

# The Heart of Corporate Social Responsibility

Peter Challis; Laura Challis



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Peter Challis & Laura Challis

# **The Heart of Corporate Social Responsibility**

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# Contents

<b>1</b>	<b>The Social Dimension of CSR</b>	<b>8</b>
1.1	Introduction	8
1.2	Sociology for the Strategic Manager	9
1.3	Business and people	16
1.4	Behavioural economics, nudge theory and ethics	22
1.5	Thinking about sociology	26
1.6	An introduction to critical reflection and critical theory	28
1.7	Conclusions	31
1.8	References	32
1.9	Further reading	38
1.10	Self-test Questions	38
<b>2</b>	<b>Ethics in business and government</b>	<b>39</b>
2.1	Introduction	39
2.2	The political dimension and ideology	40
2.3	Neo-liberalism	44



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2.4	Psychological persuasion	53
2.5	Psychology and ethics in politics	56
2.6	Psychology and ethics in business	58
2.7	Conclusions	61
2.8	References	62
2.9	Further reading	69
2.10	Self-test Questions	70
<b>3</b>	<b>The Social Contract</b>	<b>71</b>
3.1	Introduction	71
3.2	An Introduction to Social Contract Theory	71
3.3	New Capitalism and Neo-liberalism	75
3.4	Management and ideology	83
3.5	Political ideology in the Third Way and Big Society versions of capitalism	86
3.6	CSR as a system that integrates business within society	90
3.7	Conclusions	94
3.8	References	96
3.9	Further reading	102
3.10	Self-test Questions	102



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<b>4</b>	<b>Beyond Corporate Social Responsibility</b>	<b>103</b>
4.1	Introduction	103
4.2	Business ethics, social responsibility and morality	104
4.3	Social Responsibility in the US and UK	108
4.4	Social objectives and business strategic management	112
4.5	The social enterprise	115
4.6	Weaknesses in the concept of Corporate Social Responsibility	120
4.7	Conclusions	125
4.8	References	126
4.9	Further Reading	132
4.10	Self-test Questions	133
<b>5</b>	<b>The social context of CSR</b>	<b>134</b>
5.1	Introduction	134
5.2	Business as part of society	134
5.3	Corporate Social Irresponsibility	143
5.4	Communitarianism and CSR	145
5.5	What should the responsibility of business be to society?	149
5.6	The power of citizens and consumers	153
5.7	Conclusions	155

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5.8	References	157
5.9	Further reading	163
5.10	Self-test Questions	164
<b>6</b>	<b>The Social Business</b>	<b>165</b>
6.1	Introduction	165
6.2	Community, society, the state and business	165
6.3	Communitarianism as a political dimension for CSR	172
6.4	The concept of social business	176
6.5	Public services as social businesses	180
6.6	Social control of business	185
6.7	Conclusions	190
6.8	References	191
6.9	Further reading	196
6.10	Self-test Questions	196

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# 1 The Social Dimension of CSR

## 1.1 Introduction

The difference between Corporate Social Responsibility (CSR) and Corporate Responsibility (CR) is the word “social” that makes it clear that CSR is about the relationship between corporations and society. Social also means a desire to support companionship and community and most people would see it including social justice. CSR is an issue because so many businesses put the objectives of a super-rich elite before the needs of the people the business affects. The 2007 financial crisis produced much public anger at the operation of the free market. Neo-liberals support the free market but present this as being experts in business and economic growth. They brand charities that raise CSR issues as “anti-business” (Allen and Mason, 2014). Neo-liberals think that business is separate from society (Department for Business Innovation and Skill 2010 p. 3) as Corporate Responsibility “creates shared value for business and society”. The “social” in CSR needs to be understood so that the reality of the neo-liberal mutation of CR can be appreciated.

“Social” does not mean socialism where the ownership of the means of production would be in public not private hands. This is the false argument of neo-liberals. The real argument is about who runs Britain, its people or an elite who stay in power through deception and fear. The money of business supports the political elite who share the ideology of New Capitalism that makes them richer at the expense of the majority. Anti-social management share the ideology of managerialism that treats human beings as resources to make money for managers and investors. This textbook seeks to provide the academic foundation for those who want to be able to separate fact and academic theory from deception and ideology. In doing so, the “social” which is at the heart of CSR is explained.

Neo-liberalism is not wrong. It is one opinion of what society should become. From an academic basis, it is the deception of neo-liberalism that extends right into the education system that must be criticised. Neo-liberalism opposes criticism of its beliefs and seeks to take away the power of charities and other institutions that criticise it. Its sister ideologies of managerialism and New Capitalism has changed management practice so that managers and bankers not subject to professional ethics can bully professionals in ethical professions. If Education is not to be brainwashing to support the ideology of political leaders, then students must be critical of everything they are told. Being critical is about learning. It should lead to challenge of those in power because these leaders may not reflect the will of society.



The social contract is where leaders are entrusted with power and are accountable to those whose agreement is needed for them to keep them in power. The lack of public trust in politicians shows just how much the political establishment has abused that trust. Individuals have power only because the majority of people accept their authority. Education and ability to criticise gives power to the majority but it takes effort to exercise that power. This is the basis of communitarianism which the moderates in both main UK political parties share. Communitarian business models have been developed that meet the expectations of CSR. With communitarianism as the common ground in politics and business, the goals of CSR can be achieved.

Your goals for this chapter are to learn about:

1. What the social means in Corporate Social Responsibility (CSR)
2. The difference between the social dimension in CSR and the stakeholder dimension.
3. The impact the ideologies of neo-liberalism and managerialism on CSR
4. The use of psychological persuasion to promote the ideologies of neo-liberalism and managerialism
5. How critical theory can be used by anyone in avoiding deception and control by others

On completing this chapter you should understand

- The difference between Corporate Social Responsibility and Corporate Responsibility.
- The difference between management and managerialism
- That the social dimension of CSR involves a study of the power of leaders in politics and business
- Critical reflection helps a person see through their own self-deception as well as the deception of others

## 1.2 Sociology for the Strategic Manager

### 1.2.1 The social dimension of CSR

Management can be thought of as a system (Charlton and Andras 2003). CSR can also be seen as a system that integrates the full costs and benefits into a manager's analysis with social and environmental costs not being charged in cash to the organisation being given similar status as those impacting on cash profits, shareholder value and management remuneration (Valentinov 2013). This view of costs (and benefits) is that of the person or people incurring the costs or receiving the benefits not that of the organisation. Personal circumstances and values play a major part when an individual assesses the cost and benefit to themselves of someone else's proposal. A robust system of CSR needs to cope with this degree of complexity.

Inclusion of such costs would show most business as highly subsidised by the state (including subsidies for an educated and healthy workforce, social order and transport infrastructure). This is very different from the view that business would be held back by a strong state. Without a strong state, there would be little business. The view of business presented by many politicians and business therefore distorts the facts and may be seen as suppressing them. Managers without a knowledge of sociology learn management in this restricted context. Management ideology might believe that these costs are not consequences of running business but running the state. This view divides society into state and business. Such a division of society may lead to social conflict that could ultimately destroy both business and state.

The difficulty for a manager to study sociology is that by that stage of their career their values may have become fixed. Swanson (2014 p. 5) reports on research that shows that many Masters in Business Administration (MBA) courses promote amorality in management through the ethics they teach. Amoral means not being interested in questions of morality. The basis of the MBA is scientific management. Taylor was a founder of scientific management and produced tools such as time and motion study to improve efficiency (Pollitt 1991 pp. 15–19). Many textbooks on management, including those on CSR, are based on this amoral approach. Amoral management is supported by many business and political leaders.

### 1.2.2 Ideology in the education of managers

In education, ideology should be separated from theory. Since it is impossible to know everything, every theory is based on limited evidence and understanding. Newton's Laws are an example. At speeds close to that of light, Newton's laws have to be modified to allow for that context. Einstein's laws were the result and even these are challenged as more evidence and understanding is produced. Yet this is not the way that science is usually taught. The lecturer demonstrates a neat and tidy "proof" and students are in awe. Science may be taught in a way that may lead to students believing that, by science, every problem can be solved. Conveniently omitted are the exception conditions where the "law" does not work and cannot work. All logical proofs begin with a set of assumptions about the world. A context is specified for the thought experiment. You can prove anything by making assumptions that lack reality. Lecturers and writers in management may not always explain the assumptions on which their "proofs" are based and expose them to student criticism. To do so would make the course more difficult for the students. It could also expose lecturers to criticism from senior management of teaching socialist propaganda that has no place in business education. The senior managers in the university may hold the same ideology as the politicians and business leaders and to teach differently might be seen by them as undermining their authority.

Good sociology lecturers seem to delight in making students think about assumptions and different viewpoint and challenge them to develop their own personal understanding. Critical Social Theory (CST) provides the student with a means of crossing academic disciplines and taking a more personal, holistic view (Leonardo 2004 p. 11). CST rejects the separation of theory and practice, academic and practitioner, to enable transformational knowledge and innovative thinking. It identifies and challenges assumptions in what is being communicated. CST is critical of assumptions, dogma and ideology and may be seen by those in authority as subversive.

In much of business studies, most terms have agreed definitions. Behind accountants are an army of academics who help define accounting standards. Much of the standard training in management is all very logical and the reasoning fairly easy to follow. Corporate Social Responsibility (CSR) has no agreed definition. Dahlsrud (2006) found that five dimensions of CSR were common to most definitions. The issue was not about strict definitions of CSR but how CSR is socially constructed in a given context. The social dimension in the definitions was found to be as important as the stakeholder dimension closely followed by the economic dimension with the voluntary nature of CSR not far behind. The environmental dimension was significantly behind this group. This book focuses on the social dimension in CSR. A key assumption therefore is that a social dimension exists that can be described. In this book, “social” simply means relating to society where individuals form groups with the largest group being all of humanity who have ever lived, are living or may live in the future. The reader is invited at this point to think about any other assumptions the authors may have made thus far but has not stated. Only those assumptions the authors considers significant and relevant will be made explicit. The authors’ opinion should, of course, be challenged and critiqued since that is essential in sociology.

Dahlsrud (2006) found that the extent of the stakeholder dimension in defining CSR was exactly that of the social dimension. In considering the social dimension of CSR, similar ground will be covered as if studying stakeholder theory. However, whereas the latter is part of management theory, the social dimension of CSR is part of sociology and is more relevant to the “social” in CSR. Stakeholder theory generally puts the needs of management above the needs of wider society.

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In stakeholder theory, managers may see themselves as the central players. Even the opinion of shareholders may be seen as less important than that of senior management. It is senior management who make strategic decisions. Other stakeholders may have their input and may be so powerful that some of their demands must be included in the strategy. This input is likely to be in the form of targets than of how those targets should be prioritised and achieved. The senior managers, particularly the chief executive, hold and exercise most of the power. Sociologists are interested in the power relations between different groups in society. Managers represent a social group.

Each distinct social group has its own beliefs and practices. Management is no exception. Since CSR is largely in the hands of managers, the social dimension of CSR is related to the place of the social group of managers, particularly senior managers, in society. Another set of social groups are professionals. Members of a profession are bound by a code of ethics, doctors have the Hippocratic Oath. In this book it is argued that management is not a profession as it is not regulated by an organisation like the General Medical Council. Likewise, banking is not a profession. Managers as a social group are more like politicians. Managers are driven by ideology almost as much as politicians. Their ideologies overlap. This has serious implication for the “social” in CSR as “social” can be confused with socialism and therefore seen as having values opposed to free market capitalism on which much business management is based. The ideology of management is managerialism.

### 1.2.3 Managerialism.

Managerialism is an ideology that is common in the workplace and many other organisations including schools, colleges and universities. Just as once religious ideology enabled priests to exercise power over people in an anti-social way; managerialism gives power to managers to behave without social responsibility. Since ideologies are ineffective without social power, society is able to contain managerialism if sufficient people see through the manipulation and take away power from those who are abusing it.

Pollitt (1991, p. 1) defines managerialism as a set of beliefs and practices where better management is assumed to be the best way of solving all economic and social problems. People belong to organisations which have managers. Within their social group, managers network to mutual advantage. Through this network, the problems of every organisation are solved as best they can. Management by objectives is a key management practice. Solving all economic and social problems is a seemingly wonderful objective. But who defines what the problems are? Management! Managers will listen to the many important and powerful stakeholders and build up a picture of how to satisfy these powerful people on whom their own power, status, income and wealth depends. All managers do this. The author (Peter) was no exception. To be a member of this in-group of managers, you have to share their beliefs and particularly their optimism that they are right. Managerialism is an ideology. It is an abuse of power by leaders.

The experience of being a manager in an organisation very much depends on the culture of the organisation. Since managerialism sees people as resource and not human beings, bullying is seen as efficient management. In seeking to protect power, managerialism keeps tight control on the availability of information, particularly evidence of management acting without social responsibility.

House of Commons Committee of Public Accounts (2014) is a report on whistleblowing in government departments. Every department has policies on whistleblowing and on bullying. The latter is gross misconduct and can mean dismissal for even top civil servants. The committee concludes that many public-spirited whistleblowers have followed the policy and process for whistleblowing only to be harassed and bullied by their managers. Senior managers were part of the bullying culture that whistleblowing was supposed to help change. These managers controlled information and were able to hide what was happening to whistleblowers. The information process lacked transparency, accountability and independent audit.

Managing risk is an important part of management responsibility. An informal system of risk management often exists alongside the formal system. The primary objective of the informal system is to control the personal risks of managers. In terms of priority and motivation, managers may put personal risk before risks to others. Appointing a risk manager is good governance as it provides an internal check against managers taking inappropriate risks. The 2007 banking crisis was an abuse of power through management processes. The banks all had risk managers whose job it was to point out risk to bank directors. Banks were traditionally very cautious with other people's money. In investment, higher margins can be charged for higher risks. A characteristic of managerialism is overconfidence. Combined with a lack of concern of the consequences to others, bank senior management abused their power and overrode the governance controls. Far from listening to the risk manager's expert advice, they bullied them in a way that ensured that there was little risk to senior managers of personal prosecution if the worst happened. Meanwhile, the people regulating the bankers saw what was happening but did nothing. No-one wanted to kill the golden goose.

This is not the behaviour advocated in management textbooks. Thus excellent textbooks on Corporate Social Responsibility such as Cannon (2012) point the way to CSR very clearly, including its social justification. But the main problem with CSR is not a lack of advice to managers by academics on the subject; it is the ideology of managerialism that prevents many managers from taking social action because they believe such action is not only not in their interest but not in the interest of society either. Cannon (2012 pp. 2–3) begins his book exploring the personal responsibility of the manager but thereafter it is mainly about impersonal governance. Swanson (2014) begins her book on embedding CSR into corporate culture by briefly examining ideology and images of the self than can be held by managers. The main limitation of these books is that they do not address the problem head on. Their focus is broad and more like a toolkit to improve a tank's performance than shells to impact the enemy. For CSR, the enemy is not a particular social group but ideologies than are antagonistic to the "social" in CSR.

The “social” in CSR is not socialist. It means that corporate responsibility only has meaning in the context of wider society and with responsibility comes accountability. By giving the enemy a name “managerialism”, it is easier to attack the ideology without seeking to harm the people (which would be against the aims of CSR). To see the origins of the ideologies of managerialism and its partner neo-liberalism, a brief history of the sociology of management is given in the next section.

#### 1.2.4 A brief history of the sociology of management

In sociological terms, management may be seen as the exercise of hierarchical power in an organisation. The “social” in CSR is therefore about the role of organisations in society. Management are the organisation’s authoritative links to other organisations and to society. Before industrialisation, power was often based on control of land and its resources, both human and environmental. Entire societies disappeared as a result of over exploitation of environmental resources. Exploitation of human resources often led to rebellion. In the UK, the Normans brought in the feudal system with the King at the top of a power hierarchy. A title, such as Duke of Northumberland, was an asset in the gift of the king and was a legal entity that was separate from its owner. In essence, the king was the state and the lords were the major employers. When famines came along, there could be mass population movements as people became desperate. The poor turned to robbery which undermined the security of movement of goods and people and thus the wealth of the king and his lords.



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Alkin (2012) describes how commercial use of land changed from crops to sheep in Elizabethan times. Poor harvests and an increasing population brought poverty. The abolition of the monasteries by Henry VIII had taken away the national means of supporting the poor putting pressure on the state. The Poor Law Acts created the welfare state. In Victorian times, after the French revolution had shaken the elite, Christians and other moral reformists began to challenge the laissez faire of free market capitalism which was the foundation of the British Empire. Two world wars made the working class more powerful. The Welfare State had arrived and with it, modern social policy and social democracy that attempted to control the excesses of capitalism. This changed business management, public administration and politics radically. Not everyone saw this development as a good thing.

The political reaction to the welfare state was neo-liberalism which saw it as an inefficient use of resources and limiting to the creation of wealth. Since an increase in wealth can help bring about improvements to living conditions, wealth is not of itself a controversial thing. What is controversial is how that wealth is earned and shared. The behaviour of neo-liberals as a social group disadvantages most social groups other than their own. Their concept of social is whatever maintains social order whilst furthering capitalism. Mixed with neo-liberalism may be some liberal paternalism where the rich voluntarily help the poor. With the election of Thatcher in the UK and Reagan in the US, neo-liberalism had taken over from social democracy. Many people saw the 2007 economic crisis caused by unbridled capitalism as the end of neo-liberalism. But neo-liberalism has the ability to change its appearance through the use of psychology on the public. Interest in Corporate Social Responsibility roughly dates from the rise of in neo-liberalism, possibly as a consequence of neo-liberal policy. Haque (2008) explains how neo-liberalism, with its emphasis on ability to pay, undermines citizens' social and moral rights or entitlements to basic services, a minimum standard of living, social equality, political power, and intergenerational justice. Its effect in poorer countries is particularly devastating.

For the purposes of this book, the main beliefs of neo-liberalism are:

- The free market provides the best social justice
- The ends of the free market justifies the means of promoting it

These beliefs overlap with those of managerialism with its view of social justice. Neo-liberalism and managerialists fight on a combined axis that spans politics and every organisational structure in society. They use the same tactics of bullying and psychological persuasion. They ignore real science but use it in a distorted form to support their ideas. Their leaders live in ivory towers and gated estates.

Social responsibility begins with what it means to be a human being. The next section explores how people in business are human beings and part of society.

## 1.3 Business and people

### 1.3.1 Business culture

Most businesses are companies with their own legal status. The law constrains their culture. In the UK, section 172 of the Companies Act 2006 gives the appearance of making directors socially responsible. Gopa (2012) points out the wording “have regard to” means directors simply considering CSR factors and in no way puts other stakeholders legally on a par with shareholders. The interests of the shareholders remain paramount. The Companies Act 1985 seemed to give employees some right but the Companies Act 2006 made it clear that this was no more than any other stakeholder who was not a shareholder. CSR remains rooted in a plethora common law such as negligence. Department for Business Innovation and Skills (2014) explains how the government, after a public consultation on Corporate Social Responsibility (which is prefers to call Corporate Responsibility) concludes that it is improving shareholder power and not stakeholder power that is important. Whereas the legal power of shareholders might be increased, e.g. over controlling pay and bonuses, other stakeholders might see more information of interest to them in integrated company reports.

The above illustrates the neo-liberal political context of business culture. The law required directors only to think about CSR not to do it. There are some common law safeguards and other legislation such as health and safety but generally the company would be prosecuted as an organisation with shareholders paying fines rather than managers.

A key power of managerialism arises from organisations being given similar legal status as people. This creates a corporate responsibility just as individuals have responsibilities. But an organisation is made up of individuals. To punish an organisation is to punish individuals. Within an organisation, those with most power may be able to pass the blame and the suffering onto those with less power. Stakeholder theory does not usually involve social justice. This is the territory of sociology and is relevant to understanding business culture. Trust is a measure of how much leaders are seen as socially responsible.

Trust in UK business leaders is 7% which is lower than in countries such as the US, France and Germany. Trust in UK government leaders is not much better at 9% (Baker, 2013). Trust in business is 49% and in government 37%. The leaders have separate identities from their organisations. Trust is a measure of the degree to which a person or organisation is seen to be responsible, in this case by the general public. Society entrusts power to people and organisations. When trust is low, people and organisations have much to do to persuade society to continue to entrust power to them. Trust is part of culture.

Culture is a way of life. It defined by Richards (2003) as how words are given specific meanings (e.g. justice). These words define customs (such as rights and rituals); shared system of values (including beliefs and morals) and social norms (behaviours regarded as normal). Business has its own culture that is a backdrop to the social relationships that are affected by its activities.



Many students will not have a great deal of experience of business culture. Jones (2010, pp. 97–99) provides a reflection on personal ethics for students. Our personal ethics are based on norms and values derived from those of our parents and peers. This influence is subtle so our personal choice of who we are is limited. In different settings, such as home and work, we often switch between characters and the norms and values we adopt can change according to the setting. There is a mainstream culture of globally accepted ethics that can enable us to be consistent. CSR is based on these global ethics.

Society pressures us to conform. Cultural values mean there is a hierarchy of power in society. It is impossible to keep every social rule. Some rules conflict with others. As individuals, we also make our own personal rules that we can use to resolve conflicts of rules imposed on us by others. This may mean we adopt a utilitarian approach where we follow some rules and not others to achieve what we think is best for ourselves. The rules of others serve two basic purposes: they take away the need for us to think for ourselves and they avoid conflict with those having more power than us. To help create the rules means thinking for ourselves and risking conflict with those having power over us. CSR is about creating rules for the common good.

Capitalism and business is based on competition and individualism. The common good is what is best for society. Competition inevitably produces winners and losers. Corporate Responsibility puts corporate managers first. Corporate Social Responsibility puts society first. Corporate Social Responsibility is based on Collectivism.



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### 1.3.2 Individualism and collectivism

Amateur sociologists might say that society is now too individualistic. Business reflects society. Collectivism seeks the common good. If society was more collectivist, business would follow. This is too simplistic. Hofstede (2001: 225) describes two types of society. Individualism is a society where ties between individuals are loose: responsibility is for oneself and one's immediate family only. Collectivism is a society where, from birth, individuals are integrated into strong, cohesive in-groups that offer life-long protection in exchange for unquestioning loyalty. The politics of individualism and collectivism present themselves as if they are mutually exclusive but the reality is that we are individuals looking after ourselves and our families AND we are members of many in-groups. We are different characters in each group even though the group may be highly possessive of us. These groups relate to each other and overlap. Capitalism is both individualistic with its competition and consumerism and collectivist with its unquestioning loyalty. Sullivan et al. (2012, p. 1035) found that greater collectivism is associated with greater endorsement of social morality. They noted that long-term success of businesses required executives and senior managers to include objectives other than just economic in their strategy. The issue for business leaders is not about promoting individualism but how much collectivism is appropriate in their organisation. The managerialist business leader will be a fully committed to individualism with no room even for collectivism on the board.

Brewer and Venaik (2011) point out that rich countries tend to be individualistic and poor countries collectivist. This success in material wealth comes at a social cost. For example, in rich countries, older children can afford to live apart from their parents thus reducing family bonds. Gorodnichenko and Roland (2012) show a relationship between innovation and long run growth. They note that a person working in a business might be individualistic in terms of personal career development but collectivist in a team working on a project. In studying the economic and institutional effects of individualism and collectivism, individualism was best for innovation and collectivism for production. Thus individualism may promote innovation and investment for future economic growth, but may have a negative long-term social and environmental impact. We are all individuals who are members of groups.

### 1.3.3 Who we are

Work gives us social status and is important to our identity. Pearce (2013, p. 499) explains social identity theory where a person forms a unique personal identity as an individual but also develops a social identity based on the groups to which they belong. A board of directors is a group of people. Directors of companies are legally bound to do what is in the best interests of the company. Some companies have social objectives but these are likely to be specific rather than general obligations to society. The voluntary nature of CSR is one of its defining dimensions. The attitude of directors to CSR will be influenced by the culture of the company.

