Corporation and Economic Justice in South Africa 1994-2003: An Ethical Analysis'. D Phil in Philosophy. St Augustine College of SA.

Smurthwaite, M. E. 2008. 'The Purpose of the Corporation' in Williams, O. F. *Peace Through Commerce: Responsible Corporate Citizenship and the ideals of the United Nations Global Compact*. Notre Dame: University of Notre Dame Press, Chpt 1.

Smurthwaite, M. E. 2011. 'Ethics and Sustainability: Taking Corporate Social Responsibility further'. *St Augustine Papers* 12 (1), p. 16-34.

Sternberg, E. 2000. *Just Business. Business Ethics in Action*. Oxford: Oxford University Press.

Vogel, D. 2005. *The Market for Virtue. The potential and limits of corporate social responsibility*. Washington DC: Brookings Institution Press cited in Gond, J-P., Palazzo, G. and Basu, K. 2009. 'Reconsidering Instrumental Corporate Social Responsibility through the Mafia Metaphor'. *Business Ethics Quarterly* April 2009 Vol 19 no 1, p. 57-85.

Professor M. E. Smurthwaite

St Augustine College of South Africa
53 Ley Road, Victory Park , Johannesburg
PO Box 44782, Linden 2104, South Africa
Tel: +27 11 380 9000 Fax: +27 11 380 9200
E-Mail: admin@staugustine.ac.za
Website: www.staugustine.ac.za



Vogel, D. 2008. 'Is there a Market for Virtue? The Business Case for Corporate Social Responsibility' in Crane, A., Matten, D. and Spence, L. J. (eds) *Corporate Social Responsibility. Readings and cases in a global context*. London: Routledge, p. 181-210

Wilber, C. K. 1991. 'Incentives and the Organisation of Work. Moral Hazards and Trust' in Coleman, J. A.b. *One Hundred Years of Catholic Social Thought. Celebration and Challenge*. New York: Orbis Books, 212-223.

Whitman, M. v. N. 1996. 'The Socially Responsible Corporation: Responsible to Whom and for What?' in Houck, J. W. and Williams, O. F. (eds) *Is the Good Corporation Dead? Social Responsibility in a Global Economy*. Maryland, USA: Rowman and Littlefield Publishers Inc., 129-148.

Williams, O. F. 2008 *Peace Through Commerce: Responsible Corporate Citizenship and the ideals of the United Nations Global Compact*. Notre Dame: University of Notre Dame Press

Wogaman, J. P. 1996. 'Accountability in a Global Economy' in Houck, J. W. and Williams, O. F. (eds) *Is the Good Corporation Dead? Social Responsibility in a Global Economy*. Maryland, USA: Rowman and Littlefield Publishers Inc., 151-168.

Zadek, S. 2004. *The Civil Corporation. The New Economy of Corporate Citizenship*. London: Earthscan.

Professor M. E. Smurthwaite

St Augustine College of South Africa
53 Ley Road, Victory Park , Johannesburg
PO Box 44782, Linden 2104, South Africa
Tel: +27 11 380 9000 Fax: +27 11 380 9200
E-Mail: admin@staugustine.ac.za
Website: www.staugustine.ac.za