Blustein (2011) describes a relational theory of working. The world of work is one of personal relationships not just within the workgroup but within other groups that influence our work identity. These groups or communities may be institutions (such as schools, colleges and universities) or support networks (such as family and friends). Cultures shape our view of relationships and working. Cultures can encourage individualism or collectivism. Each group and community will have its own culture.

Swift (2001) explains that the need for so many legal requirements for business reporting is based upon a distrust of corporate management who ought to be building corporate reputation by showing stakeholders they can be trusted. A corporate manager will need to convince his peers that he or she can be trusted to follow the group norm and protect the group. There may be strong argument between directors but outside the boardroom they tend to support each other. Inside the boardroom may be very competitive and manipulative. The legal responsibility of directors with the risk of prison makes being a member of the board quite different from other senior positions. A feature of this is where a director may not put an instruction in writing for fear of the personal legal consequences. What is not in writing may be capable of different interpretation and make poor evidence for the prosecution. Such a culture where directors make themselves immune from the consequences of their actions and pass the blame onto others is a source of mistrust of corporate management.

An individual may be a director of many companies. They may have specialist expertise of benefit to the corporate management in other organisations. Non-executive directors do not take part in the day to day running of a company. They may act for the providers of capital as a check on the executive directors. In practice, there may be a strong social relationship between all the directors like rugby players competing on the field becoming mates in the bar. For many directors, who they know may be as important as what they know. Directors of larger companies are a social group and even directors of smaller companies may belong to a local social group. Many politicians are directors of companies. Senior civil servants may join company boards after retirement. Supporters of business are like supporters of Manchester United. They share beliefs and are from every part of society. Since it is an ideology that holds this social group together, conflict with others social groups who do not share the ideology can be expected. Not every stakeholder will be a supporter of the business.

#### 1.3.4 Stakeholders

Stakeholders in a business are everyone who can affect the objectives of the business. Crane and Ruebottom (2011, p. 85) showed how traditional ways of managing stakeholders were based almost exclusively on economic roles and missed out many people who could help or damage the business. It was important for businesses to know how stakeholders defined themselves and not just how the public relations department defined them. An understanding of social identities helps to explain the process of self-identification of stakeholders in addition to their identification by the company. Such self-identification is a social process rather than a management one and shows the need for management sociology as well as management psychology.

Managers are important stakeholders. Social identity theory was used by Pearce (2013) to predict managers' emphases on ethical and legal values in judging business issues. He found that although legal values were well established in business, ethical values were less so and there was confusion between the two. What is legal may not be ethical. Ethics goes beyond the law. Ethics is based on values and principles. The law is based on rules. Keeping the law was necessary because the law was there as much to protect business from its environment including deception and fraud (Friedman and Friedman 1962, p. 133) as to protect people from business. But there are rules where punishment is to be feared and rules that are seen as a basis for a game. Rules of the game are there to be pushed to and over the limit in the interest of beating the opponent. By seeing management as a "game" as in Friedman and Friedman (1962, p. 133), a manager may not take the social impact of decisions seriously as it is all about being superior over the competition. If all competition was friendly, there would be no need for CSR.

An employee's business ethics begins with their personal values. These are influenced by their social groups and particularly by the executives and senior managers of their employer. The need for acceptance of an individual by others is important in shaping not only that individual's behaviour but also their values and who they think they are. Personal values may conflict between what they need to do to be accepted in their different social groups and separately by executives and senior managers. An individual may adopt many identities according to the role they are playing. They may have different roles with different people. As they put on an act, they may portray different values in each role. Individuals can make different choices in each of the roles they play. Integrity is where all the roles are based on consistent values. Lack of integrity permits a management role where social psychology can be used to undermine social values based on collectivism.

#### 1.3.5 Social psychology

Social psychology is very important to organisational management. It can be used positively to improve integrity or negatively to influence personal choice against the person's best interests. The concept of personal choice is based on an understanding of self. Arnold and Gough (2010, p. 361) describe how an individual "self" (such as "myself") can have many roles or identities. These are defined by having shared distinctive characteristics as a member of a group. As individuals we have a personal identity (or self-concept/ self-identity) where our self-awareness and memory allows us to develop our personal life story and beliefs about what others think of us. Who we think we are is partly shaped by our membership of groups. Many spend a lot of time at work so are shaped in part by their work group.

The “self” is maintained by comparison with others. Mercer and Clayton (2012, pp. 46–49) explain how culture impacts on the self. In western cultures, particularly North America, maintaining a positive self is our main personal objective. Its main characteristic is individualism. In other cultures (such as Asia, Africa, Latin America and southern Europe), interdependence is the main characteristic. There is an independent self and an interdependent self according to Markus and Kitayama (1991). Whereas the independent self is inclined to treat everyone the same, the interdependent self favours important, privileged relationships (the in-group) above the less important (the out-group). In CSR, stakeholders who are not in the in-group may have less influence irrespective of the merits of their case. Even shareholders may not be in the in-group of senior managers.

Part of social relationship may be a desire to bring about social change. For this to happen, the person needs to be self-aware. Crisp and Turner (2010) describe Higgins self-discrepancy theory. Everyone has three self-schema. The actual self is who we are now; the ideal self is who we hope to be and the ought self is who we should be based on sense of duty, responsibility or obligation. An actual ideal discrepancy may arise when they are few things if any to feel positive about. Actual-ought discrepancies are triggered by negative outcomes. This innate sense of idealism and duty may be discussed and shared in our social group and may contribute to the group ethos and ethics that underlie the group ideology.



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Spicker (2008, p. 19) points out that while we think of ourselves as individuals we live alongside other people. They influence us and we influence them. Individualism emphasises each person separately. It ascribes social rights to individuals. Different groups in society will have different views on what specific rights individuals should have. Managerialist managers are a social group. A manager may choose to subordinate their moral identity and go against their conscience in order to promote their identity as a person with future security. Like most of the public, managers may not be aware of being influenced because the nudges may be subtle. Psychological persuasion is the main tool of neo-liberalism. Pride, greed and fear are prime motivators.

## 1.4 Behavioural economics, nudge theory and ethics

### 1.4.1 Politics, economics and psychological persuasion

The above was a picture of the social roles of people in business. A key social role for business is to provide goods and services to the public and paid jobs so the market of supply and demand can be effective. In the market, much personal persuasion will take place in order to agree a deal. Effective demand means people with enough money to pay. Wealth is a key determinant in access to markets. Money transfers from rich to poor can open up access to goods and services to the poor. In the welfare state, such money transfer is by force through taxation. This use of force may be seen as running counter to a belief in freedom of the individual. A belief that the poor should not starve may be put into practice by those with surplus assets giving some to the poor, either directly or by supporting organisations set up for the relief of the poor. Freedom of the individual and the collectivism of social justice are conflicting beliefs and a prime source of social conflict. Advocates of an economic system that reduces the welfare state will need to continue to persuade citizens in a democracy that there will always be a state safety net for those unable to support themselves.

Behavioural economics is where psychology is used to support an economic system. Business is part of an economic system. We have seen how many politicians are in the same social group as business leaders. Politicians define the economic system using advice from economists to justify it. The economic system is not based wholly on rational research by economists. Rational choice theory is where costs are weighed against benefits in making a choice. Individuals make choices which then influence the choices of others in their social circle. Behavioural economics is based on the principle of utility maximisation. Utility is a measure of how far needs and wants are satisfied. Hodgson (2012, pp. 103–104) describes how its basis in rational choice theory is self-supporting. Any behaviour can be made to fit the theory since utility cannot be observed. You cannot measure how I feel, you can only assume based on secondary evidence.

My need or want is personal to me. If I am starving whereas you are only hungry, my need is greater than yours. Or is it? If I live, I might just be a drain on the economy. My death could help improve the economy. Utility is based on assumptions. Some of those assumptions are based on values and beliefs. One assumption is that the social objective is to maximise utility overall. It does not matter if not everyone's utility is maximised. Those people who care about others in dire need can maximise their utility by helping others. Once the helpers' utility has been maximised through their cost benefit calculation then they will no help beyond that limit. The capitalist system is based on selfish motivation to help ourselves. If people cannot help themselves, then the system is said to work for most people and communism or socialism would help fewer people. Behavioural economics is highly political and can be anti-social.

#### 1.4.2 We need to take some risks now. Trust me

Luhmann (2000, p. 99) describes how political and economic liberalism attempts to manage people's expectations from confidence to trust. Confidence is based on certainty. There can be a lack of business confidence in the certainty of future business profits. Trust is based on the risk of being let down by someone. In collectivism, people do not deliberately exploit each other so trust may be high. The opposite is true with individualism on which liberalism is based. Beck believes that society has changed over the last decades and we now live in a "Risk Society" where globalisation exposes us to many more risks and individualism makes consensus about managing risk more difficult (Elliott, 2002). Thus lack of confidence in the market for goods and services can cause investors either to sit on their cash and wait for confidence to improve, or to invest in an asset such as property causing an asset bubble. We expect politicians to be honest but there are so many instances of dishonesty that trust tumbles. We expect businesses to behave in a responsible manner, paying their fair share of taxes, treating employees and customers properly and caring for the environment.

Etzioni (2011, p. 280) observes that utility maximisation is impossible because systematic biases are built into people's choices. The ideal of utility according to Spicker (2008, p. 85) is where good policy is determined by the consequences. The utilitarian therefore manipulates the choice of the consumer and citizen. Behavioural economics provides a tool. Such manipulation is in contrast to the person-centred approach in social work ethics as described in Ledwith and Springett (2010) and illustrates the difference in ethics between professionals and managers.

Diacon and Donici (2013) provide an introduction to behavioural economics. They note an increase in its use after the 2007 financial and economic crisis. Much of the behaviour of stakeholders such as banks, mortgagees and governments did not follow conventional theory and practice which assumed that people made rational choices. Shefrin (2002) used behavioural economics to show the irrationality of investment fund managers. This and other research was before the 2007 financial crash. Business and government had already been advised of the risks the managers and the regulatory authorities were taking. The rationality of people is bounded or limited. They are not irrational but their point of view is unrealistic. Even though unrealistic, people may gain utility from behaving in their chosen way and some may argue they have a right to believe what they choose (McDonald (2008, p. 228). This argument can be put forward against restrictions in advertising.

In some ways, people make choices that lead to them being poor when they do not want to be poor. Anand and Lea (2011) show that behavioural economics and psychology can help study the economics of poverty. Such understanding can then inform public policy. They ignore the possibility that poverty may be caused by an imbalance of power. Ledwith and Springett (2010, pp. 41–44) describe the link between increased poverty and the system that makes the rich more rich.

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Business depends a lot on image. The above suggests that basis for the current economic system depends on the willingness of the majority to continue to work for less so that the wealth of the minority can continue to grow disproportionately. Meanwhile the politicians are busy reducing the size and the strength of the safety net. Under rational choice theory, voters and consumers might be expected to use their power as the majority to overthrow such as system. There is little sign of that happening. The next section helps to explain why not.

#### 1.4.3 Nudge theory: A form of indoctrination

A key tool of behavioural economics is nudge theory. Thaler led in the field of behavioural economics which is based on psychology, neuroscience and micro-economic theory. He challenges conventional economic theory where people behave rationally. Having identified that rational choice that did not always maximise utility, behavioural economics can provide a solution. A nudge is where someone uses their power over others to influence their choice so they choose what those in power think is best for them. The UK Government has named their “nudge” team the Behavioural Insights Team (Cabinet Office 2014). In business, nudge is part of marketing.

Thaler and Sunstein (2008) defined nudges as not coercive. Those nudged still have a choice and the alternative to what is being encouraged is a feasible and easy choice. In other words, whereas paternalism means making choices for others, libertarian paternalism merely influences choice and is therefore ethical. Under libertarian paternalism, the state has only a minor role in welfare and the very rich should give some of their wealth to mitigating the conditions of those in great need with no-one to support them. The sub-title of their book suggests that nudge theory should be used to influence users of public services to “improve decisions on health, wealth and happiness”. The ethics of the theory is challenged by Leonard (2008) as it is based on the view that morality is relative and that there are no absolute moral truths. Since libertarian paternalism decides what people should want, it has the same objectives as paternalism.

Libertarian paternalism acts through “nudge” theory. Mangan and Goodwin (2013) show how central government “nudge” local authorities to improve services but without more resources. The concept is to provide incentives, perhaps even threats, so people will work even harder and thus make the changes explicit in the nudge. The continuous use of many small threats over a long time is more subtle than an immediate large threat that produces confrontation. This is aimed at increasing the efficient use of labour and minimising cost. Bradbury et al. (2013, p. 264) conclude that the use by the government of nudge theory and behavioural economics is to present neo-liberalism (with its lack of concern for social justice) in a more favourable light of liberal paternalism. It establishes a new balance where freedom is more limited and control greater. These “nudges” gradually change the perceptions of the public. Where there is social disorder, according to Wikström (2009, p. 59), public perception is more important to social policy than the disorder itself. If reality and our perception of reality are different, this has ethical implications and risks misuse of psychological techniques.

Where CSR is limited to business making donations to charities and ensuring staff volunteer to help the local community, then it may be libertarian paternalism. The main objective remains the maximisation of financial wealth with a secondary objective of appearing to have a conscience and thus be accepted by those social groups who value compassion as a primary objective. This is part of the social dimension of business.

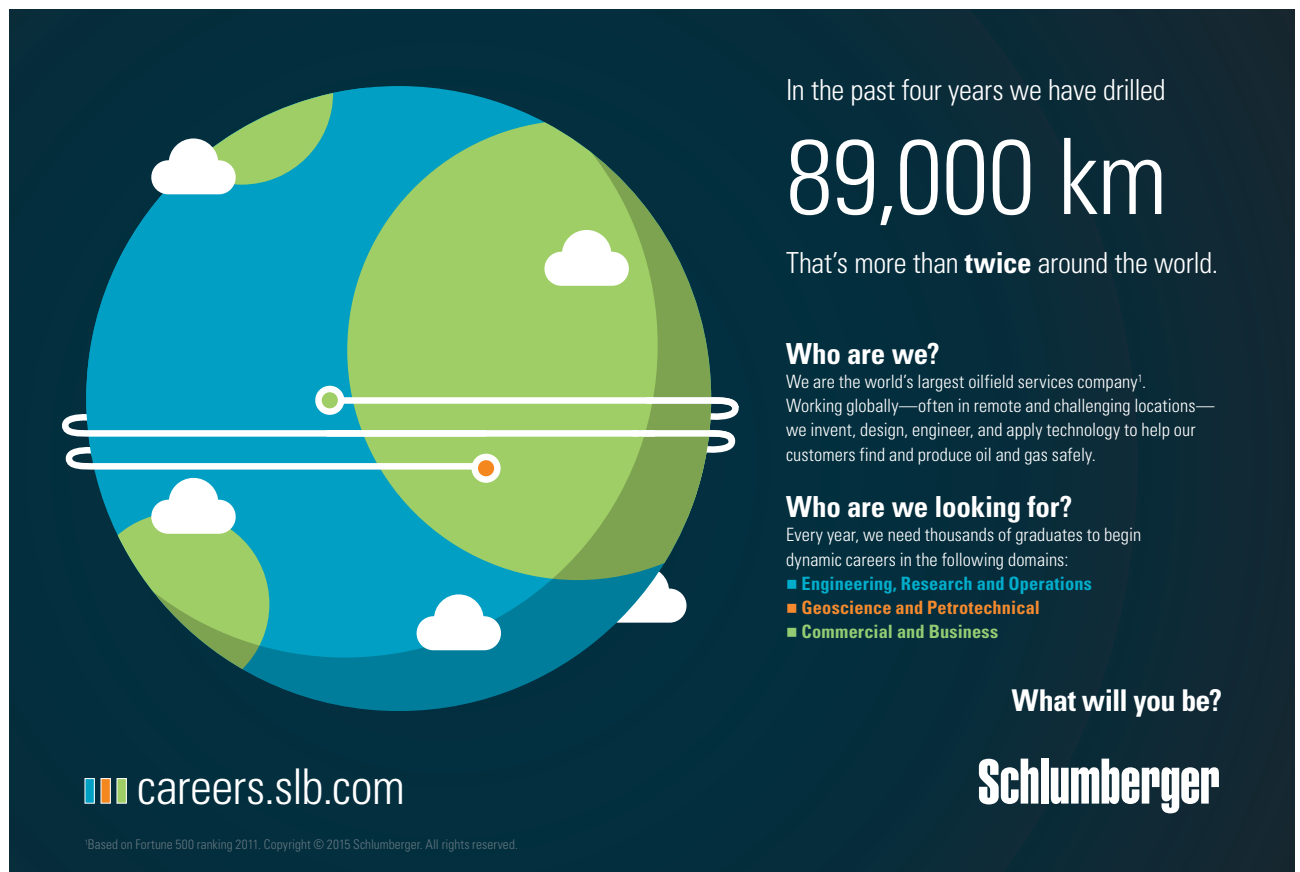
Unlike psychology, applied sociology is not neutral. For example, the student teacher is asked by their course tutor to observe parents and make notes. The aim is for the student teacher to better understand the child's environment. The tutor should ensure that the student is aware of the ethical policies of the profession before such a task is undertaken. These ethical policies would not be invented to suit the tutor or their employer but be based on a wide study of ethics in general and teaching in particular. Duty of care is common law. The source of the common law is what society considers appropriate behaviour. Common law is related to sociology. CSR is based on common law. Applied sociology is based on certain generally accepted social values. It is not neutral. Managerialism and neo-liberalism are unsustainable. Each successive crisis may be worse until extreme social conflict corrects it.

## 1.5 Thinking about sociology

There is an overlap between sociology and psychology as both study behaviour. Social psychology is part of psychology but its proponents are divided as to whether or not it is science. Those inclined towards sociology contest that it cannot have the precision of science (Rogers 2003, p. 11). Experimental social psychology thinks it can. Critical social psychology sees all claims to knowledge as influenced by the ideology of the claimant. This viewpoint is not one normally taken in textbooks on CSR but is useful in studying the social dimension.

Academics form into groups depending on their philosophy of life. Easterby-Smith et al. (2012, p. 19) explain how defining what is truth can range through there is only single truth, to truth exists but is hard to understand, to there are many truths and finally to there is no such thing as truth. Understanding what is fact ranges from facts exist and can be understood to all facts exist only in our minds. In trying to understand the world, there are two basic approaches. Positivism is like physics experiments but social constructionism is muddled by the personal views of the researcher. Since much of sociology has some social constructionism as its basis, sociologists can be discredited by managers who see management as a science. Such a view of science is itself a social construction! This can be proved by the number of claims by scientists that have been shown to be influenced by who was paying them. Nuclear fusion in a test-tube is an example. The global warming science funded by energy companies is another. Shostak and Shostak (2013) encourage a more critical approach to research that includes placing more importance on subjective meaning, feelings as well as facts. The real world is as much about how people feel as it is about objective facts.

Behind closed doors, the world of management can be quite different from the textbook. This is the world of sociology. Take that risk log. There will be items that the senior managers do not want to hear. Imagine that their bonus depends on project progress. It is a major project and these career managers plan to be in different organisations when the project is scheduled to be completed. The bonus is not based on outcomes (satisfied customers) but outputs (the building blocks). What bonus is based on outcomes may be due to the efforts of their predecessors, not them. Senior managers are very busy people. The project report to them may be just one page. Presentations to them may be just a few slides and maybe what the project manager thinks they would like to hear rather than the truth that might bring conflict and more stress. There is little time for technical details. The likelihood is that the project manager will be laid off by the senior responsible officer before the end of the project to save money. The amount of testing with customers that the outcomes have been achieved may have been curtailed by senior managers because the project is late. The operations manager may take responsibility for operational failure having been forced by senior management to accept the project as complete. The stage is set for senior managers to pass on blame and avoid responsibility. This is an example of poor management sociology: senior managers as a social group wins, nearly everyone else loses. For a managerialist manager or Machiavelli, it would be good management.



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To understand CSR means cutting through personal agendas. An alternative to an MBA are MA courses where a university helps major employers with management training at master's level. These courses use action learning which enables employees to use their own work experience as data for their research projects. An aim is innovation which means doing things differently at work. To do this, existing beliefs and practices must be challenged. This is the role of critical reflection.

## 1.6 An introduction to critical reflection and critical theory

The aim of this section is not to explain a potentially very complicated sociological tool but to equip the reader with a means of understanding the basis on which this book is written. It seeks to enable the reader to examine material published by business and government and appraise it in the context of the social dimension of CSR. Later chapters of this book provide many examples of such critique but these represent the authors' interpretations whereas the reader is encouraged to use the approach to develop their own ability to critique and develop their own views.

### 1.6.1 Critical reflection

Ledwith and Springett (2010, pp. 151–170) explain the technique of critical reflection. Being critical of oneself and others sounds negative but its use in identifying positive as well as negative aspects of a work is well established in academic and journalistic circles. Critique is a more accurate description. Critical reflection on the use of power by those entrusted by society aids a wider participation in questioning established ideas of everyday life and empowering the public at large. Critical reflection helps a person to see through their own self-deception by being able to see oneself from another angle. It is not aggressive and does not involve beating up oneself and others. It seeks reality and truth by challenging preconceptions of reality and truth.

Critical reflection is part of Action Learning. This is an effective way of training managers on the job so it is more practical than a full-time course at a college. Leonarda and Marquardt (2010) explain how managers use the approach by constructing a theory, trying it out, reflecting on it, improving upon their theory, trying that out and continuing the cycle, perhaps for ever if they are insufficiently satisfied that their theory works enough.

Action learning encourages "thinking outside the box". Much management training is based on an ideology and limits the questions that can be asked, particularly the unfairness in the practice of management. This ideology also affects many academics, especially in management. This book presents one particular manager's understanding of the social dimension of CSR based on the application of critical theory to decades of personal experience of strategic management and a thorough literature review. It is a compendium of literature not from the viewpoint of an academic but of a practising manager so it reads as much like an MA thesis than a conventional textbook.

In sociology it is easy to get bogged down in academic arguments that can frustrate people who are seeking practical tools where they can use the basics without having a degree in sociology. Critical theory is such an area. Assumptions based on the nature of reality and consequent philosophical debate may delight university lecturers as they torture student brains but they are far too deep for a textbook such as this. Critical reflection is one of the tools of critical theory where a simple version can be used by anyone to see through the rhetoric and other methods of subtle psychological persuasion designed to avoid questions that would challenge the ideology and undermine the social system that benefits particular social groups but not society as a whole. Before examining critical reflection, it is necessary to understand its context in critical theory which may be used to challenge established social norms. People using critical theory can become very unpopular to those who gain most advantage out of a particular social norm. Some may see critical theory as a direct threat to authority.

### 1.6.2 Critical theory

Boje (2008 p. 7) explains how the application of critical theory to business ethics represents a serious challenge to managerialism. The real social world which involves much subjectivity and personal opinion is reduced by managerialism to a number of objects that are gross oversimplifications. Critical theory exposes this simplistic approach and the abuse of power that it enables. It goes beyond sense making and it is a tool for social change based on social justice.

Rexhepi and Torres (2011, p. 679) describe critical theory as an educative freedom that encourages curiosity and critical thinking. It provides the means for successful bottom-up as well top-down political engagement. A review of Staff Engagement and Empowerment in the NHS concluded that staff who were involved in decision-making produced better quality care (Kings Fund, 2014). The ideology of business managers could be challenged by medical staff. Use of critical theory does not undermine socially responsible power but provides constructive feedback. Since many projects never achieve their objectives, critical thinking at the beginning of a project can lead to badly conceived projects being changed or even abandoned at an early stage so encouraging critical thinking can improve efficiency. Socially responsible power sees people as human beings, not just as a resource in a plan. For the senior manager, allowing such freedom comes at a price. While such critical thinking can improve plans, it can lead to projects going off the course set by senior management. It can also make senior managers look stupid when they have to explain a change of their plan to the board of directors.

In its basic form, critical theory is simply a set of principles on how to be critical of one's own ideas and those of others. Its key principle is a high standard of personal ethics by the person making the critique. The word critique means a detailed analysis and assessment and not just unsubstantiated criticism. Easterby-Smith et al. (2012, p. 340) define critical theory as a way of thinking about the structures, outcomes and power relations of capitalist society. Lawson and Garrod (2007) explain how critical pedagogy does not accept that there is only one version of the truth that must be taught as directed by those with power over education. Critical theory therefore has Marxist overtones because it challenges the right to unlimited power of capitalists. For the student, this may cause a problem, as Robertson (2007) points out, neo-liberal politicians have significant control over the education system and some of them want to define what students should believe. The student, as part of society, is not in an academically detached position but involved in the problem and solution.

Critical theory is a way of thinking about freedom without having fixed assumptions about what freedom is. Indeed, it has no fixed assumptions other than identifying and questioning every assumption. This puts critical theorists in potential conflict with people who would have less power should others no longer accept their assumptions. Bronner (2011, p. 1–2) states that critical theory cannot be identified with any fixed system of thought about freedom. Whilst it was conceived as part of the development of Marxist thought, it was never associated with the concept of the inevitability of the triumph of Marxism or its superiority as a social system. Indeed, critical theory itself must be constantly critiqued and challenged.



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Rexhepi and Torres (2011, p. 693–694) conclude there are two main challenges for the application of critical theory. First, there is the deprofessionalisation of the teaching profession by hiring in consultants and administrators who teach to a neo-liberal agenda aimed at influencing young minds rather than encouraging those same young minds to challenge what they are being taught so they develop their own understanding. Second the belief that only “positivist” thinking is valid and that “negative” thinking is not. Such “negative” thinking may be where the assumptions underpinning neo-liberal beliefs are exposed to students.

Zevallos (2009) describes the difference between applied sociology and academic sociology. Applied sociologists have clients whereas academics have students. Both may write for publication but the applied sociologist may work to shorter timescales whereas the academic has higher academic standards and possibly longer timescales for publication. The applied sociologist aims to produce positive social change by active involvement in social action.

The self-test questions at the end of this and other chapters will help the student learn critical theory by applying it. Sociology lecturers expect students to be more than sponges and parrots. Students should have their own unique viewpoint that they should be able to justify using the tools of a sociologist

## 1.7 Conclusions

Corporate Social Responsibility (CSR) contains the word “social” and is different to Corporate Responsibility (CR) because it accepts business is part of society and therefore subject to the ethical standards defined by society such as the Universal Declaration of Human Rights. Whereas CR favours shareholders and managers over other stakeholders through stakeholder management, the social dimension of CSR empowers all stakeholders.

The ideology of managerialism seeks to eliminate consideration of the subjective, including concepts such as social justice. It treats human beings as a resource. It is a management culture that favours a social elite. Neo-liberal ideology helps to provide a stable political context for managerialism. Its main belief is that a particular type of economic system also provides the best life for all in society.

The ideologies of managerialism and neo-liberalism are sustainable only if not effectively opposed. This opposition is controlled through disinformation and threats. Psychological persuasion is used to perpetuate their power. The issue is not that many managers and politicians are completely in error in their beliefs but their non-acceptance of criticism and accountability. Such an attitude is not being socially responsible. These individuals belong to organisations that do not correct their behaviour and therefore do not practice Corporate Social Responsibility.

Academics and journalists apply critical theory to critique the communications of business and politicians. A simple form of critical theory can be used by anyone to identify communications that manipulates them rather than informs. However, using critical theory in the workplace may bring personal threats as managerialism is like a religion.

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## 1.10 Self-test Questions

Why is the word “social” CSR important?

What is managerialism and what are its implications for CSR?

To what extent does psychological persuasion in politics and business undermine social justice?

How can positive social change in politics and business happen?

## 2 Ethics in business and government

“Unlimited power is apt to corrupt the minds of those who possess it.”

William Pitt ‘The Elder’ 1770

“Power tends to corrupt, and absolute power corrupts absolutely. Great men are almost always bad men.”

First Baron Acton, 1887

### 2.1 Introduction

Chapter two traces the ideologies of managerialism and neo-liberalism into the ethics of business and politics. Their use of psychological persuasion in order to maintain political and economic systems that lack social justice is highlighted. With so much disinformation and manipulation, critical theory is shown to be an effective way for individuals and society to respond and to regain control from those seeking to influence choices that are not for the common good.



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Your goals for this “ethics in business and government” chapter are to learn about:

- The ideologies of neo-liberalism and managerialism
- How neo-liberalism and managerialism are a negative influence on implementing CSR
- How neo-liberalism and managerialism use unethical psychological persuasion techniques to manipulate citizens and consumers to further the aims of these ideologies
- How the Communitarian Business Model may provide an ideological approach compatible with CSR

On completing this chapter you should understand how you can apply critical theory to identify ideological assumptions and manipulation in political and business communication.

## 2.2 The political dimension and ideology

### 2.2.1 Ideology

Omitting “social” from CSR to make it Corporate Responsibility (CR) by government suggests “social” is not at the heart of the concept (Department for Business Innovation and Skill 2010 p. 3). Wherever CR is used, the alternative CSR, may be indicated as meaning the same thing and then not referred to again. Academic theory calls this examination of the use of words “discourse analysis”. The aim of discourse analysis is to read between the lines to reveal information that may not be apparent by taking the communication at face value. For this book, the depth of discourse analysis is restricted to that applied by journalists to expose the “truth” rather than the academic exploring of the meaning of “truth” itself. The reader of this book is encouraged to apply discourse analysis to what is written so that the author’s bias towards the importance of social justice can be separated from what is useful to the reader.

Discourse analysis is the analysis of natural language data in its broader social context (Easterby-Smith et al. 2008 p. 341). Part of that social context is the beliefs and values of the people behind the communication and those of the people they are addressing. It is very difficult for an author of a communication not to include pointers to their real beliefs and values. CSR communications aim to present a corporate image for the approval of recipients. Discourse analysis can identify discrepancies between the image and possible reality. CSR communications are a form of marketing. Many people are persuaded by advertising (or there would be little advertising). Critical reflection on the lifestyle of consumption and pleasure encouraged by much advertising reveals the managerial ideology of business and the neo-liberal ideology of politics.

Chapter one introduced the ideologies of managerialism and neo-liberalism without explaining what ideology is. Spicker (2008, p. 91) defines ideology as patterns of thought with sets of values and ideas that shape the way we see social and political problems and take action. These thoughts are formed through social and political communication and dialogue. Political ideology is a unique set of ideas and beliefs that members of that group hold in common. They are political outcomes that aim to change society according to a perceived ideal (Lilleker (2006 p. 91). Ideology is at the core of politics and party politics. Ideology is a source of social change and social conflict.



### 2.2.2 The ideologies of managerialism and neo-liberalism

Politics is not the only area of life where there is ideology. Religion is another, but what about management? When does a theory become a belief? Pollitt (1993, pp. 6–10) defines five essential components that turn an idea into an ideology. These are described below and applied to managerialism and neo-liberalism.


1. Values, ideas and beliefs about the state of the world make the idea a personal opinion not an impersonal construction. Teaching management theory without explaining underlying assumptions and other viewpoints helped form the ideology of managerialism. Belief in the benefits of unregulated free trade contrasts with the assumptions on which the academic theory of free trade is based.
2. These values, ideas and beliefs are integrated into a self-supporting structure that is as much based on emotion as logic. The use of psychological persuasion in managerialism appeals to the emotions of both victim and oppressor. The fear that suffering would be worse under the alternatives to the free market economy supports austerity and reduction of the rights of workers under neo-liberalism.
3. Social groups and social arrangements are important with some groups and arrangements favoured over others. Managerialism favours managers, politicians and the super-rich and exploits the majority of people. Neo-liberalism favours the same group.
4. Specific social groups develop and maintain the ideology. The super-rich encourage the development of managerialism by offering money and power to the managers and politicians adept in psychological persuasion. The wealthy maintain neo-liberalism although other social groups are psychologically persuaded. The two major political parties in the UK have been dominated by neo-liberals.
5. Behaviour is justified by the ideology, including anti-social behaviour. The belief that wealth will “trickle down” from the super-rich to those impoverished by the system justifies the behaviour of the super-rich, managers and politicians. Austerity is justified by neo-liberalism which favours capital over labour and withdraws state support from the suffering apart from those whose life would be threatened. The latter is a constraint where social unrest might make the UK ungovernable and business unable to trade.

An example of managerialism in government is the way that cuts in expenditure are being decided. In traditional budget management, budgets would be agreed with those responsible for making the changes to services and not just imposed by central authority. The Public Accounts Committee found that officials in Whitehall had cut 20,000 jobs in the armed services which they decided would be offset by an increase in reservists so the capability of the armed services was not reduced. At no point did officials confirm with service chiefs that such plans were achievable (Pring, 2014). The officials would have been driven by the neo-liberal ideology of the ministers. This example shows how neo-liberalism and managerialism support each other. This is recognised in political circles. The Liberal Democrats criticise the Conservative and Labour parties of “managerial” politics (Wheeler 2014).

CSR is an ideology with values, ideas and beliefs based as much on emotion as logic. It favours social groups that would otherwise be disadvantaged. It is developed and maintained by business funding and working with charities such as Business in the Community (Business in the Community 2014). CSR is compatible with management theory but not with managerialism. The extent to which the culture of a business organisation is affected with managerialism will determine how far it shows the values and beliefs of the ideology of social justice behind CSR. Most people and groups tend to follow more than one ideology and these may conflict. The ideal is rarely achievable but all can aim for integrity.

The ideology of managerialism rejects the concept of the common good. The Universal Declaration of Human Rights (1948) is the international social norm and can be used to define the common good for all of mankind. This norm emerged from world war where a few ideologies combined to impose their ideas on the rest of the world. All social groups learned from this experience and agreed an international social norm that remains in place despite ideological challenge. It forms the basis of international public understanding although not business agreement over CSR and a benchmark against which CSR practice can be analysed and compared.

The politics of neo-liberalism operates alongside other political ideologies as described in the next section.



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### 2.2.3 Political ideology

Individual political ideologies such as conservatism are not limited to one party. The party name may not even indicate that the majority of its members support only that ideology. To understand the neo-liberal influence in UK politics, some background is needed. Lister (2010, p. 32) explains the ideological perspectives in British politics since 1945. Conservatism is based on pragmatism and therefore changes its spots to suit its environment. It has a pessimistic view of human nature and believes in an authoritative government but small state role. As people are unequal in ability, it approves of hierarchy and wealth and income inequality. Neo-Conservatives are pro free market, big business and anti-welfare. Socialism is the opposite of Conservatism. It views people as co-operative and creative. The means of production and distribution would be nationalised.

Liberalism is based on the individual who is free, rational and moral. It supports the free market and private property. In the UK, all the mainstream political parties are liberal to varying extent. Social liberalism combines individualism with social justice. It created the UK welfare state and joined with Conservatism to form the “Middle Way” and “Compassionate” Conservatism. Norman (n.d. p. 14) illustrates the differences in ideology between the “compassionate” Conservatism of Big Society and neo-liberalism that sees nothing wrong with secondary markets where the gambles of the super-rich bring poverty to nation states. Neo-liberalism saw a failing economy as caused by over-regulated markets and too much welfare. They share the Conservative negative view of human nature. Libertarianism is an extreme form of liberalism that sees the state limited to a role where it preserves freedom (by force if necessary) and the market almost practically free so drugs and prostitution could be legal. The New Right are a mixture of libertarianism and neo-liberalism. Democratic socialism/ social democracy are a mixture of social liberalism and socialism. The Third Way was a mixture of neo-liberalism and socialism. Communitarianism is democratic socialism/ social democracy with an extra dose of social liberalism. Communitarians focus on the community and the common good. Diamond (2013) shows the tension in the Labour party between socialism and the liberalism in social democracy. The Liberal Democrats include social democrats and show a similar tension to Labour.

Within each major political party in the UK there is a tension between ideologies supporting compassion and social justice and those that support competition. This shows the political storm between collectivism and individualism that bring conflict rather than compromise. Imagine the waves from the sea of individualism eroding the land of collectivism. CSR is a means of reducing that erosion.

The ideologies that are the main opponents to Corporate Social Responsibility are therefore libertarianism and neo-liberalism. Libertarianism encourages a free for all with no-one with the power to enforce any discipline. It is the ultimate individualism. People can voluntarily agree to give up rights for mutual benefit. Neo-liberals support extreme forms of the free market economy and the private sector taking over from the public sector in delivering state funded services. The two ideologies combine in the New Right that came to dominate UK politics through New Labour. However, definitions of social groups are rarely precise and groups have a range of beliefs and values. Thus libertarianism has a sub-group of libertarian paternalism. These people have compassion on the weaker members of society but see charity rather than state provision as the main means of helping them. The super-rich may form their own charities based on their own personal beliefs on who deserves to be helped and how. Jones et al. (2011) examine the trend towards libertarian paternalism in UK government that began with New Labour and the Third Way. It uses four mechanisms: steering us towards choices they think better for us; influencing us at times when we are tempted; making choices for us that we could change if we made the effort; and the use of marketing techniques to change social norms. It uses what is known about choice from psychology, economics and the neurosciences. Its dependence upon understanding the psychology of citizens makes libertarian paternalism a complex and risky policy experiment.

Thinking about politics is the aim of political philosophy. Swift (2006) explains the concepts of social justice, liberty, equality, community and democracy. In defining justice, Swift distinguishes social justice which is linked with social duty from doing what is morally good which is choice not duty. Thus it is the social duty of the government to use force when citizens are not performing their social duty. Such a view of social justice can be used to support liberal paternalism. Using critical theory, it is important for the student to form their own views and be able to explain them. The assumption in this book is that the Universal Declaration of Human Rights (1948) is an agreed international social norm that defines the common good. All other social norms and all ideologies need to justify why the Declaration should not apply in their context. The international community is responsible for preventing conflict of ideologies growing to the detriment of many human beings.

The next section examines the ideology of neo-liberalism in more detail and develops its academic context.

## 2.3 Neo-liberalism

### 2.3.1 What is neo-liberalism?

"But a big three-to-one majority of the general sample (64 to 21 per cent) think that the benefit cap will mainly hit the unemployed. When told the cap will affect low-paid workers, majority support for the cap turns into majority opposition (40 to 30 per cent)."  
TUC (2013)

The above quotation illustrates two beliefs that are central to neo-liberal ideology. First, free markets are everything. Second, misleading the majority of people is a justifiable means as the end is the common good of all. Another purpose of highlighting the above is to show how revealing the facts in an understandable way can be the first step towards promoting social justice and CSR.

In the UK, the word “neo-liberal” has primarily a negative connotation. It is the language of the oppressed. Right wing politicians can be labelled as neo-liberal despite having strong belief and practice in social justice. The particular beliefs and values of individuals are rarely completely black or white. A neo-liberal could be a member of any political party since most parties have a mix of different, even conflicting, ideologies. Criticism of neo-liberal ideology may therefore be directed against this set of beliefs and values rather than against individuals and parties.

There is no neo-liberal party. Neo-liberalism is an ideology that influences all the major political parties in the UK. The economics of traditional liberals had swung after the Second World War away from free markets and towards regulation and the welfare state. Neo-liberals are fundamentalist supporters of the free market and the “trickle down” theory of social welfare. Supporters of neo-liberalism do not use the name which has negative overtones of the Pinochet dictatorship in Chile that was supported by Thatcherism in the UK which also has a negative public image. Instead, neo-liberals promote themselves as supporters of freedom and the only way to secure a sound economy. The cost of state welfare supported by taxes is an issue when wages are under pressure. The image of neo-liberals being trusted with the economy and financial security can be appealing provided that the negative image of dictatorship and lack of social justice is carefully minimised by the fundamentalists not using the name given to them by their opponents, or indeed any name by which they can be labelled.

Neo-liberalism became predominant in the UK with Thatcherism in the 1980s. The public did not like her overt arrogance and extremism and her own colleagues brought about her downfall. But neo-liberalism with its promises of a better material future was popular with the public. So much so that New Labour adopted it so they could have their turn in government. To mitigate the negative consequences of neo-liberalism, both New Labour with their Third Way and the Conservatives with their Big Society presented an alternative face to show commitment to social justice.

Social structures that have no core organisation are very difficult to influence. Terrorist organisations that have little hierarchical structure so there are many activists but few leaders. The structure of neo-liberalism is similar. Both have more effect on society than might be expected from their numbers. Both use fear and deception as their main tactics. For both, the end justifies the means and it is just to treat many human beings harshly in the interests of the social ideal. Although such comparison is extreme, the suffering caused by their ideology may be seen as similar since neo-liberalism brings moderate suffering to many but terrorism extreme suffering to relatively few. Professor Chossudovsky and Corbett (2014) claim a neo-liberal coup in Ukraine caused the current crisis. Neo-liberalism is a significant force in world politics.

### 2.3.2 The sociology of neo-liberalism

Sociologists identify neo-liberals as the source of certain political policies when a better definition of the source would be the New Right which is a combination of neo-liberalism and libertarianism. Not all neo-liberals would see themselves as part of the New Right. The meaning of words evolves over time and the same word can have different meanings to different people. Care is needed in labelling groups of people to identify particular social groups. In order to follow the common use of the word neo-liberal in the literature this book uses the word “neo-liberal” where “New Right” might be more accurate.

Haque (2014, p. 27) explains how neo-liberal policies across the globe “have adversely affected the citizens’ rights or entitlements to basic services, minimal living standards, social equality, political power, and intergenerational justice”. This is because neo-liberalism sees a minimal role for the state and the welfare state in particular. The rise in interest in sociology happened during the development of the welfare state which became the bedrock of social policy. Institutions such as the National Health Service still exist as does policies such as free health care and schooling. However, neo-liberals have “reformed” many nationalised services and have returned much of it to the private sector (opponents would say at a loss to the taxpayer to the profit of capital).

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Liberal politics supports free market capitalism. The development of trade unions and the entitlement of more people from different parts of society to vote brought a debate amongst liberals. The wealth of the super-rich in a free market “trickled down” according to liberal theory but socialists challenge this (Andreou, 2014). Neo-liberals saw and still see such collectivism as a threat to the main principle of liberalism, the free market. Stedman Jones (2012, pp. 6–20) provides a short history and background to neo-liberalism. Although neo-liberalism has a strong academic basis in economics, this is then distorted by politicians to fit whatever makes them electable. Thus with New Labour it was mixed with social democracy which in its original form neo-liberalism was against. New rights were given to citizens and workers while public services were increasingly run by business managers rather than the caring professions. Conservative neo-liberals mixed the social democracy of Big Society into the 2010 Conservative election manifesto to make the party more electable.

Social objectives have costs as well as benefits. Neo-liberalism puts minimising short-term cost to business first. It defines the common good as economic growth with social objectives being unachievable without it. Anyone not working hard in paid work are “scroungers” (unless they are state pensioners or are practically incapacitated through disability). Wolnicki (2006, p. 486) describes the failure of neo-liberalism and the need for political change. Without a decline in neo-liberalism which is opposed to the social justice at the heart of social business, then socially responsible business is likely to remain a niche market in a poorly regulated free market.

Seifert and Mather (2013) review the effect of neo-liberalism on services provided by the UK state. The neo-liberals not only drive down costs, they increase management authority over professional opinion and are more prepared to accept an uneven provision of services across the country. But they also note the introduction of semi-skilled staff such as teaching assistants aimed to make the more expensive professional staff more efficient. They confuse the reform of public sector to make more efficient use of resources with the lack of concern for social justice and under-regulation of the private sector of neo-liberalism.

### 2.3.3 Neo-liberal deception of voters

Wolnicki (2006, p. 479) describes how neo-liberalism used “success propaganda” to promote the economic dream of prosperity for all. Neo-liberals want minimal business regulation and a minimal role for the state. The economic crisis of 2008 showed the folly of neo-liberalism of complete trust in the free market, in business and in the ethics of business people. Governments have now increased regulation but neo-liberals still have significant power in the US and UK.

The culture of neo-liberalism is described by Gamble (2013). Market forces are the best way to produce economic growth and prosperity. Voters cannot be trusted to vote for what is best so their ability to influence government policy should be limited. The state should help business and not restrict its activities and behaviours. Individualism is good. Collectivism is bad except for where a group of people supports business.

TUC (2013) shows the extent to which public opinion has been manipulated around social benefits. When people were told the facts about the effect of benefit cuts on the poor, their opinion changed from keen support of government welfare policy to a majority opposition. An example of neo-liberal propaganda is where the government is sending out data to citizens that show that a quarter of government expenditure is on welfare, more than health and education and the greatest single classification (BBC, 2014). But the statistic includes unemployment, child benefit, winter fuel allowance, in-work tax credit and gives no breakdown. The aim is to gain public support for reducing welfare expenditure by creating the impression that many recipients do not deserve help. By not publishing in-work tax credit, anti-social effects of their policy of low pay are hidden.

Hall (2011, p. 706) sees the central idea of neo-liberalism as the “free, possessive, individual”. Government should not get in the way. Neo-liberals do not like free handouts because they encourage laziness and discourage the competition through which individuals better themselves and therefore better society. The importance of recognising the difference between conservatism and neo-liberalism is explained in Hall (2011, p. 713). Whereas conservatism has an agreed ideology, neo-liberalism has contradictory lines of argument that can be airbrushed over by a psychological and emotional appeal. Hall (2011, p. 714) points to how New Labour adopted neo-liberalism and perfected “spin” where privatisation was now called out-sourcing with the same outcomes. The words were chosen for the public to think that the state had not given up any control and that the welfare state was still safe. The Coalition of Conservatives and Liberal Democrats exposed the two distinct parts of the latter according to Hall (2011, p. 718). The neo-liberal Orange Book members in the Liberal Democrats favoured the alliance whereas the progressives, including former social democrats, favoured allying with Labour. The author has discussed Big Society with a senior Liberal Democrat who is a social democrat who made his opposition to the policy very clear as it lacked social justice.

#### 2.3.4 Exploitation of the majority: The Neo-liberal real agenda

Neo-liberalism focusses on maximising profit. It does not matter if that profit actually produces something tangible or if it creates some financial instrument which is only a promise to pay whose value depends on the promise being kept. Thus in the UK, services are dominated by the financial services sector with its derivatives trading. The total volume of the world derivative market is over ten times the size of the real economy for the whole world. A derivatives market failure destabilises the money markets and governments bail out the gamblers’ businesses by borrowing from the social group of gamblers and impose years of austerity on those NOT responsible hitting the weakest in society most. Dierckxsens (2000) warned of the risks before the 2008 financial crisis. He proposed that maximising wealth and then more fairly distributing it can be an alternative to neo-liberalism. The academic argument is that asset bubbles created by financial market and political over-optimism are caused by neo-liberalism. Many of the rich still get richer as a result of governments reducing business regulation at the expense of citizens as the economy (i.e. business and jobs) are put first. For neo-liberals, jobs relate to the economy not social justice.



A key accusation by some sociologists against neo-liberalism is that it favours Social Darwinism, the survival of the fittest. Leyva (2009) examines the neo-liberal education policy in the US called No Child Left Behind. The words suggest an emphasis on social justice but the policy is about “training and creating competent-enough workers rather than critical conscientious citizens”. It encourages individualistic competition in education and work but does little to create equality of opportunity because it maintains the superior opportunities for elite social groups. Hodgson (2004, p. 451) explains how the label of “Social Darwinism” can be misleading when applied to such situations because Darwinism is about biology. Comparing these two works, it can be seen how debate in these emotive and political areas can degenerate into an argument over the meaning of words. This argument may be of interest to academics and public relations consultants but the accusation that neo-liberalism opposes “critical conscientious citizens” remains an issue for all citizens.

Brown and Forster (2013) present the economics of Adam Smith along with his sociology to show the limitations of neo-liberal stakeholder theory and of its influence on CSR. As well as “Wealth of Nations”, Smith also wrote “The Theory of Moral Sentiments” and “Lectures in Jurisprudence”. This put economics into its social context as a social science. Swanson (2014, pp. 82–83) points out how Smith emphasised that human beings had a natural capacity to go beyond individual selfishness and aim for moral virtue. Neo-liberals distort Smith by claiming that economic decisions are value free.



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The success of neo-liberalism broadly depends on the belief of the general public that positive economic effects will outweigh negative social effects. A number of these negative effects are explained in the next section.

### 2.3.5 The anti-social effects of neo-liberalism

The following examples of neo-liberalism reflect some common criticisms by academics, social policy professionals and journalists. The aim is to provide readers with a basic idea of the nature and basis of such criticism. It is not a systematic sample of the literature but an extract of the author's interest in current affairs. The authors of the examples share a view that the cause of the particular problem was neo-liberalism. Readers should apply critical theory to check this view. The UK government comes in for particular criticism and care is needed to avoid building a firm view of the government from a few selected examples. The government is not made up solely of neo-liberals and all M.P.s will have beliefs and values based on a mix of ideologies.

The caring professions, such as social work, have a caring culture. Generally, opponents of neo-liberalism are supporters of social justice as understood by social workers within their professional culture. Ferguson (2004) explains how neo-liberalism has seriously damaged social work provision in the UK and is undermining its caring culture. Individuals in the caring professions have seen their careers damaged by neo-liberalism. These individuals personally benefited from the expansion of the welfare state so will be hurt by its contraction. However, most do not argue against the need for improving efficiency in the provision of welfare, health and social services but base their case on lack of compassion and social justice. They also point to faults in the logic of government policy where the policy will not achieve its stated objectives but is aimed at permanent negative social change so that neo-liberalism becomes a fait accompli and the change can never be reversed.

Government policy is dominated by politics and political ideology. According to Cabinet Office (2010, p. 2), "special advisers are employed to help Ministers on matters where the work of Government and the work of the Government Party overlap and where it would be inappropriate for permanent civil servants to become involved." In other words, civil servants' work is based on facts and evidence and supports the government whereas special advisers' work includes ideology that supports the interests of the political party in power. The highest paid political adviser was Andy Coulson (whose ethics were demonstrated by his conviction for phone-hacking). Lobbyists may become special advisers and revert to being lobbyists when the party in government changes. Special advisers can not only become M.P.s but party leaders (e.g. Ed Miliband). The relationship between politicians, the media and business where they support each other is explored by Herman and Chomsky (1988) who conclude that they "manufacture consent" with each other that they then force on citizens and consumers. A key source of income of the privatised media is advertising from business. The media are part of business. Special advisers are at the heart of government and may be preferred by ideological ministers over independent civil service advice.

The Libertarian form of capitalism is well established and resistance to change from those few who benefit from it is significant. Much of that resistance will be out of sight of the public through the system where business lobbies politicians. Evidence of this can be seen from Porter (2010) where Cameron as Leader of the Opposition pledged to introduce legislation that would reduce the influence of the business lobby on government policy. Wintour (2014) then shows how The Transparency of Lobbying, Non-party Campaigning and Trade Union Administration Act 2014 requires this business lobby to merely register lobbyists whereas charities trying to influence government policy have to pass many hurdles to avoid threats to their charitable status. Landale (2014) explains how a Conservative M.P. has reported Oxfam to the Charity Commission for speaking out against government austerity policy such as where the charities claim that from their research that the increase in the use of food banks is due to government policy. The House of Commons Library note on foodbanks (Parliament, 2014) concludes that there are no official figures about the use of foodbanks. It is possible that the government does not want official government figures which would reveal the extent of the anti-social nature of their policies. Foodbanks are an excellent example of “Big Society” provision and the politics of civil society criticising government policy.

The Obesity Awareness and Solutions Trust (TOAST!) campaigned to bring about a parliamentary inquiry into obesity but did not declare that it was funded by the weight-loss industry. TOAST used a lobbying firm to persuade some M.P.s to be patrons and to use their influence to bring about the inquiry. Yet the focus then went on controlling responsible charities and not irresponsible business (Gillard, 2008).

### 2.3.5 Neo-liberals in partnership with anti-social business

The Financial Services Authority regulated the finance industry including banking. It failed to control these industries and allowed conditions that enabled the 2007 financial crisis that brought austerity to public services. It has been replaced by the Financial Conduct Authority for the finance industry and the Bank of England regulates banking through the Prudential Regulation Authority. From January 2000 to 2009, 26 out of 36 members of the FSA board worked before or after at board or senior level in the banking and finance industry. Nine still held posts with regulated companies whilst being on the FSA board (Organisation for Economic Co-operation and Development, 2009, p. 29). The politicians who control board appointments to regulators should not appoint directors and senior managers of regulated companies to voting positions on the board of the regulator. Whilst people with industry experience continue on the new boards, there are now more independent members. But many of these independent members are effectively advisers without a vote.

A problem with political ethics is illustrated by Young (2014). Rule 16 of the Code of Conduct for Members of Parliament (Parliament, 2012) states “Members shall never undertake any action which would cause significant damage to the reputation and integrity of the House of Commons as a whole, or of its Members generally.” The Conservative Party introduced a voluntary code to combat bullying (Young, 2014). There are employment laws that cover bullying of employees, including volunteers who at law have similar rights to employees. But M.P.s are self-employed so neither party or parliament can take action. Rule 15 covers expenses. Perhaps rule 16 could be used to cover all behaviour that destroys trust in politicians.

Turner (2014) explains how the Deregulation Bill would remove OFSTED regulation from private sector social work providers and make social accountability a local authority contract issue. The public sector becomes more highly regulated and the private sector less. Yet there is the public service ethic ingrained in public servants and high professional standards. In the private sector, the primary objective will be to maximise profit and minimise accountability through exploiting loopholes in the contract. A DWP contractor misstated in its tender its capability to deliver the contract (Johnstone, 2014). The government make some rules for public services more difficult for public sector providers than for the private sector.



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The relationship between the political leaders and the caring professions can be seen as political ideology in conflict with social justice. Morris (2014) describes the conflict in education. Public Accounts Committee (2014) point out that Monitor who regulates NHS trusts is almost exclusively staffed by people with financial or business expertise whereas input from experienced health professionals is essential in regulating the NHS. People from the finance and banking industries sit on the boards that regulate other sectors but not other professionals who at least have professional ethical standards that are enforced by their professional body relevant to that sector.

Targets are key to managerialism and neo-liberalism. Trigg (2014) describes how patients who had waited indefinitely were put on a hidden list so that the NHS could meet its target of seeing 90% of patients who need non-emergency operations, such as knee and hip replacements, within 18 weeks. Ministers relaxed the target for a few months so that operations could be reprioritised to reduce the waiting list. Hospital managers had put targets before patients.

The above represents an unsystematic review of documentary evidence of the impact of neo-liberalism. It provides examples of the neo-liberal belief that finance and banking leads the economy which in turn is more important than social justice. The ideology of neo-liberalism influences politicians within government and political parties. They use covert means to exclude other viewpoints from having any significant power. One such means is psychological persuasion.

## 2.4 Psychological persuasion

Abraham Lincoln was wrong. You can fool most of the most of the time.
--

Any parent knows that psychological persuasion is often needed to help children develop into responsible adults. The use of parental authority and power can be abusive but whereas the boundaries for physical abuse are clear those for psychological abuse are less so. The child's right to choose for themselves is a social issue. In chapter one, we saw how politicians and business use psychological persuasion to manipulate our choice whilst claiming we made the choice ourselves. This section outlines some of the ways in which this is done.

### 2.4.1 How anti-social psychological persuasion works

Persuasion is where reasons or arguments are used so another person believes them (Munger 2011 p. 290). Psychological persuasion is based on identifying and exploiting the subjects' needs and using loaded words and images to make them believe that their needs can be met if they accept and take action as has been communicated to them. The communication manipulates the subject and may not be in their interest but that of the persuader. Those who use techniques of psychological persuasion should be socially accountable if social justice is valued.

Social psychological persuasion can

- affect the amount of information processed; bias the perception of “facts”;
- bias one’s confidence in those “facts”;
- persuade one that the “facts” are true and
- provide a cue for action.

People’s perception of information presented to them are more often more important than the information itself.

Petty and Brinol (2008, pp. 62–63)

In common with many other ideologies, the success of neo-liberalism depends on psychological persuasion of most of the public. There is a difference between deception and providing information to make a choice. The former treats human beings as a resource to be controlled while the latter recognises the individual’s right to transparency and the accountability of those providing information. Most of us want to believe that we think things through rationally and are difficult to deceive. There are many ways that people can trick us into making a choice of their determination without us realising. Many of these techniques exploit how our brain works.

Each individual has their own brain and their own set of beliefs and values. No-one can think exactly the same as everyone else on everything. Conflict can occur when people not only believe different things but they want to force their views on others. Making different assumptions about the nature of reality (ontology) and how the nature of the world can be understood (epistemology) can lead to different conclusions over what action is needed. Easterby-Smith et al (2008, pp. 17–28) explains how some people can believe that there is a single truth, based on certain unchangeable facts which can be all discovered while at the other extreme other people believe there is no truth, only opinions. Academics state their assumptions for each work they produce. If an assumption is wrong, their predictions about the world may be wrong even if they are logical. Politicians and business leaders gloss over their assumptions.

The fact that we have many identities is taken by Fombelle et al. (2012) in examining the psychology of marketing. A person’s multiple social identities can be “leveraged” to encourage that person to identify with the business and its products and services. Some of our identities are selfish (such as a desire to own a timeshare) and others unselfish (such as caring for a disabled member of the family). By stimulating one identity and playing down others, our feelings and therefore choices can be manipulated.

### 2.4.2 Anti-social psychological persuasion in business

Demaine (2012) examines deception in advertising. She concludes that what is said in advertisements is highly regulated but the imagery used is less restricted by law even though it can be as persuasive. A culture of deception undermines social cohesion and trust in other people. By contrast, Martinson (2005) notes the change in government attitude to deceptive advertising from Reagan (and Thatcher) onwards where consumers in the marketplace would effectively regulate bad practice and the need for government regulation should be minimal. These two examples contrast the neo-liberal view of Martinson and the Demaine observation of how business can find ways around regulation.

Supposedly independent consumer research is increasingly becoming deceptive with the aim of selling personal details to sales departments. Smith et al. (2009) explain how such unethical business practice undermines the work of the ethical consumer researcher conducting genuine fundamental research into consumer behaviour.

Cameron (2009) provides a practitioner's guide to persuasion with an overview of 15 persuasion theories, models and frameworks (This is not the Cameron, Prime Minister!). Of these, social judgement theory (Cameron, 2009, p. 312) is based on how much a message agrees with an individual's current perceptions. Messages that are closer to what recipients want to hear are more likely to be believed. The ethics of the article are based on the best interests of the client and the ethical standards of the British Association for Counselling and Psychotherapy (BACP, 2013). It is not the psychological persuasion that is itself unethical but how it is used.

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The relationship between persuasion, psychology and public choice is examined by Munger (2011). Economics and politics depend on consumers and citizens making choices. A particular business or politician wants to be chosen above others. They will use psychology to persuade people to prefer them above the competition. Economics assume that consumers will be in possession of all the information they need to make a choice. This is the perfect market. Rational choice theory applies to these conditions. In politics, people often vote based on who they normally vote for without giving current circumstances much thought. Such fixed beliefs are the basis of personal behaviour theory. Whereas in rational choice theory, people choose according to the facts, in personal behaviour theory their choice is based on a mixture of fact and personal values. Some of these values are based on fixed beliefs.

Munger (2011) explains how there are some beliefs that additional information would be unlikely to change (religious beliefs for example). Other beliefs may depend on predictions for the future being shown to be true. According to political psychology, well educated people rarely change their beliefs. They think they have everything worked out and filter out anything that does not match their preconception. The poorly educated do not understand how political policy is formed and justified. Such people have their views changed through techniques such as advertising but may not understand why. In the middle are those who think they understand how political policy is formed and justified but not enough to avoid being misled or deceived by even simple arguments of politicians. It is this middle group who have the power to bring about social change as everyone else are fixed in their beliefs. Many of those who hold power in business and government may be in the highly educated first group. Many of those who suffer most from social injustice may be in the last group of least educated.

The issues of social justice are mainly political. The next section examines political persuasion.

## 2.5 Psychology and ethics in politics

This and the next section are short because most of the material has been covered above which refers to both politics and business. In these final sections, the learning points about psychological persuasion are separated into politics and business in order to show how the techniques are applied similarly and differently in each area.

An introduction to political psychology can be found in Jost and Sidanus (2004). It explains Right-Wing Authoritarianism as a personality type and identified with the personality of Nazis. A characteristic is a tendency to believe the untrustworthy if they are being told things they want to hear. Successful politicians are strongly motivated by power, impact and prestige. Chossudovsky and Corbett (2014) describe neo-liberals like neo-Nazis. Other authors such as Chomsky (1993) provide evidence of the US bringing former Nazis to help with security and to use their propaganda skills for government purposes. The word Nazi can be used as a derogatory label to describe someone exhibiting authoritarian behaviour. It can be more of an emotional response than a factual one as Harding (2014) counters Chossudovsky's and Corbett's claim about the Kiev uprising. Such an emotional response still has value in sociological terms.



In political psychology, values are what we would like to persuade others to hold or even to force their compliance. After voters rejected the Liberal Democrat policies in the 2014 European election, its leader, Nick Clegg confessed: “It didn’t work but it is right that we stood up for the values that we believe in.” (Clegg, 2014). Teasdale et al (2012) illustrate the conflict of values within the Conservatives in the Public Services (Social Value) Bill. Those in favour of the free market were in a majority over those wanting to give preference in public sector contracts to social enterprise, despite this being in the party 2010 election manifesto. Labour values can be seen in Denham (2013) where he says the leading Labour value should be; “A country where everyone is seen to play by the same rules”. Beech and Hickson (2014) reflect on divisions in the Labour party over values with the neo-liberalism of the Blairites conflicting with those of the traditional left.. Trilling (2013) describes how UKIP’s policies are attractive as a protest vote against the converging policies of the mainstream. In other words, in the UK, social democracy may be at a crossroads and the fate of the social justice version of CSR may be tied to the political outcome of the 2015 general election.

Libertarian paternalism and its use in behaviour modification at a society level are described by Sunstein and Thaler (2006). Libertarians promote freedom of choice but paternalists believe it is right to influence the choice of others or even decide for them. State planners can present the public with default options that the government believes would be best for society if chosen. People can then choose to opt out. It can work because the psychological suggestion made is that most people will choose the default option thinking that most people would do so. Inertia psychology is where people tend towards the “do nothing” option. People value what has been allocated directly to them (the endowment effect). Planners believe people have ill-informed preferences and so may succumb to a simple, persuasive presentation that appears to solve the problem being pointed out to them.

Authoritarianism does not encourage democracy. Where political parties have policies that are very similar, the voter cannot choose between policies. The first past the post electoral system makes it difficult for established major parties to be challenged. The power of governments to force through policies by disempowering opposition enables authoritarianism. Democracy can cause political instability as in Iraq and Libya. In some ways, the short-term common good may be served by a benevolent dictator. Social justice does not depend on the political system but the values and behaviours of political leaders in response to the social contract with their citizens.

Communitarianism could provide an ethical basis for politics. It depends on an active citizenship and community engagement with individuals being responsible members of communities and of everyone sharing common values and promoting the common good. The ethics of communitarianism are very challenging. Its main opponents are utilitarians who claim that it is impossible for everyone to have common values. Communitarianism is an ideology but one that has a similar ethical basis to the social justice version of CSR.

## 2.6 Psychology and ethics in business

### 2.6.1 Capitalism does not have to be anti-social

A Communitarian Business Model (CBM) is described by Arjoon (2005). CBM is based on capitalism defined by free enterprise, free production and free competition but with regulation and control. It puts people before profits which are only an economic means to a social end of personal fulfilment. The supreme value of CBM is the common good. Strict justice is fulfilling the law whereas full justice is spontaneous, generous and person-centred. Such companies go beyond their legal obligations and fulfil a much wider public function as part of society. CBM is therefore compatible with CSR. Business models that are liberalist or socialist promote either profits or justice but not both.

Many academics say that neo-liberals base their business ethics on Milton Friedman. Yet Friedman's statement, that the only social responsibility of business to apply resources to activities that increase its profits, has a conditional clause. Business should stay within the rules of the game which he defines as open and free competition, without deception or fraud (Friedman and Friedman 1962, p. 133). Deception through psychological persuasion is much used by many businesses who are therefore not playing the game according to Friedman. The ideologies of neo-liberalism and managerialism are such that it is an acceptable value to break rules supposedly underpinning the ideology. Perhaps their deception begins with self-deception.

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According to Segal and Lehrer (2013, p. 514), personal values in the business profession are dominated by relativism, Machiavellianism, and self-interested calculation. With relativism, there are no absolute values so cunning and trickery can be used for personal gain without feeling guilty about the cost to others. Chapter one explained how such values are promoted in many business schools through MBA courses. Relativism affects how an individual may perceive the world. Although no absolute values may be adopted, actions may still have consequences which may or may not be perceived when the action is decided upon. A sociological theory of ambivalence was applied by Segal and Lehrer (2013) to explain how business people who could emulate Machiavelli on one occasion could then exercise social responsibility the next. They could switch freely between the roles as demanded by those who had power over them. In business roles, there might be no absolutes (such as morality) but in family roles there were.

Perception is a driver of ethical behaviour according to Freel (2013, p. 264). Thus if the bankers who helped cause the financial crisis had perceived that they would personally suffer for their actions, they would have behaved more ethically. Their perception was that they could get away with it. Such people will not change until they perceive the need to do so. An expression favoured by extreme right-wing people in an argument is “it’s a matter of perception”. By using these words, they exert their power. In a business meeting where the author participated, it was interesting to observe that the author’s senior manager just smiled and reserved judgement when the executive of the global business used this expression but the junior manager whose opinion was being squashed exploded in frustration.

### 2.6.2 The US: The main promoters of anti-social capitalism

The US has a significant influence on business ethics because of its economic size and global reach. The current issue of CSR needs to be set in an historical context of business. The behaviour of some US business in supporting wars against democracy is well evidenced. Sutton (1976, p. 13) describes how a self-supporting group of business people, mainly bankers, financed the Bolshevik revolution in Russia in 1917, the rise of Hitler in Germany and the election of Franklin D. Roosevelt in 1933. The evidence of this comes from the documentation of the Nuremburg trials. This social group is ongoing and financed the Communists in both the Korean War and Vietnam War. It would also have made money from reconstruction after the war in Iraq. Malishevski (2014) connects the US involvement in the Ukraine as related to the wealth of shale gas in the East where US companies have a financial interest. The suggestion is that US politics is undermined by US business.

In a survey, one third of people globally think finance, banking, mining, oil and gas companies are making an effort to be responsible towards society compared with 70% in food production and agriculture (European Union, 2013). The main contribution of EU business to society is jobs (57%) followed by contributing to economic growth (32%) and training (31%). Europeans rate corruption, reducing staff and environmental pollution as the main negative impacts of business on society (each chosen by around 40% of people).

The moral responsibility of finance professionals in the recent financial crisis is explored by Graafland and Ven (2011). They found that the professionals did not meet their own standards of due care, accuracy and expertise but showed greed, recklessness, imprudence and arrogance. The reason they acted unethically, the authors claim, was that they had no incentive to be ethical. Changes in the incentive structure of the financial markets were needed. Improved regulation and restructuring of the financial markets should improve matters. Part of the moral failure was due to Anglo-Saxon capitalism with its free market economy, emphasis on short-term shareholder value, low levels of regulation, taxes and public expenditure. This encouraged the complex financial products, short term excessive risk taking and weak regulation (Kay 2012).

Corrupt cultures in organisations were studied by Campbell and Göritz (2014). Such organisations see themselves involved in a war where “the ends justify the means”. At working level, job security is the key value and an important norm is to punish workers who refuse to be corrupted.

Harris et al. (2011) for the UK Ministry of Justice researched the psychology of gangs and the anti-social influence of gang membership on its members. Violence was seen as exciting and was a means to acceptance by the group. Violence was a way of making money and pursuing business interests. Violence was normal and acceptable. Parallels can be drawn between gang psychology and anti-social business psychology.

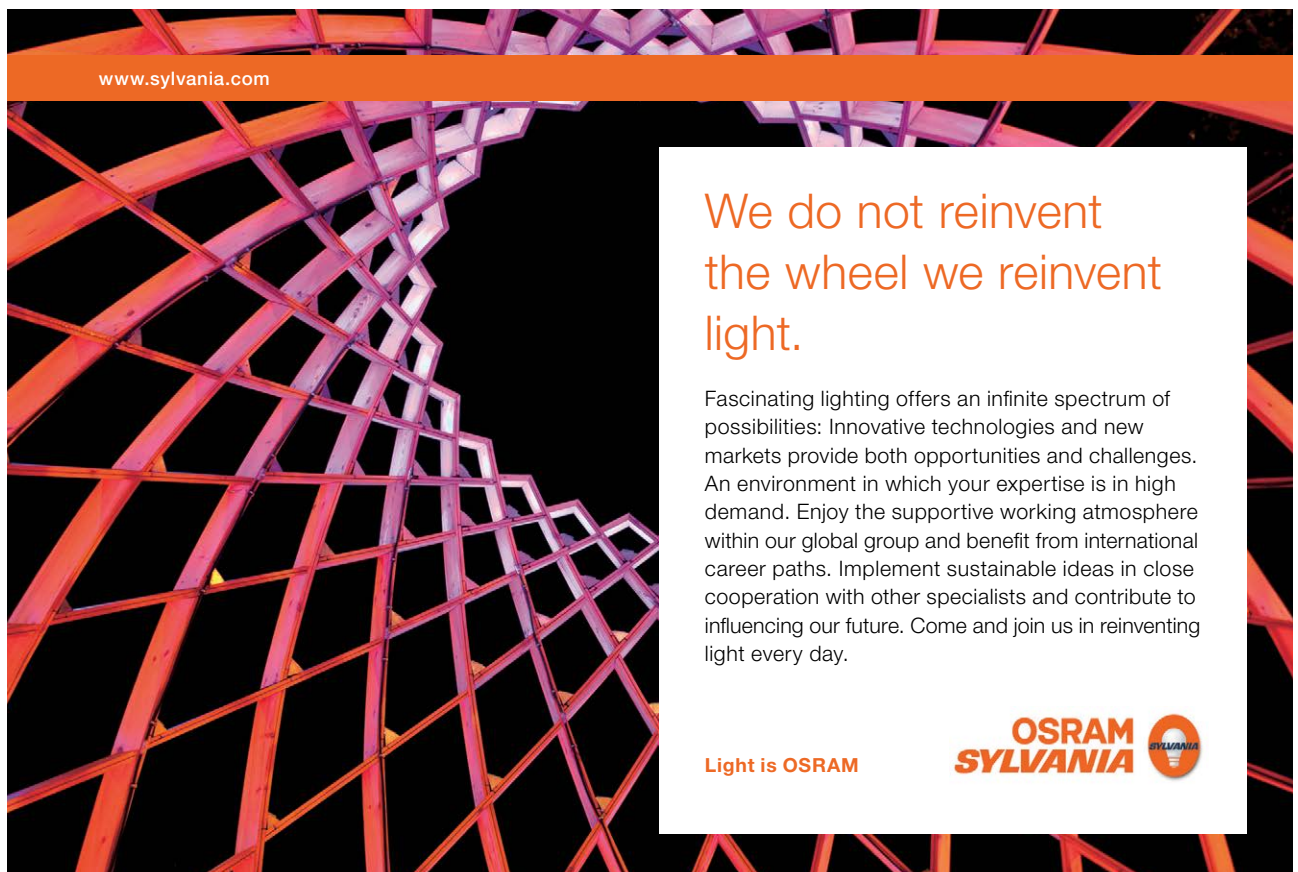
Ethos is the set of beliefs and principles that an organisation aims to follow (Cope, 2003, p. 55). This can be different from the beliefs and principles the organisation actually follows. Leaders of business organisations may publish their ethos of beliefs and principles to deliberately deceive so as to gain market advantage or they might do their best to achieve them but fail. The vision of a business is often altruistic and therefore impossible to achieve. Expectations are not performance targets. Expectations are beliefs and principles.

Management by objectives emphasises responsibilities over rights (Drucker, 1986, p. 3). The new business culture of the Thatcher-Reagan era began to see vision statements and mission statements more as promoting an external image to the market than as realistic internal objectives. Yet many business chief executives expected performance to match the statements made as company image and profitability depended on it. The image of the management and their pay now rested on achieving conflicting objectives simultaneously. These conflicting objectives were then passed down through the hierarchy. At the bottom were the people most likely to be blamed for failing to do the impossible.

## 2.7 Conclusions

The “Social” in Corporate Social Responsibility makes CSR an ideology with its own beliefs and values. The ideologies of neo-liberalism and managerialism have beliefs and values that conflict with those of CSR. A key difference in values is in ethical communication where both neo-liberalism and managerialism use psychological persuasion against the best interests of the majority of people. A difference in beliefs is that the ends justify the means. Since the ideologies of neo-liberalism and managerialism drive many organisations, implementation of CSR may be limited to promoting a false image that hides their exploitation of the majority of society.

The Communitarian Business Model may offer a political ideology consistent with CSR. This recognises the importance of the social contract. It is based on reliable and transparent information passing in both directions between leaders, citizens and consumers. It is a partnership between all stakeholders based on leaders earning trust.




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## 2.10 Self-test Questions

To what extent does neo-liberal ideology conflict with your own beliefs and values about CSR?

Is managerialism an ideology with distinctive beliefs and values or does it simply illustrate a failure to follow management best practice?

Is the approach of identifying ideologies that have an anti-social influence on people a better aid to understanding than personal criticism of the people themselves?

To what extent is psychological persuasion justified in politics and business?

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# 3 The Social Contract

## 3.1 Introduction

The previous chapters have discussed political and business ideology, leadership and behaviour. The social behaviour of political and business leaders is seen by the public in the context of the social contract where society grants power to certain individuals to lead society subject to various conditions. CSR becomes an issue when leaders stretch and break these conditions. The name given to the ideology that replaced the post second world social consensus of the social contract was New Capitalism. This minimises the welfare state and makes the primary purpose of government to expand private sector business. Freedom to individuals to choose to help those in need replaced a collective responsibility enforced by government. This chapter explores the relationship between New Capitalism, neo-liberalism and managerialism and how they seek to redefine the social contract through political policies such as the Third Way and Big Society and managerialist policies such Corporate Responsibility (CSR with a reduced “social” dimension).

Your goals for this “social contract” chapter are to learn about:

- How society controls business and government through the social contract
- How business and government controls society through divide and rule and misinformation
- The New Capitalism
- The Third Way
- Big Society
- How voters and consumers can enforce the social contract

On completing this chapter you should be able to form your own opinion about the extent that government and business keep the social contract. You should also be able to see how changes to the social contract that are being passively accepted by wider society reduce social justice.

## 3.2 An Introduction to Social Contract Theory

### 3.2.1 The social contract is an relevant today as ever

The agreement between those entrusted with power and those doing the trusting is called the social contract. The use of force by the state to keep social control risks undermining that trust. Leaders need to monitor the social contract and keep it intact or risk being responsible for social breakdown. The Scottish referendum on independence was about the social contract. Social norms in Scotland are different from those in England where neo-liberalism has threatened social institutions such as the National Health Service. The neo-liberals were caught by surprise that many Scots did not believe the neo-liberal claims about the effect of independence on the Scottish economy (Judah 2014). The use of fear tactics drove many Scots to want to be independent from a political system based on fear and individualism (Milne 2014).

The social contract provides a view of the nature of society and is an agreement between society and those to whom society entrusts power. This began with entrusting the state and its politicians and officials but was extended to business as globalisation increased the power of business and decreased that of the state. The power of society to ensure the social contract is kept is considered at the end of this chapter. The social contract underpins both the social and political dimensions of Corporate Social Responsibility. The operation of the social contract affects both politics and business.

The practice of social contract existed long before the theory. Before the social contract, the alpha males in the group of humans won power by brute force and were replaced by brute force. As communication and social skills improved, reason and debate were used more and more. The legal execution of Charles I in England shocked the hierarchical power structures of society. The French Revolution showed that the perceived right to power of the ruling elite could always be taken away by a greater social power within society. Not having and keeping the social contract risks anarchy and a return to brute force.

Social contract theory goes back to the middle ages. Thomas Hobbes (1588–1679) lived through England's Civil War so he had personal experience of social breakdown. He identified a State of Nature similar to survival of the fittest where the alternative was a Social Contract. This was where the mass of people agreed to be ruled by a Sovereign with absolute authority. John Locke (1632–1704) saw the State of Nature as a state of liberty where people did no harm to each other. But for Locke, when harm started, only a government could stop it. A government, set up under a social contract between the government and the people, was necessary. Locke believed that private property came from an individual combining their labour with nature's raw materials. This concept of private property led to the indian population in the United States not being seen as human and so exterminating them was not genocide. This version of the social contract is compatible with Corporate Responsibility but not Corporate Social Responsibility. Perhaps modern Human Resource Management can also see people as property and mistreat them.

Rousseau (1712–1778) developed the idea of the common good based on democracy on which CSR is based. Power according to Rousseau came with social responsibility and accountability. The UK never had a revolution like France. The US revolution was different. As a result, the US and UK eventually developed a different idea of social justice than Europe. After the second world war, the UK view of social justice became more like that of Europe. One result of this war was the UN Declaration of Human Rights.



### 3.2.2 Modern social contract theory

Modern social contract theory is based on Rawls (1971) where he presents a theory of social justice which went further than the UN Declaration. Everyone should have the same civil liberties. Inequality is only justified when the least advantaged member of society would be still better off than they would be under any alternative system. This of course runs counter to neo-liberalism. In Rawls (1996), he went on to construct a concept called political liberalism based on respect between individuals and groups and fair terms of co-operation between them. His concern was that capitalism might be destabilised if leaders lost respect and there was excessive unfairness between social groups (as has happened under neo-liberalism). Nussbaum (2011, p. 7) explains that social justice is based on “overlapping consensus” between citizens and social groups. The basic needs of all citizens should be met by the system. Thus social justice as fairness evolved to meeting only basic need.

Donaldson and Dunfee (1995) developed a normative theory of business ethics. The word ‘normative’ refers to concepts that guide choice or conduct. Their Integrated Social Contract Theory (ISCT) links the general norms of social contract theory with the specific norms of organisations in the marketplace. Stakeholder theory provides a set of rules that managers can adopt to manage stakeholders, these are generally focussed on the need to maximise profit by keeping on the right side of stakeholders rather than to act in the best interests of stakeholders or to conform to norms of wider society. Donaldson and Dunfee differentiated between two levels of social contract. The “macro-social” are agreements on a broad normative framework to guide all economic arrangements. The “micro-social” are norms created by communities (as defined by economics rather than sociology). Priority rules apply at the macro level to settle conflict at a micro level. The “macro-social” would have a conflict between neo-liberalism and social justice as both norms are found in wider society. This is a weakness in ISCT but its strength is its alternative to stakeholder theory,

Donaldson and Dunfee (2002) point out that the United States when still promoting slavery was breaking a macro-social agreement since it was out of step with most other countries. If this is the basis of macro-social agreement, one could argue that as neo-liberalism is prevalent in many countries then it is a macro-social agreement. However, in defining what is agreement, Donaldson and Dunfee say it is essential for business to give people “voice”. Managerial and neo-liberal psychological persuasion would be unlikely to meet their understanding of “voice”. A business could break a micro-social contract by not consulting properly with the communities affected. Manipulating could not be an acceptable form of consulting in this context. ISCT contrasts with stakeholder theory where management would seek to limit how communities have a “voice” so that organisational objectives could be maximised.

### 3.2.3 Social contract theory under neo-liberal pressure

The application of Integrated Social Contract Theory to business is considered in Auchter and Dziewa (2013). They conclude that under ISCT different business situations could justify different ethical practices. This flexibility was an advantage to business. The main difficulty was in the process of identifying norms. Frederick (2013) says ISCT should be abandoned as there is no society-wide agreement of norms. These recent developments show how neo-liberalism and managerialism influence academics and social theory. The best way of undermining the power of a label that describes thinking contrary to the desired ideology is to hijack the label and change its meaning. The basis of ISCT (like CSR) is based on the global social norm expressed in the UN Declaration of Human Rights. Thus Frederick is wrong to say there is no society-wide agreement of norms. Auchter and Dziewa are wrong to apply ISCT in a way that puts achieving business objectives before global social norms as ISCT assumes the existence of a social contract that puts global social norms first.

The above theoretical discussion of ISCT illustrates some of the problems of applying sociology. There are many conflicting viewpoints based on different assumptions about reality. Practical sociology combines a number of different viewpoints in solving particular social problems. Application of critical theory can reveal weaknesses in logic and raise questions over the bias of authors of communications, including academic authors.

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Finally, Kimel (2003) explores contractual relationship with the aim of developing a liberal theory of contract. Kimel observes that contracts can only cover so much and trust is still needed in the marketplace. In some ways, an abuse of trust is an abuse of freedom, a core liberal value. Thus the caveat emptor principle (buyer beware) is a matter of trust. Breach of trust is not a liberal value. Keeping to the letter of the law is not sufficient to build trust.

An example of a social contract is Sainsbury's value statement (J Sainsbury plc, 2014). Their five values are: healthy, affordable food; ethical supply chain; environment; community and looking after staff. Their website then gives news on what the company is currently doing to demonstrate its commitment in practice to its values. The market in which Sainsbury's compete is one where their customers expect a high degree of social responsibility. This market is highly competitive and it is easy for Sainsbury's customers to switch to another company. The social contract operates effectively in a free market with perfect competition. Retail companies in general and supermarkets in particular tend to place great importance on corporate social responsibility. Most of the trading in these companies contribute to the real economy and adds value in terms of jobs, including jobs for semi-skilled workers. Note how supermarkets, with their economies of scale, can put local shops out of business when price becomes the most important factor in consumer choice.

The economic, political and social changes in the 1980s made a significant impact on capitalism. The rise of neo-liberalism heralded New Capitalism where the economy stretched beyond the real economy. The main commodity being traded was money itself and the social contract became an undesirable constraint rather than a management objective. Belief that science could solve every problem became prevalent. The cold logic of science began to replace the feeling of caring for everyone on the planet learned by the war generations at such a great human cost.

### 3.3 New Capitalism and Neo-liberalism

#### 3.3.1 The abuse of science to deceive

The advances in science and technology over the last few decades have led many to put their faith in science and scientific methods. Science is based on philosophy. The stereotype of the academic who is so absorbed in thinking about the world that they take little part in its social life illustrates that science itself is an ideology with its own social norms, beliefs and values. Consider two lecturers debating a complex academic theory. They can create their own world isolated from the reality of life around them. The word "geek" is a label that defines this social group. Science is based on the positivist belief that the real world exists and can be discovered through scientific method. The basis of scientific method is to think of what a specific part of reality might be like and then to conduct experiments to see how much this theory may be true. The conclusion of the experiment is that the theory may be true under the particular conditions under which the experiment took place. These conditions are often exceptional and rarely found in nature where the world is much more complex. The scientist openly admits that their conclusions should be used with great care and much more research is needed to show their theory also works under a different set of conditions.

In this book, the focus is on the social dimension of CSR. Its conclusions are primarily about this dimension only and CSR is much more complex than this book assumes it to be. There are many aspects of the social dimension that the book either covers poorly or not at all. In trying to understand what is so big that it is beyond perfect comprehension, an accepted learning technique is to move the mountain in manageable pieces or in modern terms “chunking” a problem down. The problem is recreated by joining all these pieces of understanding together. The analogy is taking a bicycle apart, finding out what was wrong and putting it back together again, possibly using better parts. But imagine taking a cake apart and recreating it. The boundaries of the parts that make up a cake are much less defined. Parts mix together. Society is more like a cake than a bicycle. It can only be dissembled in practice by tearing it apart. When torn parts are put back together, the original whole cannot be created. That is the risk of large-scale social experiments. The atom bomb was one such experiment. New Capitalism is another.

The scientist is part of society. As an individual, the scientist follows a mix of ideologies of which science is just one. The scientists who worked out how to make an atom bomb also had beliefs and values about society. Some held the Christian ideology for example. For many, their ideologies were in conflict and they decided what to do by putting some beliefs and values before others. Politicians and managers, influenced by the ideologies of managerialism and neo-liberalism, also put some beliefs and values before others. The use of statistics by politicians and managers is an example. One way of assessing risk is particularly abused by managers. Bayesian statistics is where unknown variables or hypotheses are treated by assigning them a probability that represents prior belief about their value (Webster 2013, p. 2773). The Fukushima nuclear accident in Japan, when a tsunami hit, was entirely preventable. Wingfield-Hayes (2013) explains that studies had been done that put the probability at one in a thousand years but the nuclear industry calculated a lower figure. They probably used Bayesian statistics with their guesses for unknown variables suiting the answer they wanted.

### 3.3.2 Self-deception in politics and business

The 2007 financial crisis was preceded by the demise of Barings Bank in 1995. Greener (2006) describes how the complex technical system understood by very few people combined with poor management behaviour in managing risk. Managers exercised their authority in confirming trades but not their power in checking them properly. The management objective was to maximise profits and Leeson made them look good, before the risks unravelled. In using actor-network theory, Greener describes the sociology of delegated authority and its control. With the rise of the professional manager in the 1980s with authority over technical experts, optimism can override rational thinking.

The Coalition government are talking up a method of economic forecasting called dynamic scoring which also involves making guesses for unknown variables (Mulheirn, 2014). Using such models it is possible to show that cutting tax may not mean reducing the amount of tax collected and, taking into account lots of other economic factors, may be good for the economy overall. There is little risk management applied of the consequences of this theory being wrong since the beliefs of neo-liberal ideology are taken as truth. The US Republicans and now the UK Conservatives like the method but it has little credibility elsewhere. Politicians like quoting figures, especially economic ones, which support their policies but can be reluctant to make their assumptions transparent and risk their ideology losing public support. Worse, such information might reveal their abuse of power.

This abuse of scientific and mathematical theory where ideological beliefs are mixed with proven theory is the basis of the power of Neo-liberalism and New Capitalism. Academics and professionals were isolated from politicians through a new profession that had no ethical structure to make it socially accountable. That profession was a management created to serve New Capitalism.



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### 3.3.3 New Capitalism and the 2007 financial crisis

Doogan (2009) describes New Capitalism. In New Capitalism, ideology is more important than reality. For example, the material facts about the affordability of welfare spending, such as pensions, are misrepresented by politicians and even some academics. Instead, free market solutions are proposed. Many in society have come to believe the political rhetoric because of the media. Although New Capitalism is similar to neo-liberalism, the former is mainly an economic ideology whereas the latter is mainly political. Electability means protecting the state pension. New Capitalism has no agreed definition. In a positive sense it describes the development of a knowledge-based economy and a transfer of work from manufacturing to services. In a negative sense it describes how financial services began to dominate global economies.

Bresser-Pereira (2010) describes the Global Financial Crisis and a New Capitalism. For him there were two causes of the crisis. First, a collapse in the mass of (“fictitious”) financial wealth created by the banks since the 1980s, impacted in the real money markets and damaged currencies. Total financial assets in 1980 exceeded total Gross Domestic Product (GDP) by 20%. GDP is real money. By 2007, financial assets had grown to four times GDP. The money markets create wealth that only exists as money whereas other markets generally reflect wealth created by ordinary people working. Money markets once mainly supported trade in real goods and services. Banks now create financial instruments well beyond what is needed for trade in goods and services. High risk debts were combined with low risk debts in a way that obscured the high risk of the financial instruments so created. These were then misrepresented as low risk in order to be attractive to investors. Mathematical theory was used to create these financial instruments but then abused as risks were deliberately understated to increase market appeal. The trust by society of financial services for self-regulation was abused.

Bresser-Pereira (2010) also says it was the ideology of neoliberalism that supported self-regulated and efficient markets on the basis that the economic growth would make everyone richer. Despite evidence that financial services business leaders were abusing trust, neo-liberal leaders in politics and public administration allowed them to continue. Bresser-Pereira believes that because politicians have now increased regulation, then neo-liberalism is dead. Christine Lagarde, Managing Director, International Monetary Fund (Lagarde, 2014), said that the world needed a financial system that serves the productive economy rather than its own purposes. Regulation is still weak because of neo-liberalism. Neo-liberalism and New Capitalism are far from dead.

Domination of the global economy by financial services helped produce the 2007 financial crisis and its long and uncertain recovery. The Financial Crisis Inquiry Report (2011) commissioned by the U.S. Government after the 2007 financial crisis concluded that the crisis was the result of human action rather than inaction and was avoidable (U.S. Government 2011). The warning signs were ignored or discounted. The following is quoted at length to show just how irresponsible these senior business people were.

“We conclude this financial crisis was avoidable. The crisis was the result of human action and inaction, not of Mother Nature or computer models gone haywire. The captains of finance and the public stewards of our financial system ignored warnings and failed to question, understand, and manage evolving risks within a system essential to the well-being of the American public.” (ibid, p. xvii)

“We conclude widespread failures in financial regulation and supervision proved devastating to the stability of the nation’s financial markets. The sentries were not at their posts, in no small part due to the widely accepted faith in the self-correcting nature of the markets and the ability of financial institutions to effectively police themselves.” (ibid, p. xviii)

“We conclude dramatic failures of corporate governance and risk management at many systemically important financial institutions were a key cause of this crisis. There was a view that instincts for self-preservation inside major financial firms would shield them from fatal risk-taking without the need for a steady regulatory hand, which, the firms argued, would stifle innovation. (ibid, p. xviii)

“We conclude a combination of excessive borrowing, risky investments, and lack of transparency put the financial system on a collision course with crisis.” (ibid, p. xix)

“We conclude the government was ill prepared for the crisis, and its inconsistent response added to the uncertainty and panic in the financial markets.” (ibid, p. xxi)

“We conclude there was a systemic breakdown in accountability and ethics.” (ibid, p. xxii)

A Republican member of the Inquiry published a dissent from the above majority report. This presented the view that the main cause of the crisis was government policy on helping citizens to buy their own homes (Wallison 2011). This is of course a valid viewpoint in terms of what caused the crisis but does not answer why it happened. From a systems view, inputs are made and outputs measured. The control system compares the outputs with sustainable limits and changes the inputs accordingly. Driven by neo-liberal ideology, Wallison focusses on the inputs and ignores the failure in the control system. The other members of the inquiry team drew on academic and professional wisdom. Wallison preached his ideological creed.

### 3.3.4 New Capitalism and the worship of money

The culture of New Capitalism is considered in Sennet (2006). The control of cash by state central banks worked well up to the 1970s. When there is more cash about in investment funds than investment opportunities, the financial services industry may develop new ways to invest. The hostile takeover could involve a chief executive manipulating company profits through creative accounting and showing a poor or better company financial performance. This could affect the price of the company's shares. By working with an investment bank, the chief executive could make investors a lot of quick money from which they ultimately personally benefited. In the 1970s, oil cash from Arab states and their control of the price of oil undermined the ability of nation states to manage their own currency. Cash could now flow more easily across the globe and globalisation took off. Investors could now achieve a higher return on their capital on short-term financial investments so these products grew. Such focus on the short-term went against the ethics of many professions but the management profession, without professional organisations to enforce ethics, adapted and took advantage of this change. Jobs became less secure as management planning became much more short term. Human beings became inputs rather than a corporate social objective. Other social objectives with their long-term nature lost priority in the new corporate culture. Sennet provides a useful view of the social dimension of CSR and how it became an issue. The foregoing also shows how managerialism evolved alongside New Capitalism.



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Items only contribute to wealth if someone is willing to pay for them. Surplus water to sell to someone with gold bars who was dying of thirst in desert would be worth more to the owner than if a free public tap in a park was nearby. Money itself is a commodity with a market. Money is a promise to pay. Banks trade on promises to pay. Money is based on currencies the value of which is supported by national central banks under government control. When banks cannot meet their promises, their shareholders lose all their money and those owed money by the bank may get little back. The government also trades in the currency markets, particularly by taking out loans when they spend more money than they receive. So when banks cannot meet their promises, it affects how much governments pay on their loans. Government creditors will try to force them to put funding loans before payments such as welfare benefits. When the buyers in the money markets discovered that debt sold as having minimal risk contained very high risk mortgages to the poor, the value of this debt fell to the bottom. New Capitalism created a culture where “buyer beware” was exploited and fines and damages were just costs against distributable profit. It created very large companies that were “too big to fail” where the taxpayer would pay for losses caused by extreme company gambles.

A distinction needs to be drawn between companies having surplus cash and investors. Evans-Pritchard (2014) explains how major oil companies have seen cash from sales fall dramatically as a result of the 2008 financial crisis. Costs continued to rise while demand fell. The oil price is set by supply and demand in a competitive market. Oil companies are now borrowing heavily and selling assets because of their cash deficits. They still make profits as much of the costs can be charged to development of oilfields but dividends are funded by loans. With their huge assets, the companies are unlikely to become bankrupt. It does show how even large companies can come under financial pressure.

### 3.3.5 New Capitalism and reward of labour

Fairclough (2004, p. 104) describes New Capitalism as “a ‘knowledge-based’ or ‘knowledge-driven’ socio-economic order”. This implies it is also ‘discourse’ driven. The examples above illustrate the distorted power relations in this discourse by business management and politicians abusing statistics in presenting their case for change. Fairclough (2004, p. 105) goes on to describe how the leaders of this new socio-economic order seek to control this discourse through colonisation. An example is an increase in the use of language of management in the public sector in strategic management over that of ethical professionals. Whereas the knowledge, experience and values of specialists had driven public services, managers with the values of New Capitalism now dominated. Thus professionals in risk management inform senior management of really bad risks and the senior management change the discourse in order to show that organisational objectives are being met by changing the context of the advice to the short-term (where the catastrophe has not happened) and away from the long-term (when disaster happens but the managers have moved on and can be blamed only in their absence, having taken care that there is no or insufficient evidence to convict them of breaking the law).

One effect of the knowledge-based economy was the loss of jobs for the less academically gifted. An increase in the pool of unskilled labour decreases its price in a free market. The minimum legal wage was introduced in the UK under the National Minimum Wage Act 1998. The living wage campaign began in London in 2001 and is based on the cost of living. The minimum wage is recommended to the government by the Low Pay Commission based on statistics from the labour market and criteria set by the government as it seeks to manage employment, unemployment and economic growth. The inadequacy of the minimum wage is reflected by the large number of low paid workers receiving benefits such as tax credit to top up their income. The attractiveness of UK working benefits is a cause of economic immigrants both legal and illegal. The situation reflects the conflict of free market and welfare state

At least two independent leaders in the financial world think the system still needs fixing. The managing director of the International Monetary Fund (IMF), Christine Lagarde, said that economists have focussed on economic growth rather than its fair distribution (Lagarde 2014). She referred to the social contract where “decent social services” should be provided for the elderly. The Governor of the Bank of England has said values and beliefs are important in economic life to maintain the social contract (Carney, 2014). “Inclusive” capitalism needs to have a long-term view to be fair across generations (including people yet to be born). Finance business leaders need to build trust and citizens need to recognise their obligations to each other.

New Capitalism is just one of the ideologies that give rise to an increased need for Corporate Social Responsibility. The ideology of managerialism was introduced in the last chapter where it was linked to the political ideology of neo-liberalism.



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### 3.4 Management and ideology

#### 3.4.1 Management and neo-liberalism

This section focusses on the relationship between managerialism and management with particular emphasis on business management. Managerialism, not only in the private and public sector but also in the third sector, is supported by the politics of neo-liberalism and the economics of New Capitalism. In the days before CSR became a more significant issue, there was a post war consensus where the new collective identities forged through the terrifying experience and insecurity of war combined together in politics, economics and business. It was not to last. A new generation with no experience of the genuine “all in it together” of war came to power in politics and business. The neo-liberal voice of individualism that was unpopular after the war now found public favour. This individualism promoted in politics with the support of the media found fertile ground in management.

From the democratic capitalism versus democratic socialism debate in the 1980s, emerged a new ideology – managerialism (Entema, 1993). This seeks to give individuals voice primarily through organisations or processes controlled by management. Management is perceived as a superior profession. It lacks the accountability of professions such as social work where you can lose membership and your job through not meeting ethical standards. There are no professional examinations in management. The Masters in Business Administration (MBA) is the accepted qualification of the management peer group and is called a professional qualification but is not awarded by a professional body. Note that banking also has no professional qualification or profession equivalent to that of social worker. You cannot get struck off a register as a manager or banker. The unaccountability of managerialism could not exist without the psychological persuasion and manipulation of neo-liberalism.

Critical theory is an enemy of managerialism. The latter tells you what to think; the former challenges powers that try to control your thinking (Klikauer, 2013, p. 187). Applying critical theory to management science, a path can be traced from the efficient management of the factories of the industrial revolution to the efficient management of everything and everyone. The system serves not the investors but the senior managers (who may incidentally be investors). Ironically, it was investors’ interest in short-term over long-term that encouraged managerialism and the change in management behaviour. Expansion, or economic growth, is the objective that links politics and management. Growth needs low interest rates which with high government debt required a budget of austerity. The need for efficiency in the provision of government funded services justifies public sector reform. The neo-liberal belief in competition means that services that become inadequate through lack of funding are privatised as the large international companies use some of their cash surplus to underbid the co-operative of former public service workers and small, local enterprises. The power base of public service workers is weakened and along with it effective public opposition to neo-liberalism. Once the change has become irreversible, it does not matter if and when the public realise the truth. Since education and the media are under effective neo-liberal control, the public will believe their problems are all the fault of immigrants and benefit scroungers. Of course, not all members of the public will be fooled by the rhetoric.

Neo-liberalism is democratic capitalism and pretends to serve the common good (Klikauer, 2013, p. 5). Managerialism sees politics and democracy as an overhead. Politicians and political parties are part of that marketing overhead but are not in control of the juggernaut of managerialism. By providing increasingly innovative and attractive goods and services, managerialism appeals to individualism. By providing jobs, managerialism appeals to the collectivism of democracy. Neo-liberalism links well-being to materialism, consumerism to jobs and provides statistical support to these policies through a well-being index. Neo-liberals apply managerialism to the public sector. Managerialism is a powerful ideology. Those super-rich who are concerned about social justice will use managerialism in their business and compensate for the anti-social effects of their business actions through philanthropy. Politicians in favour of social justice will compensate for the anti-social effects of their economic policy by supporting regulation of business and encouraging volunteers to help in roles that previously had been public sector paid jobs.

### 3.4.2 Management control and managerialism

Managerialism is characterised by the strong chief executive, particularly one who is also chairman. The rest of management are “yes” men. The culture is “can do” whatever comes down from the top, without moral challenge. The irrational end of managerialism is global, environmental destruction (Klikauer, 2013, p. 41). It is the working poor that are essential to managerialism (Klikauer, 2013, p. 82). The individualism of managerialism is not where people are “themselves” but where they are compliant corporate citizens in a society where democracy offers no electable party opposed to managerialism. The difference between neo-liberalism and managerialism is illustrated by Redding (2014). This report by a right-wing think tank describes how the power of chief executives to appoint other directors who agree with them should be limited by banning chief executives from the sub-committees that identify potential new directors. Investors and non-executive directors should have more power so as to control the behaviour of the chief executive. This idea seeks to limit the power of managers but increase that of investors and show that neo-liberalism does not fully support managerialism when it is not in the best interests of the free market.

Control is a key element in management. Giving people more freedom enables them to control things that would otherwise be controlled further up the hierarchy of power. Such delegation involves risk that those at the top of the hierarchy will not achieve their objectives. Power needs to earn trust. Reynolds (1997, p. 47) describes how building trust within an organisation can increase its performance but this depends on choosing people with the same values as the organisation. Mariotti (1996, pp. 32–33) explains how trust is key to building partnerships with other organisations but culture fit is also important. Keeping conflicting objectives in balance is the purpose of the balanced scorecard (Murby and Gould, 2005). It is possible for the managerialist manager to use all these approaches in the pursuit of short-term objectives. Building trust can be used for exploitation for example. Once the managerialist manager has extracted maximum gain from someone they may change suddenly to show their true colours.

A control system that includes social and cultural factors is discussed by Hewege (2012). Hewege describes how power and authority is used by the controller over the controlled. This is two way as the controlled can negotiate or rebel. The controller devises and sets norms and lines of communication provide the means of control. The controlled sees these as rules and regulations with possible personal consequences for breaking them. In addition to traditional control of reporting against target, social, psychological, political, anthropological, economic, technological, and geopolitical controls are needed. The managerialist manager can use such control systems just as well as the socially responsible manager. The difference is that the managerialist manager uses control to maximise their own advantage rather than to maximise social justice.

Littlechild (2004) explains how managerialism in social work as elsewhere assumes every activity can be managed in a rational way (rational to the manager). Power imbalance between the manager, staff or service users are not relevant. Neo-liberal politicians change the law and reform public services to expand the reach of managerialism. The Third Way of New Labour and the Big Society of the Conservatives are examples of policies that seem to support social democracy but their implementation was more like democratic capitalism and libertarian paternalism.

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### 3.5 Political ideology in the Third Way and Big Society versions of capitalism

#### 3.5.1 The end of compassion

The extremes of unrestrained capitalism and socialism are unacceptable to the UK electorate. In the 1990s, Conservative capitalism became unpopular and Labour socialism was seen as economically impractical. The “Middle Way” grew out of the 1928 financial crisis, the failure of laissez-faire capitalism and the threat of communism. Harold Macmillan and Edward Heath pursued Middle Way politics but the election of Margaret Thatcher as prime minister brought right wing Conservatives to power and the Middle Way was replaced with neo-liberalism. The economy prospered under neo-liberalism but social justice suffered. Politicians did not abandon neo-liberalism. They changed its face. Whereas the Middle Way really did have compassion as its root, New Labour wanted to keep the economic success of neo-liberalism and have a sugar-coating of Middle Way. The successful illusion of New Labour’s “Third Way” was developed in the 2010 Conservative manifesto into the “Big Society”. So successful was the rhetoric, there is no significant organised opposition due to the politicians appeal to nationalism (with the side effect of causing the rise of UKIP).

Thatcherism came to be seen by many as unbridled capitalism. Old Labour came to represent unbridled socialism. Voters liked neither extreme but they did like the idea of economic growth and financial security along with public services without charges. To maintain the quality of public services despite increasing demand, efficiency savings could only go so far. Civil society (philanthropists and volunteers) would need to be increasingly involved in the delivery of public services. There would be a new social contract. The Third Way was New Labour’s version and was so successful politically (even if not on the ground) that the Conservatives developed it into its Big Society policy. These policies transferred much public service provision from the public sector to the private sector and caused many CSR issues.

#### 3.5.2 Deception in the Third Way and Big Society

Mouzelis (2001, p. 455) concludes that Giddens Third Way is neither political left nor right but in the centre is not practical because more of the world system needs to be taken into account than Giddens achieves. The divide in politics between right and left is a real one. The politics of the Left is social justice, collectivist and the welfare state whereas the Right emphasise the freedom on the individual, individualism, minimal welfare state and privatisation of public services. One extreme is that everyone should be guaranteed a reasonable quality of life through a welfare state and the other is the only welfare should be philanthropy with only hand-ups and no hand-outs. The politics of the Left is not about equality but emancipation from poverty, political tyranny and social discrimination. Emancipation is part of life politics (how to conduct one’s life). Left and Right ideologies are incompatible. They are Old Labour and Thatcherism. There is a tension between these ideologies that can be resolved by focussing on policies and practices that are sustainable in the long-term. However, the political system like the economic system is focussed on the short-term whilst pretending to be in citizens’ long-term interest.

Giddens, on whose academic work New Labour based its Third Way policy, describes how the politicians distorted his views (Giddens, 2010). He had not planned to call his book “The Third Way” but “The Renewal of Social Democracy” (which became the less quoted sub-title). The book explains the need to regulate the markets and to fund building civil society. Social democracy to some people means establishing a socialist state that owns the means of production through democratic means. When used by the main UK political parties it means having a welfare state within a capitalist economy. The extent of the welfare state and the amount of public sector privatisation depended on what other ideologies social democracy was mixed with by specific political parties. It only became an issue after Margaret Thatcher brought authoritarian neo-liberalism into government policy. The level of support from the state began to move back down towards preventing death from poverty.

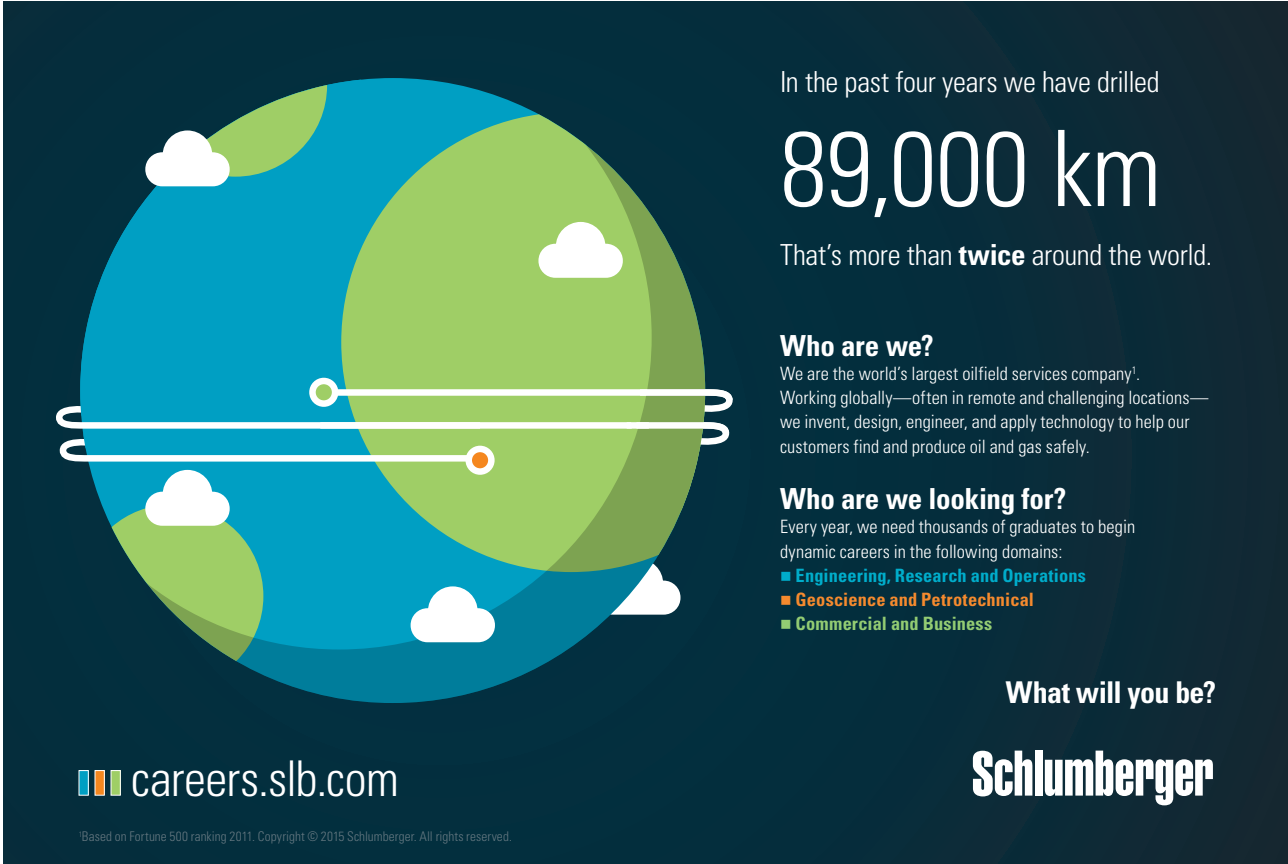
The policies of the Third Way and Big Society are relevant to discussion on CSR as they illustrate how neo-liberalism can portray an apparent commitment to social justice. In practice, neo-liberals tend to have to share power with more moderate politicians in their party in order to get their party elected. Once in office, they may allow the moderates less power. Neo-liberal politicians may use their connections with the super-rich to obtain donations to their party funds, particularly as an election approaches. Such connections are even more important in the US with the greater cost of their election campaigns.

### 3.5.3 Libertarian paternalism and neo-liberal philanthropy

Jones et al. (2011) examine the trend towards libertarian paternalism in UK government that began with New Labour and the Third Way. It uses four mechanisms: steering us towards choices political leaders think better for us; influencing us at times when we are tempted; making choices for us that we could change if we get round to it; and the use of marketing techniques to change social norms. It uses what is known about choice from psychology, economics and the neurosciences. Its dependence upon understanding the psychology of citizens makes it a complex policy experiment.

Alcock (2012) describes the policy of Big Society as a con trick. The principles of Big Society are not new. The rhetoric is to present it as an alternative to Big Government yet its localism is constrained and regulated. Citizens and communities have to follow top down plans and public service provision is driven mainly by market forces. Sullivan (2012) examines government claims that improvements in volunteering and social enterprise will enable a permanently smaller state sector. She points to lack of connection between actions to promote civic engagement and local public service reform. Local government is being reduced to being an intermediary between central government and the consumer market for local public services.

The Conservative view of society is to promote order, hierarchy and voluntarism and is less concerned with equality (Corbett and Walker, 2013). Libertarian paternalism aims to increase marketisation and reduce the welfare state. Bartels et al. (2013) show that more government funding of volunteering infrastructure is essential if volunteering is to increase significantly. Morgan (2012) agrees that volunteers are not free and funding is needed to recruit, train and manage them. He warns that small charities are unlikely to have the capacity or expertise to bid against their larger competitors for public services. Large private sector providers such as Serco and Capita may dominate the market which needs more regulation to avoid such negative effects of a free private sector market on civil society. Maguire (2012) reviews Big Society, the voluntary sector and the marketization of criminal justice and points to the extra added value of the voluntary sector when not under the blame culture of being under contract. Charities rely on government contracts. Competition for funding undermines the collective, friendly nature of charities. He also points to large units for contracts for economic efficiency which may put small local players out of the market with the loss of local expertise. Careful piloting of marketization is needed. This comment about piloting assumes that policies would be changed if the pilot was unsuccessful in meeting declared objectives.



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The link between the policies of Big Society and austerity are made clear by Sullivan (2012) in saying that Big Society is aimed at helping to fill gaps in public finances. Jordan and Drakeford (2012) reflect on social work and social policy under austerity. The poor are being made to pay for the gambling of the rich. Worse, the very practice of social work is under threat from managerialism where financial targets are more important than people. They compare current government policy on welfare with the Poor Laws. Social work is increasingly about the need to maintain social order so that the existing unfair economic system can be kept rather than helping the less fortunate. Such a mechanistic approach to social policy lends itself to marketization of public services.

### 3.5.3 Private sector to provide everything: Pay by charges or taxes.

According to Morris (2012), the private sector are best advantaged to take advantage of Big Society as they do not have the same ideological constraints as charities and have less legal restrictions. Small charities are particularly disadvantaged in bidding for contracts. Yet despite the lack of definition of social enterprise in the Public Services (Social Value) Act, Rhodes (2014) is optimistic the voluntary and social enterprise sector will benefit. Mair (2013) points to the legal definition of social enterprise in the NHS Bodies and Local Authorities (Partnership Arrangements, Care Trusts, Public Health and Local Healthwatch) Regulations 2012. For the purpose of this market only, the regulations define social enterprise as an organisation that distributes less than 50 per cent of its profit to shareholders, declares itself to be a body carrying out activities for the benefit of the community and whose assets pass on to another social enterprise if it dissolves or winds up. There is nothing to stop an unethical company setting up a special purpose vehicle (such as a subsidiary company) that meets all these conditions but whose relationship with the parent company allows it to do creative accounting to make charges to the social enterprise and exploit the public.

Ishkanian and Szreter (2012) state that Big Society covers those institutions that sit between families, the tax funded central state and the maximising-profit sector. These institutions include the third sector, the voluntary sector and the not-for-profit sector. They say Big Society rhetoric is compatible with Thatcherism. It diverts attention away from government cuts suggesting that the Conservative Party used Big Society to change the negative social image that had made it unelectable. Ishkanian and Szreter illustrate this interpretation of rhetoric by pointing to the destruction of voluntary action evidenced by the National Coalition for Independent Action. With many voluntary organisations dependent on government contracts, Ishkanian and Szreter think such organisations may be colluding to turn their services into businesses.

Another useful tool in critical theory is Luhmann's systems theory (Luhmann, 2006). Broadly, society consists of different systems such as politics and the economy. Social change occurs when information flows across system boundaries causing those systems to change. It is therefore possible for a system that produces the most influential information to "colonise" other systems or "lifeworlds". Rodger (2013) describes how New Capitalism has begun to colonise civil society through Big Society policy. He shows that the information produced by neo-liberalism is deceitful in its description of the risk of capital outflows from the UK. Increasingly the voluntary sector is being colonised for political and business ends. Thus charities become more like businesses as government grant becomes personal payments and commercial contracts and charities compete for customers and contracts. The caring culture of charities is being replaced by managerialism. Volunteers are now doing work previously done by paid public servants in order to maintain local public services whose funding is cut due to austerity politics.

The social contract is therefore being broken as much by politicians as by business. The social group of politicians and business leaders use their power to stretch the social contract to their maximum advantage. Thus one relatively small social group is able to exploit the majority. The lack of trust by the public in politicians and business leaders show the true nature of the partnership that underlies the social contract. The only solution to this is politicians and business leaders changing their behaviour due to public pressure.

The above illustrates political, business and social behaviour that is dysfunctional in terms of maximising social justice. A system is needed that is less dysfunctional but is practical. CSR could be such a system.

### 3.6 CSR as a system that integrates business within society

Stakeholder management has its focus on the theory and practice of management. The "social" in Corporate Social Responsibility highlights the relationship between corporate organisations and society outside the organisation. CSR is applicable to all organisations not just business. Corporate Social Responsibility could be seen as a direct criticism of business. CSR is applicable to the party political organisations as they are incorporated by law. Non-corporate social responsibility rests with individuals who are socially accountable under common law. CSR is a means of making a legal entity other than an individual socially accountable. CSR integrates these corporate entities into society. It is not a means for these entities to control society but for society to control these legal entities.

### 3.6.1 Markets and citizens

Social responsibility involves the public defining the kind of society they want. The alternatives are the elite deciding for society either through willing submission or by force. Ledwith and Springett (2010, pp. 60–62) show how emotions are needed for decision-making and not just quantitative data. People with no emotion tend to act irrationally. Civil society is an important contributor to decision-making on social issues. Civil society helps to define social responsibility. It has its own structure separate from business. The government makes laws that define a basic level of social responsibility. In making these laws it will consult civil society who may have provided feedback to government on public opinion about social responsibility. Where business refuses to achieve levels of CSR that go further than keeping the law, business needs more than government pressure and the law. Civil society needs to engage directly with business and use its influence over consumers and the government to put power behind its input. Civil society is an important part of the CSR system.

Systems are characterised by communication between parts of the system. These communications can be in different “languages” (Charlton and Andras 2003). Politics can be compared to the Tower of Babel with everyone cursed to talk a different language from everyone else because of each person has a unique set of beliefs and ideologies. But language is not a barrier between individuals who are motivated towards mutual objectives or, ideally, love each other (where performance against objectives is irrelevant). Individuals are the indivisible entities of society. Communication is received, interpreted and responded to at an individual level. Groups of people can then agree a group interpretation and response. In principle, from a systems theory standpoint, there is no difference between a business system and a social system as they are both part of society and both have individuals and groups of individuals as their basis. Business and society regularly communicate with each other and the business system is within the overall social system. But the tail of business can wag the dog of society.

### 3.6.2 Voter and consumer power

Following Luhmann’s systems theory (Luhmann, 2006), the key to voter and consumer power is information, the ability to process it correctly and an effective means of producing information back to the political and economic system. Voters primarily influence the political system and consumers the economic system. This feedback needs to have sufficient energy over a short enough period to bring about change. In physics, power is the amount of energy consumed in a given time. Energy consumed over a very long time results in little power. Potential energy in physics is the energy stored in an object or system due to its configuration. Voters and consumers have great potential energy but have to expend it in sufficient quantity over a short enough time in order to move the social groups such as the super-rich investors to change the business system to be more socially just and sustainable. The French and Russian Revolutions are examples of a sudden release of potential energy as was the Tottenham riots on a smaller scale. Sudden releases of energy tend to be violent.

The issue with voter and consumer power is not the amount of power they have but how they use it. In practice, they seem to have little appetite to devote time to digest even the little real information that might be useful to them. Lilleker (2006) explains that just 25% of political information reaches its target of which 1% of this remembered. Only 0.25% of the information presented is remembered. The problem is how we filter information that is relevant to us from the mass of it that is not.

Voting behaviour is often more influenced by affective behaviour (emotions) than cognitive (facts). In voting for a political party, voters tend to vote as before so few parliamentary constituencies change hands at a general election. Membership of political parties has declined, particularly active membership. An election campaign may focus on the media and be based on simple messages as in marketing rather than an attempt at providing detailed information about policies. The very poor tend to vote Labour but other classes vote across the parties.

Coyne (2011) discusses how government power can be challenged when a crisis arises. She says crises are inevitable. Society's ability to cope with adverse effects depends on the existing constitutional rules that define the expected behaviour of the state and private citizens. A society's resilience to crises depends on the willingness of the state to allow groups of citizens to come together to discuss it. Governments may respond to crises by forcefully limiting the rights of citizens or they may involve the citizens in reviewing and changing the rules.



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### 3.6.3 Libertarianism and authoritarianism

Libertarians promote the power of citizens over governments. Gravel (2008) points to Conservatism in the US favouring the wealthy above the poor and to Liberalism employing too much bureaucracy to help the poor. The government should be the servant of the people not their master. As Gravel is a politician, his statements may of course be rhetoric. Libertarians also promote the power of business over government in their belief this is best for citizens. There are libertarians who support the need for business to change and be sustainable. The influence of the super-rich libertarians will be important in shaping the future.

Authoritarianism has strong links with Traditionalism and Conservatism (Duckitt and Bizumic 2013). Political leaders who want to preserve tradition can be authoritarian. Such leaders may not be opposed to change as long as it helps strengthen the existing order. Such an attitude promotes conflict with those who disagree with their policies. CSR that is based on transaction cost economics that includes all costs is unlikely to be supported by authoritarian politicians. Bruff (2012) reviewed authoritarian neo-liberalism and noted that dominant social groups were now less interested in managing conflict with other social groups through discussion and were turning to the explicit exclusion and marginalisation of such groups.

There are different models of citizenship. Dalton (2008) notes the decline of duty-based citizenship, favoured by neo-liberalism. He identified four principles. Public participation in politics is essential to democracy. Citizen participation depends on them having enough information about government. The government is held by the public to be legitimate. Social services should be available to the needy. Communitarian citizenship remained strong. Denegri-Knott et al. (2006) explore the cultural power model of consumers. Contrary to the authority model where business controls consumers, business needs to listen to consumers. Consumer power comes from their joint agreement and action so that business delivers what they want.

### 3.6.4 Information: The key to voter and consumer power

The common features of both citizen and consumer in enforcing the social contract are their need of information, their agreement and collective action. In response, the common approach of both government and business is spin, management of information and divide and rule. Although there are significant exceptions where politicians and business leaders do their best to support the social contract, this is the context of CSR. The ability of business and government to control information depends on their employees being complicit. Employees are becoming increasingly frustrated by political and business failure to promote social justice. Whistleblowing seems to be on the increase despite the risks to the employee. Wikileaks provides government information that the politicians want to keep secret despite public interest. The US government recognises the value of whistleblowing and legislation includes the 2002 Sarbanes-Oxley Act, which protected corporate fraud whistleblowers and the 2010 Dodd-Frank Act even offers rewards for whistleblowers in the financial securities industry. This compares with the much more limited protection of whistleblowers in UK legislation. The attitude to UK public service managers and politicians to whistleblowing is illustrated in BBC (2014) where the Public Accounts Committee describe the way whistleblowers in the NHS and the police had been victimised by their managers.

Valentinov (2013, p. 318) describes business as an open system that can draw energy from outside of itself and be self-sustaining. This is of course a fallacy. The idea of an open system is a theoretical construct. It is like a belief that infinite resources are available from God. This might be true and useful in terms of sustaining positive beliefs, but not all positive beliefs are practical or represent reality. Business and consumerism have a direct effect on the environment and society. Business is not a closed system. Competition which is the basis of capitalism brings complexity. In systems theory, the natural world consists of environment and systems. The current business system is producing increasing degradation of the environment on which the human beings of society depend. The system is unsustainable. Business is not an open system and business accounting is at fault in treating it as such. Transaction cost economics is based on the total cost of a transaction and transaction decisions should be based on this and not the lower cost that is advantageous in the short-term to business investors and managers but not to society as a whole (Valentinov 2013, p. 320). Corporate Social Responsibility is the management concept of managing all consequences of the organisation's activities that is equivalent to the economic concept of vertical integration of transaction costs. Valentinov points to Luhmann systems theory where within the system there are feedback mechanisms acting to stop the system falling to bits.

A different way of considering the social interactions that underpin CSR is the Leadership–Stakeholder Involvement Capacity (LSIC) nexus (Waligo et al. 2014 p. 1348). At the centre of the nexus, like a giant melting pot, is every concern of every stakeholder. Feeding into this pot is every relationship of every stakeholder and their social norms. There are external influences including priorities, information quality and accessibility. Ethical corporate leadership and the capacity of stakeholders to become involved in achieving partnership objectives are all important.

The language used in political, business and academic communications about CSR reveal the social norms on which they are based. There is a need for the language of management to demonstrate empathy with all stakeholders. Such empathy can be achieved by understanding and applying the sociology of business. In this way, CSR can be seen as enabling business to serve society rather than a means of social change so that society serves business.

### 3.7 Conclusions

The social contract is the basis of a stable society. Breaking the social contract risks anarchy and mass suffering. World war is one example of mass suffering. The social contract was strong after the Second World War. The rise of New Capitalism and Neoliberalism in the 1980s put the social contract back under pressure.

The use of psychological persuasion by neo-liberal politicians in the same elite social group as senior managers provided the fertile ground for the growth of New Capitalism and managerialism. These unethical techniques are used in education with the effect that few people are informed of the weaknesses and threats of these ideologies. Ethical professionalism such as education and social work is undermined by them.

Both Conservative and Labour political parties are influenced by New Capitalism and Neoliberalism to the extent that the UK electorate does not have a choice of an electable party opposed to these ideologies. Voters have been offered sweeteners of the Third Way and Big Society as the Welfare State is dismantled and privatised. These two policies promised more power to communities but fail to provide the resources to build an alternative to the Welfare State. The ability to obtain government information so that central policies can be changed is limited.

The political context of CSR is framed within ideologies that are opposed to the main social objective of CSR which is to ensure that organisations meet the social objective of social justice. Corporate Social Responsibility with social justice risks becoming Corporate Responsibility where the objective is for management to protect the social image of the organisation so as to maximise profit. Citizens and consumers should exercise their power to obtain the information they need to critique the political and business establishments. They must be prepared for ideological conflict as the system seeks to control them.



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### 3.10 Self-test Questions

Are the key parties to the social contract, political and business leadership, rewriting it to change the meaning of social justice derived from two world wars?

Does the economic system since the 1980s really represent the will of wider society?


As thresholds to receive public welfare are reduced and wages kept low to increase profits, does this reflect a new social contract based on free markets and utilitarianism rather than social justice?

# 4 Beyond Corporate Social Responsibility

## 4.1 Introduction

The limitations of Corporate Social Responsibility are partly due to the consequences of the dominance of managerialism, neo-liberalism and New Capitalism. In the second half of this book we consider alternatives based on the principles of social democracy and the international social norm established by the UN Declaration of Human Rights. It continues to present both business and politics together as they are both essential components of capitalism and the social contract that underpins the social dimension of CSR.

This chapter examines the relationship between business ethics, social responsibility and morality. It describes the context of social responsibility in the US and UK. How social objectives can be integrated with business strategic management is considered. Broken political promises about social enterprise are explained. Such rhetoric by political and business leaders is shown as an attempt to reduce their accountability under Corporate Social Responsibility.



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Your goals for this “beyond Corporate Social Responsibility” chapter are to learn about:

- How business ethics, social responsibility and morality are related
- Social responsibility in the UK and US
- How “Social” objectives relate to what business does for society not society for business
- Social enterprise and its political rather than social origins
- The weaknesses in the traditional management view of CSR

On completing this chapter you should be able to understand that Corporate Social Responsibility goes well beyond business ethics. CSR is made more difficult by neo-liberalism and managerialism.

## 4.2 Business ethics, social responsibility and morality

Business ethics is a subject that if it is taught at all can be as boring as some school lessons in religious education. It can be seen as an ideal system of morality not unlike ideal systems of religion. Students can become qualified parrots. MBA courses based on “scientific” management are likely to avoid personal beliefs and present a utilitarian view of ethics. Personal moral norms of students brought up in caring families (if they are lucky) can be overridden by the psychological persuasion of the desire to be accepted as belonging to the social group of senior managers. The utilitarianism of the senior management social group may be instilled into students until their values of social justice become suppressed. Unethical senior managers may destroy the management careers of ethical students who refuse to conform.

### 4.2.1 Ethics

Nash (1993) defines business ethics as the application of personal moral norms to the activities and aims of commercial companies. Thus there is no standard for business ethics, only for people who make moral decisions on behalf of the business. The company is a legal entity. Society can impose financial penalties on the company and can withdraw its company registration. Society has no moral sanction on the company. Indeed, the directors and investors of a dissolved company may simply form a new company and try harder not to get caught next time. The business continues with the knowledge assets in a new company and the liabilities left behind in the old one. They do their best to avoid any action where they can be personally prosecuted and liable and hide behind the separate legal identity of the company. Insurance can be taken out to cover damages but not fines. Managers may even budget for fines as they make plans for super-profits so that the company can survive the calculated risk. Investors’ money may go into holding companies. Risky projects may be given to Special Purpose Vehicles that can be bankrupted without affecting the parent company. Trading through these Special Purpose Vehicle companies can avoid paying tax thus making more money for the investors. The beliefs and values of such directors are based on selfishness and utilitarianism.



Shum and Yam (2011, p. 551) explain Carroll's four-dimensional pyramid of Corporate Social Responsibility to show how business puts profit first, compliance with the law next, then ethics and finally philanthropy. This recognises the legal obligations of company directors. Corporations have defences at law that individual people do not have. Limited liability companies means that shareholders can only lose the current value of their shares but still keep the previous dividend payments. Managers of corporations may avoid prosecution as misdemeanours may be corporate offences rather than personal so the company pays the fines. This protection of managers from personal risk encourages the ideology of managerialism and influences business ethics.

The extent to which the social contract is kept by organisations and professions is well researched. Surveys have been conducted over many years with similar questions so that social trends can be determined. Employees, customers and the general public are rich sources of data. This research is openly published. Under true scientific management, this feedback would lead to changes in political policy. However, people driven by ideology cannot accept evidence that undermines the basis of their beliefs. Their reaction to such evidence, in a society that is not completely authoritarian, is to use education and communication to re-emphasise the risks of not following their beliefs. The use of fear to influence public choice is a characteristic of neo-liberalism and managerialism.

The National Business Ethics Survey 2014 (Ethics Resource Center, 2014) provides a background for the United States. Observations of misconduct were still high at 41% but down on 2011 (45%) and 2007 (55%). Pressure to compromise standards was at 9%, down from 13% in 2011. The percentage of workers who said they observed misconduct on the job fell to an all-time low of 41 percent in 2013, down from 45 percent two years before and a record high of 55 percent six years ago. Managers were the cause of 60% of misconduct and 24% were senior managers. One in five of people reporting misconduct were subjected to management retaliation. An interpretation is that business ethics in the US are improving but remain poor.

#### 4.2.2 Ethics and morals

Mellahia et al (2010, p. 13–27) describe how ethics and morals are different. Ethics is a universal code. Whereas morals relate to particular social grouping, families up to nations and religions, ethics apply to everyone on the planet. The universal code of ethics is a planetary agreement. Just because we have acted with integrity according to our beliefs does not make the decision ethical. Mellahia et al (2010, p. 6) bring in the theory of psychological egoism where all human beings ultimately behave in their own self-interest so no-one can take credit of having acted ethically: they were doing it in their own self-interest. Our morals are based on our beliefs. Each person is unique with their own sense of what is right and wrong and with that comes personal moral responsibility.

Ethics can be considered with academic detachment. Morals on the other hand are deeply personal. Unethical may be unprofessional for the few managers who are also members of regulated professions. Being called immoral can hurt much more than being accused of acting outside of professional ethics. At work, we can think of ourselves as professionals and take pride in meeting professional standards. In managerialism, being professional means doing what we are expected to do by the chief executive. At work, we may forget who we really are and become who the chief executive expects us to be. If the chief executive is immoral, we may have to act against our sense of morality. This is one reason why we may be told by our family to leave our work at work as it may not only invade family time but family morality. We can come home injured by immorality at work.

#### 4.2.3 Some examples of business ethics in practice

Business people are a social group whether directors of a particular company, local chamber of commerce or the Confederation of British Industry. The annual World Economic Forum meeting at Davos of world political and business leaders is also a social group. The Responsible Mineral Development Initiative 2010 illustrates the ethics of companies and world ethical standards (World Economic Forum, 2011). Their report involved a wide consultation of stakeholders from those within the Forum to international experts, including academics and charities. The result confirmed that world ethical standards were generally accepted at a personal level by participants. At a company and industry level, the need to meet profit targets led to game playing to take advantage of differences in power between business and state. Enforcement officers were tempted with bribes. The operation of the Mineral Development Agreements between investors and state may hide data adverse to the company, lack transparency and therefore avoid accountability. People can go to meetings as at Davos and agree to standards of behaviour in principle and then go back to their organisation and do the opposite. They need to appear ethical in order to maintain the personal and business or political party image for competitive advantage. The same driver of competitive advantage makes them behave differently than their desired image. Those at Davos wanting social change can become very frustrated. Even codes that are legal and not voluntary may be broken without conscience if the penalty is small or is rarely enforced.

The role of regulatory bodies and professional bodies in combatting illegal and unethical practice is illustrated by the case of iSoft, a software company, its staff and its auditors (Sweet, 2013a, b and c) and (FRC, 2011a,b). iSoft needed its accounts to show a lot of income from a government contract in a particular year, perhaps so the company could meet its targets. The financial controller misled the auditors and claimed in his defence that he was young, there was a culture of 'self-confidence and aggression' and he made no financial gain himself. The Financial Reporting Council (FRC) fined the audit firm £225,000 and made them pay £750,000 towards the costs (so the audit firm bore most of the financial penalty). The audit partner responsible for the audit at the time was reprimanded (which went on his professional record) and was fined £15,000. The financial controller was excluded from his accountancy body for eight years (meaning he could not practice as an accountant and so his punishment was greatest) and was made to pay £20,000 towards the costs. The financial controller claimed that the finance director had put him under pressure to misstate the income in the accounts. The trial of the finance director alongside the chief operating officer and chief executive collapsed under the technicality that the defence had not seen a file that the prosecution was relying on and it would take them too long to review it while the jury waited. This case illustrates how the targets inherent in managerialism led to dishonesty. The person who suffered most was the most junior and claimed he was put under pressure by his superior. It was claimed the senior executives gave the company a culture of "self-confidence and aggression". The latter does not fit with Corporate Social Responsibility.

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One cause of the break-up of extended families and the support these provided to family members may be managerialism that maximises efficiency irrespective of social cost. Skilled staff may be recruited from outside of the area even if there are local candidates who could do the job. Under the Equality Act 2010 it would be illegal not to choose the best candidate. However, organisations can take positive action to ensure that there is a good supply of local candidates through successor planning, staff training and working with local training providers. This is an example of tensions in CSR policy between laws such as equal opportunity on one hand and the desire to help the local community on the other.

Business can be divided into four social groups including the elite group of the super-rich. Two of the other three groups are identified by Lynch-Wood et al. (2009, p. 52) as large corporations and Small and Medium Enterprises (SMEs). They say the former attract media attention and are forced to adopt CSR, the latter are too small to be noticed by the media. The fourth group are the very small businesses and the self-employed who depend on customers' recommendations to their friends for future work. Lynch-Wood et al. (2009, p. 61) conclude that self-regulation for CSR does not work for SMEs where external social pressure to be socially responsible is weakest. The activities of large corporations are more visible, more likely to find media interest and so voluntary CSR should be more likely to work in such organisations. Whilst this academic argument is sound, does it explain reality? It may well be true that managers in SMEs are less accountable than most. They may have people under them taking the flak from dissatisfied customers but no-one above them setting unrealistic targets. But their ability and power to cause large-scale social damage is much less than the large corporations. Reliance on self-regulation in CSR policy has more consequence for society for large corporations because of greater imbalance of power.

The extent of regulation is determined by politicians influenced by the business lobby and to some extent by public opinion. Some examples of social responsibility in the US and UK in the next section put CSR in a real political and business context.

### 4.3 Social Responsibility in the US and UK

Neo-liberals believe in social responsibility in terms of playing Friedman's "game". At issue is the extent to which the individual, the community, the state and business should each play in the areas covered by social responsibility such as the environment and welfare. This section examines the implementation of such policies with particular reference to the UK and US. It shows both similarities and differences between the two countries.

#### 4.3.1 Nuclear waste

An important principle of neo-liberalism is voluntarism where state decisions are not forced on communities. The idea is that the community supports the proposed change. The UK search for a repository for its nuclear waste provides an example. Broomby (2014) explains how the government intends to change the law so that local authorities do not have power to block government plans. Instead government officials will seek a positive “test of community support”. This policy continues the approach of weakening local government democracy and increasing direct state influence at community level where deemed necessary. A government spokesperson is quoted as saying “all levels of local government will have to have a voice but we are keen that no one individual level will have an absolute veto”. This can be interpreted as meaning that the voice at central government level should be the strongest. The secretary of state promised: “The local community which hosts a facility will benefit from jobs for hundreds of people over many decades”; and they would also receive “direct investment for the benefit of the community”. The temptation of immediate benefits for agreeing may help community members forget about the potential costs to their generations to come.

The US has a similar problem with their Yucca Mountain nuclear waste facility. The federal government want it but the people of Nevada do not want such a facility in their state, despite much of it already having been built (Marcos, 2014). The US planning legislation recognises the legal right of consultation down to county level. Eureka County is a Congressionally-defined Affected Unit of Local Government (AULG). In its lessons learned report to the federal commission on America’s nuclear future, Eureka County (2011) concluded that the following were lacking: public trust and confidence; sufficient federal funding for local representation; government information in a form that was usable to inform political and not just technical judgements; and the need for central government response to transportation and emergency concerns. Their complaint was that local interests were being overridden by federal power.

There will be some Not In My Back Yard attitude in such localism. As politicians, neo-liberals are aware that their power is not absolute and that there are limits to the extent that citizens can be forced to comply. The issue for students of CSR is how much neo-liberal voluntarism is truly democratic or whether tactics are used in an abuse of power such as deliberately failing to answer specific public questions and not making information available and accessible. Since business has significant influence over government, they are likely to be involved in such abuse perhaps by playing the commercial confidentiality card.

### 4.3.2 Employment conditions

A key ethic in CSR is to treat employees fairly. Across the world, workplace bullying is on the increase and has become worse due to the recession after the 2007 economic crisis (Farmer, 2011). CSR would place a zero tolerance on bullying. Most bullying would not be covered by criminal law. Employees can expect to be put under pressure at work to achieve agreed targets. Given a choice of accepting a new target or losing their job, many would choose the more demanding target. Legislation that includes rights such as racial discrimination, the minimum wage and belonging to a union is common. In the US, such basic rights are guaranteed under federal law. In the UK, because of European Union legislation, employees have more rights than in the US.

In the US, employers are not obliged to give their employees contracts. The Employment At Will (EAW) doctrine states that provided employers act within the law, they can do almost anything (Weiss, 2009, p. 353). No written employment contract is required in the US. Alterman et al. (2013) showed rates of 31.7% for job insecurity, 16.3% for work-family imbalance, and 7.8% for being bullied or harassed. This compares with UK figures of 25% for job insecurity and 19% for being bullied or harassed (Gallie, 2013). Thus in the US, the comparative lack of legal protection for employees may explain higher job insecurity but in the UK an employee is much more likely to experience bullying management. Of course, the trend in the UK towards zero hours contracts may change this order.



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Gribben (2012) describes the relative stress of UK employees. Since the economic crisis and employer response to it, stress among UK employees rose from 25% of the workforce in 2009 to 35% in 2012. Stress in UK is more than Germany (33%), US (32%) and more than double the level in China and India, (both 17%). Private sector employees feared arbitrary dismissal whereas public sector staff feared being made redundant. Employees in organisations who involved them more in decision-making were less stressed.

The UK Conservative party seeks to change EU social and employment policy so that the UK parliament can determine more social and employment policy itself (Peter, 2013). Included in the Conservative agenda is to remove the UK from obligations under the European Convention of Human Rights. Monks (2013) explains how the “EU’s employment laws are bulwarks against more raids by the government”. The prospects of CSR improving the treatment of UK employees do not seem favourable.

#### 4.3.3 Environment

Miller et al. (2013) conclude “no comprehensive climate change policy could be enacted on the national level in the United States as long as scientific debates are allowed to continue to mask the true source of disagreement on climate change policy: the uncertain economic and political implications of climate change legislation”. They show a clear link between business and the Republican Party with environmentalists supporting the Democrats. The US public support policies to control climate change but business and Congress put economics before social justice. In other words, the elite are abusing the social power entrusted to them by the public.

The UK has accepted the need to reduce CO<sub>2</sub> emissions drastically to avoid the worst effects of global warming. Vaughan and Carrington (2014) report a split in the Coalition where the Conservative Chancellor was left unable to reduce the UK targets. His argument was as global leaders on CO<sub>2</sub> reduction, the government was placing UK business at a competitive disadvantage. The Liberal Democrats countered by saying agreement in the European Union to adopt similar targets as the UK would help level the playing field.

Carrington (2014) describes the UK government policy for the fracking of shale gas. The UK defeated EU moves to make regulations legally binding instead of voluntary. Following the principle of voluntarism, UK local authorities will still need to give planning consent. To encourage consent, the government changed the amount local authorities could keep from subsequent business rates to 100% of business rates from fracking projects rather than the usual 50%.

The above examples of political policy in the US and the UK suggests that short-term business profit leading to an increasing Gross Domestic Product comes before social objectives that improve social justice and decrease inequality. Neo-liberal values, beliefs and practices in government may restrict their influence in encouraging CSR. The next section explores the extent to which business is committed to the social dimension of CSR.

## 4.4 Social objectives and business strategic management

### 4.4.1 Social objectives

Objectives that are only in the interests of an organisation are not strictly social objectives. To be “Social”, an objective needs to be in the best interests of society. The alternative is to show favouritism to one social group to the detriment of others. Of course, a single organisation cannot do everything for everyone so it will prioritise its social objectives like every other kind of objective. There is a difference between healthy competition and ruthless battle. The former is a social activity. The latter is anti-social. Neo-liberalism and managerialism leads to ruthless battle.

The majority of people in the UK willingly support capitalism as the most efficient way of matching demand and supply. Morally, demand should drive supply. Customers should decide what they need not some central state bureaucracy or business marketing department. Most people also want markets to be regulated so they serve the common good. Neo-liberals see no need for compulsory transfer of wealth and income so the rich do not get richer while the poor get poorer. They believe the poor can get rich if only they made the effort. Freedom includes the right not to show compassion to others.

Assuming that the social groups of neo-liberals, senior managers and super-rich significantly overlap, many organisations will be heavily influenced by neo-liberals. In the organisations as a whole, the neo-liberals may be in a minority but may hold most of the power. Such organisations will have tactical social objectives that may include social manipulation in order to meet the declared main strategic objective of maximise profit and perhaps the undeclared strategic objective of maximise senior management salaries. Managerialism will provide an excellent system where social objectives are integrated into a plan where achievement contributes to the organisations key objectives. Such a system may even be called Corporate Social Responsibility whilst unwritten social contracts are torn to shreds and consumed as a resource.

Business is part of society and therefore the social processes involved in strategic management are important. In critical theory, the focus is on establishing and using power. Socially, faced with a dominant power, we tend not to confront it but to go with the flow. Only those who have little or nothing to lose may confront power. BBC Business Editor, Robert Peston, is in a good position to identify who has the power in the UK. In his book, *Who Runs Britain?: and Who's to Blame for the Economic Mess We're in?* (Peston, 2008), Peston identifies those who own and manage huge surpluses of cash as both having power and the morals where society picks up the economic cost of their gambling. He also suggests that people made rich through business may have done so through access to UK public infrastructure and therefore should pay more tax. The idea that the rich would leave the UK if their tax went up is not accepted by Peston.



The Tomlinson report on bank lending practices (Tomlinson, 2013, p. 2) described the “banks opportunistic behaviour in which they manipulate the businesses’ financial positions for their own gain”. More competition, transparency and accountability were needed. In other words, the conditions needed for a free market did not exist. Some banks have significant CSR programmes in helping communities. The rewards to traders and managers in banking are now a key social issue and banks have been forced to respond to public opinion and shareholders. A number of banks continue their policy of keeping just inside the law and exploiting loopholes. Treanor (2014) describes the conflict between the European Commission and these banks. The UK was alone among EU nations in opposing the benefits cap on the grounds that the banks would find a way around it. Such anti-social behaviour from those with power in the money markets puts the social responsibility of other businesses into context.



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#### 4.4.2 Standards for morals in business

As a part of society, what social responsibility should a business have? Schwartz and Saiia (2012) compare the business social responsibility of the Milton Friedman maximise profits approach with the Corporate Social Responsibility approach. They conclude that Friedman is correct in terms of company priority but his approach lacks ethical constraints that are essential for business to fulfil their responsibilities to society. Based on Schwartz and Saiia (2012, p. 11–12), the following describe the following moral standards based on a consensus of business ethics literature:

- 1) universal core ethical values: be trustworthy; own up when wrong; care about non-financial stakeholders where a little investment would go a long way; not just obey the law but help the community and the environment;
- 2) utilitarianism (greatest net good to society, not just business);
- 3) empathy;
- 4) moral rights (property rights of shareholders, rights to life, health and safety of non-shareholder stakeholders); and
- 5) justice/fairness (unbiased decision making; compensation when others are harmed; distributing benefits and burdens based on social as well as economic criteria and ensuring the greatest benefit to the least advantaged).

Before a high level objective can be achieved, lower level objectives need to be met. The list above provides a sound basis for lower level social objectives.

This can be compared to the lower standards of legal responsibility of a company director:

- try to make the company a success, using your skills, experience and judgment...
- make decisions for the benefit of the company, not yourself
- tell other shareholders if you might personally benefit from a transaction the company makes...
- make sure the company's accounts are a 'true and fair view' of the business' finances"

(Gov.uk 2014a)

#### 4.4.3 Public opinion and social objectives in business

An example of public opinion forcing a company to go beyond legal requirements is Shell and Brent Spar. Shell admit how public reaction to its plans to dispose of the Brent Spar oil rig permanently changed its processes and made it undertake public consultation as well as consulting technical experts (Shell, no date). Consider who the Shell stakeholders are and the power they have over the company. Shell depends on being granted exploration and extraction licences from governments who are sensitive to public opinion. The public can also boycott their products. Thus profits partly depend on image. Social responsibility as a corporate objective is part of the objective of having the image needed to achieve the profit objective.

Brent Spar showed business how influential Non-Governmental Organisations (NGOs) could be, particularly when combined with consumer boycotts. Ethical Corp (2010) describes how a consumer boycott reduced Shell sales in Germany by 20% and one petrol station was firebombed. Shell had followed the UK legal process but objections by other countries challenged UK sovereignty and isolated the UK government. Although Shell had conducted a thorough scientific and technical analysis with the deep sea disposal “the best practicable environmental option”, disinformation by Greenpeace, spread by the media without confirming it with Shell, told the public there was a lot of oil left on board. It would have been better for Shell if it had worked with Greenpeace rather than indulge in a battle that damaged the images of both organisations. Business learned to improve their stakeholder management. NGOs learned that protest on its own was insufficient and they needed to engage with business to persuade them why the values of society are relevant to their business. Shell, in common with many other companies at that time, had no corporate web site and the importance of social media to company brands and image now became evident.

Social objectives are important to the strategic management of business. Stakeholder management is essential to maintaining the values of brands which with intellectual property represent over 80% of the value of assets in an average company. Less than 20% of assets are in physical assets such as building and stock or financial assets such as cash or investments (CIMA, 2013). So like the wealth created by the financial wizardry of banks and hedge funds, much of the value of companies is also represented by something that is intangible and may or may not be worth anything if promises are not kept to buyers of its products.

Stakeholder management involves identifying stakeholders and prioritising them. The priority given to each stakeholder will in part be determined by the values of the business. The term “social enterprise” is used to describe an organisation with trading activities who say they put social objectives before financial objectives. A business that declares itself a social enterprise may find itself in a better position to be awarded government contracts. The next section explores the world of social enterprise.

## 4.5 The social enterprise

### 4.5.1 Social enterprise: another academic term distorted by the neo-liberals

A social enterprise is “a business that helps people or communities” (Gov.uk 2014b). A business is any organisation that trades. The original concept of social enterprise was in Spreckley (1981, p. 3) “where ‘labour hires capital’ with the emphasis on personal and social ‘liberation’ from exploitation by capital”. The words used are not neo-liberal and Spreckley did not approve of the Thatcher government. In the US, social enterprise came to mean helping the disadvantaged by trading (a philanthropic, libertarian paternalism approach) and in the UK to mean mixing trading with traditional charity methods. A social enterprise, by definition, should be achieving the top level of Corporate Social Responsibility. Like the Third Way of Giddens, the neo-liberals took the social justice looking term of social enterprise and made it seem they supported social justice.

Kucher (2012, p. 152) suggests that social enterprise is where income to help the needy is generated through the market rather than the donor. It is a part of UK government policy to reduce public sector deficits. The government is the main donor of money (but not of time) to the needy. Neo-liberal belief in the market apparently extends to generating income in a way that helps the needy. The reality behind the rhetoric is illustrated by Rempoy. This company directly employed disabled people who were unlikely to find employment elsewhere. It was unable to generate enough income to make up for the unavoidable inefficiencies of its workforce so relied on government subsidy. The government decided that the money would be better spent helping disabled people into mainstream employment and withdrew the subsidy. Part of the ministerial statement is shown below.

In terms of Rempoy, I have assessed very carefully the needs of the Rempoy workers, as well as the needs of the 6.9 million disabled people of working age in Great Britain – who are, of course, the vast majority – who could benefit from greater specialist employment support to find and retain work.

The responses to the consultation on the Sayce review strongly endorsed the idea that money to support disabled people into employment should follow individuals not institutions and that Rempoy factories should be set free from Government control.

Department for Work and Pensions (2012)

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Using critical theory, these words can be unpacked to reveal the ideology beneath. The issue of needing to allocate limited resource in the most (total) cost effective way is acknowledged. The minister may have assessed “very carefully” the needs of the Remploy workers and “set free” their factory from government control. However, policies are a means to an end. In this case, the result was that most of the factories could not survive financially without the subsidy and closed making disabled workers redundant. For the stated policy to be successful these workers should then have found jobs in mainstream employment. Proctor (2013) shows that a year after closure only a few percent were in paid employment. It may be concluded that the welfare of this group of individuals was sacrificed so that the less disabled could be found work. This case study shows that a business hamstrung by the requirement to meet social costs not incurred by its competitors cannot compete. Such a business is only viable through subsidy of money (philanthropy) or time (volunteering). The small part of the business that was profitable was privatised (BBC 2014).

Cabinet Office (2012, p. 5) classified social enterprises as generating no less than 25% of income from trading and no more than 75% from grants and donations. Social entrepreneurs should agree that their business is one “with primarily social/environmental objectives, whose surpluses are principally reinvested for that purpose in the business or community rather than mainly being paid to shareholders and owners”. Thus an entrepreneur owning a social enterprise could pay themselves a higher salary to get round the dividend constraint (like bankers solving their bonus limitation). Many would argue that an organisation with only 25% of its income coming from trading is not a true business. Note that by changing its definition of social enterprise so that it included more organisations, the neo-liberals were able to make the policy seem more successful.

Companies may call themselves social enterprises or social businesses but this may be rhetoric and not reality. Campaigners call this “greenwashing”. Discourse analysis takes natural language data, such as government and business media communication, and analyses it in its broader social context to discover the reality behind the rhetoric (Easterby-Smith et al, 2012, p. 341). It can also be used to better understand the practical meaning behind words that lack agreed definition. An examination of the use of the words “social enterprise” reveals a different meaning in a social context from the words “social business”. The two definitions of social enterprise quoted above suggest that social enterprise is very much seen as an alternative way of providing public services traditionally provided by state employees or by charities whereas a real social business would have little or no income from donations or grants as it is a business.

#### 4.5.2 Social enterprises and charities

In this verbal confusion, it should be noted that “social enterprise” came to be used for charities that adopted business management techniques even if little of their income came from trading. This shows the creep of managerialist ideology from business to government to the third sector. There was no change in the law. The mass of endless words from neo-liberals is overwhelming if not convincing.

Dees (2012, p. 322) defines charity as “a virtue, consisting of selfless action for the benefit of another, ideally a stranger”. The following five tensions between the cultures of charity and problem solving are based on Dees.

- A spontaneous desire to give immediate help rather than do a cost benefit analysis
- Immediate help to others versus investing to grow the organisation
- Handouts rather than market forces
- Immediate relief of suffering versus solving the underlying social problem
- Solving the problems of the needy versus helping them to solve their own problems

Dees applies cost benefit analysis as if money should be prioritised to buy grain to be planted for future crops so that this community should not need help in the future. He sees the problem as sustainability for the future not preventing starvation now. In business, investors only help companies so that the investors' targets are met and other companies can be stripped of what few assets they have. Business competition can be a form of Social Darwinism. Managerialism takes the same attitude into public service. Life is a war. Collateral damage and the sacrifice of one's own troops and civilians are justified because the end is desirable. The end for managers and generals is likely to success, either over the enemy or changing sides to join a victorious enemy (provided one has played the “game” to a set of rules also used by the enemy). The end for everyone else may not be so good.


Kucher (2012, p. 155) would like to see tax exemptions for charities (US non-profits) scrapped with work going to “L3C” companies similar to the Community Interest Company (CIC) in the UK. The public choice is between the free market and socialism. The neo-liberal bias in Kucher is pronounced. His argument is that as demand for public services cannot be fully satisfied then the mixed economy does not work. Have faith in the free market economy through a specific legal structure. The free market economy will maximise the overall public good and those people who the system cannot reach do not matter. By all means let philanthropists and volunteers help the weak, but outlaw any way that would reduce exploitation by the free market.

Ishkanian (2014) concludes that some charities are now moving away from human rights and social justice and towards meeting the requirements for government funding to show value for money and produce cost savings for government. Ishkanian and Szreter (2012) explain how the reality of the effect of government cuts on services did not match the rhetoric where the money for helping the disadvantaged would go further as charities adopted business methods and became social enterprises. Services would be maintained. Only waste and inefficiency would be cut as funding was reduced under austerity policy.

Charities have been trading for many years to supplement income from grants. A grant supported the objectives of the charity. When the UK government changed its funding of charities from grants to contracts, it forced its own objectives on charities and gave the opportunity of the private sector to bid. This is neo-liberalism and libertarian paternalism and charities that fund themselves in this way can become agents of the state. Many organisations that call themselves social enterprises are in reality charities that trade. Following the call of neo-liberalism, the word charity is unfashionable for a charity that trades whereas social enterprise shows innovation and drive.

#### 4.5.3 Social enterprises and co-operatives

Another part of the social enterprise concept is where groups of public sector workers have been encouraged (some may say forced) to leave the public sector and form their own business. Much of their income comes from public sector contracts many of which are short term and too much risk to be attractive to the private sector. Social Enterprise UK (2013) provides a status report of social enterprise in the UK. It provides a number of success stories but says they are the exceptions because of competition from profit-maximising companies many of whom fail to deliver the social objectives promised if not contracted. Broadly, their recommendations are the promises made by the Conservatives in their 2010 election manifesto should be kept and legislation that did not meet these promises should be amended so it does.



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The contrast between Spreckley's vision of social enterprise "where 'labour hires capital' with the emphasis on personal and social 'liberation' from exploitation by capital" and the neo-liberal vision of free market capitalism demonstrates the "Social" in Corporate Social Responsibility. It shows the incompatibility between CSR and neo-liberalism. Perhaps academics and journalists could call the neo-liberal and managerialist version of CSR "Corporate Responsibility" and reserve "Corporate Social Responsibility" for when CSR is used in its sociological context. The concept of CSR is weakened by not emphasising the "Social".

## 4.6 Weaknesses in the concept of Corporate Social Responsibility

### 4.6.1 Self-regulation

Corporate Social Responsibility is based on self-regulation (European Commission, 2001, p. 6). The idea of self-regulation for social accountability is explored in Bandura (1991). He makes the distinction between personal and social sanctions as sources of motivation for self-regulation (Bandura 1991 p. 278). A personal sanction is where a person judges themselves guilty as a consequence of their own actions. A social sanction is where a social group judges them. Punishment may result from either type of sanction. For CSR the problem is that managerialism makes individual managers see themselves as justified for not being socially responsible. Managers as a group may complain about the morality of other managers but have too much to lose to want to change the culture. The theoretical condition for self-regulation to work, according to Bandura, are either pre-existing strong personal ethics or strong group ethics. In CSR these preconditions are unlikely to be present as the aim is to encourage responsibility where it might not otherwise exist naturally.

Corporate Social Responsibility is based on "duty" and "obligation" (Weiss, 2009, p. 157) and fits the liberal ideology. Another aspect of liberal ideology is the free market and competition. This has priority over "duty" and "obligation" in corporate world which itself comes above personal world. Although CSR is recognised by neo-liberals for its "duty" and "obligation", it is not a priority over free markets and competition.

### 4.6.2 The limited neo-liberal view of what is best for humanity

Neo-liberals see everyone on the planet adopting a machine-based lifestyle with access to all the latest goods. Kelleher and Klein (2009) believe many stand no chance of being part of this heavily-industrialised society and will rely on improving local agriculture to provide them with the basic necessities of life. Access to capital to build local business is an issue because they cannot afford the loans. Access to education is also a problem. The rich in developing countries can get loans and education and so get richer. Although many people have values not to steal, poverty may make them go against personal values and may thus produce a culture of corruption.



The social justice of neo-liberals is trickle-down theory which is not primarily an economic theory but a political one (Sowell, 2012, p. 1). There have been some attempts at an economic theory such as Aghion and Bolton (1997) based on borrowing and lending but these highlight the limitations of the free market model and the need for state intervention to achieve trickle fast enough to impress the public. Voluntary CSR may be based on similar hope and to a limited extent complements the neo-liberal trickle-down theory.

#### 4.6.3 The overwhelming power of neo-liberals

The social elite who gain most from the free market economy will not want to see the rules changed. They will be conservative. Choma et al. (2012, p. 431) found that liberals were creative, open to change and valued everyone whereas conservatism was related to dogmatism. To the conservative, Corporate Social Responsibility is playing by the traditional rules of their culture. But conservatives are also pragmatic (Lister, 2010, p. 32) and will change when change is inevitable.

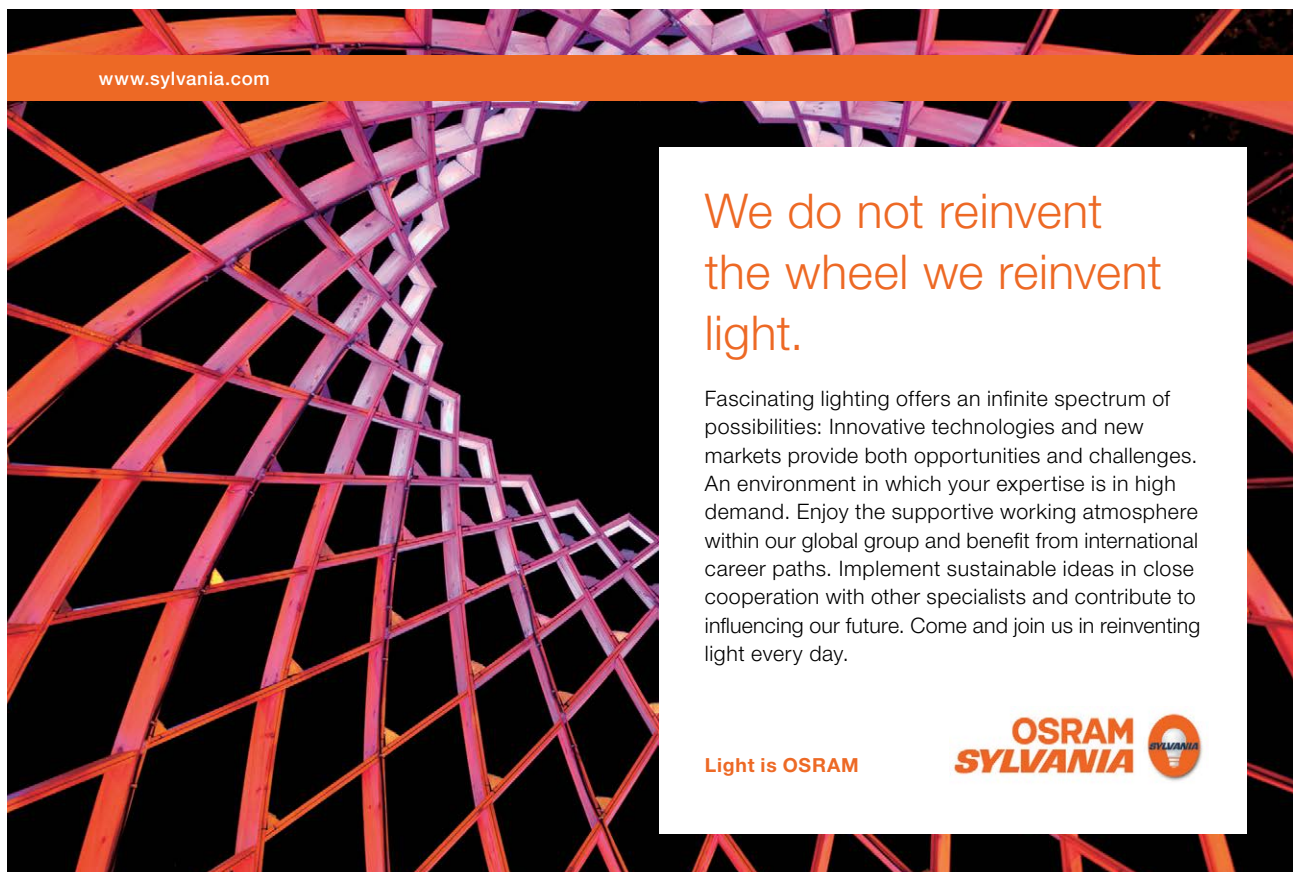
Corporate Social Responsibility will not produce social justice because the New Right currently has so much power in Western politics and business. Lister (2010, p. 33) shows the New Right as a combination of conservatism, libertarianism and neo-liberalism. These are not the liberals of Choma et al (2012) who are more like Lister's social liberals. Many conservatives in this New Right grouping will be pragmatic over issues such as climate change. Note that social liberals include "middle way" conservatives.

Socialism is the champion of social equality (Lister, 2010, p. 32) and is against capitalism with its "inequality, exploitation, social class divisions, competitive individualism and materialist values". An argument for neo-liberalism is that it is better than socialism where its central planning, particularly in the former USSR, was shown to not be as good as the market economies that replaced it. Negative political campaigning by neo-liberals can distract public attention from seeing the weaknesses in neo-liberal policies.

The economics of socialism with its centralised and bureaucratic planning were discredited by the failure of soviet communism. Socialist governments may borrow too much money to meet demand for welfare services and payments. Keynesian economics supports government borrowing to help a country out of recession. Neo-liberals do not like such cash borrowing because of risks that the cost of borrowing might increase and there may be problems about being able to pay it back. Because it is based on money, neo-liberalism does not fully recognise future non-cash costs such as environmental damage if they do not affect the economic welfare of the majority of people and the minority who vote to keep them in power. There is a social division between capital and labour that is mirrored in politics. CSR is an attempt to mitigate this division. It is based on the continuation of the dominance of capital but recognises the need to constrain its power.

#### 4.6.4 The difficulty for organisations to serve all its stakeholders fairly at the same time

A key issue for CSR is combining economic and social objectives. The company was created as a legal entity to help achieve economic objectives. In partnerships, many partners can be inefficient in decision-making but good in involving stakeholders. A company structure can be more efficient because its hierarchy provides leadership. The hierarchy concentrates power at the top. Separation of the board of directors with its chairperson and non-executive directors from the day to day management of the company can cause a conflict of interest between executive directors (who are also senior managers) and the rest of the board (probably with some directors who are shareholders). This conflict should be healthy in keeping management in check. Regulators do not like the chief executive and the chairperson of the board of directors to be the same person as this concentration of power may be efficient but it is open to abuse. Lynch-Wood et al (2009, p. 53) explain how CSR is limited to where the business has a need to obtain the approval of stakeholders for its actions. Corporate culture revolves around the objectives of its senior management. This disenfranchisement and manipulation of stakeholders is part of neo-liberalism.




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#### 4.6.5 Networking: The alternative to abusive power hierarchies

Social network theory is based on relationships or ties between people (described as actors in the network). Network theory is based on computer science and graphical theory. Business Process mapping uses network theory. It would seem logical therefore to use social network theory to expand management's understanding of how a business can be optimised by identifying its place in its social network. Network analysis shows how people are influenced by others and how information is communicated. The "actors" can be from small groups of people to all of humanity. Material things such as web-sites can be actors where they are part of the information process. Knoke and Yang (2008 p. 7) explain how relations between actors can be directed (where one actor initiates and the other receives) or non-directed (where mutuality occurs, i.e. a two way process). Where relations occur between individual and group actors, the relationships may be very complex. Where a social network combines with another social network and they are stronger together, social capital increases (Sacconi and Antoni 2009). Thus building social networks is fundamental to CSR.

The question of what is "social" emerges when ties begin to fall apart (Latour 2005 p. 247). These ties are the basis of Actor Network Theory (ANT). This maps people, material things and intangible concepts. It therefore goes further than conventional social network theory. The process of "translation" is where network-forming negotiation happens between actors. The map is perceived only as a snapshot in time of very dynamic social relations. Because of this movement, nothing is taken as a long-term social norm, even social justice. It recognises that social norms change. ANT would be useful to those who would like to manipulate social change as in principle it could show where the levers are. Its accusers describe its potential as Machiavellian. ANT is accused of being amoral. Luoma-aho and Paloviita, (2010) apply ANT to CSR and stakeholder theory. They showed how ANT can be used to relate stakeholders and non-human entities. It could be used to identify each stakeholder's "stake" and show how this contributes to the behaviour of stakeholders. Human stakeholders and non-human entities impact on organisations and ANT helps not only to show how but can develop understanding so it becomes a predictive as well as descriptive model. ANT may be a powerful tool that could be open to anti-social use in a managerialist culture.

#### 4.6.6 The need for an alternative to neo-liberalism

Social networking is fundamental to communitarianism which can be seen in both Third Way and Big Society political policies that linked people together. Information, transparency and participation of all citizens are key to communitarianism. To join a social network, a new member must be prepared to give and not just expect to receive. In theory, communitarianism may be a way of changing politics to be more favourable to CSR. Communitarianism accepts capitalism so could be acceptable to business. It is primarily about the advancement of communities and therefore could help to bridge the gap between business and communities.

The politics of communitarianism brings socialism and social liberalism together. The Third Way of New Labour combined communitarianism, middle way conservatism, the New Right and Neo-liberalism (Lister, 2010, p. 32). The academic author of the Third Way, Giddens, considered it to be based on social democracy and distanced himself from the way New Labour distorted his ideas to fit their ideology (Giddens, 2010). Social democracy accepts capitalism with its private ownership and markets (Lister, 2010, p. 39) but seeks regulation because capitalism puts profit before social justice and need; puts economic and political power in the hands of an elite; and lacks ethics by encouraging self-interest and greed. All the major UK political parties claim to be social democrats! In practice their social democracy is mixed with other political ideologies which may dominate.

Corporate Social Responsibility sounds as though it is about social justice. There are major lobbies for the environment and labour that influence voters and consumers so that laws restrict the activities of business. But voters and consumers know these are long-term objectives and in the short-term want jobs and low prices. Both political leaders and business leaders are rewarded on the basis of short-term results. Resources are prioritised to meet short-term objectives leaving their successors with the problem of having to find an impossible amount of resources to fix long-term problems. The conflict of strategic objectives between maximising profit (that does not include total cost to society) and maximising social justice to protect society and the environment (in both short-term and long-term) takes place mainly in a neo-liberal government and business environment. It can be argued that CSR can improve profits, possibly by improving company image, so there is no conflict. But appearing to be socially responsible is different from being responsible. The deterrent of the law is not in the fine, which may have already been budgeted for in taking the risk, but in loss of image. The difference between a legally enforced CSR and voluntary CSR may therefore be small in practice. Clear social standards and effective social sanctions underpin both approaches.

An outcome of the neo-liberal social experiment is the promotion of an individualism where social responsibility is based not on opportunity but the constraints of “duty” and “obligation”. With managerialism and “New Capitalism”, neo-liberalism produces a form of Corporate Social Responsibility without the “Social”. The weaknesses of CSR are those of the political, economic and managerial systems in which it tries to operate.

Advocates of CSR can be broken into various camps. The first wants more social justice for its own sake and may be socialists. The second sees CSR as a means of creating a profitable niche market where consumers’ benevolence can be exploited. The third considers CSR as reformed and sustainable capitalism in the long-term interest of business. The fourth make money out of CSR itself through consultancy. The fifth form businesses where maximising social objectives really is given priority. Only the first fully represent the “Social” in CSR as such people put society before business.

## 4.7 Conclusions

Corporate Social Responsibility is about the responsibility of organisations to society. Many of these organisations have a legal identity separate from the individuals within it. This identity portrays a corporate image. For a business this image represents much of the organisation's financial value. CSR may be seen either as a tool for the organisation to help manage this investment or as a means for society to ensure organisations keep the social contract and know what society regards as important.

Legally enforced CSR and voluntary CSR are both based on the threat of sanctions by society. Legal prosecution is one form of social sanction. The key to CSR is therefore social change driven from the bottom up, driven not only by voters and consumers but a new generation of managers prepared to challenge the ideology of managerialism.

The term "social enterprise" risks being devalued as neo-liberal politics seek to present it as the acceptable face of capitalism. If social objectives really were paramount then Spreckley's vision of s "where 'labour hires capital' would define social enterprise.



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#### 4.10 Self-test Questions

What is the difference between ethics and morals? Do you agree that the UN Declaration of Human Rights is a global ethic?

To what extent should politicians get away with misrepresenting the facts and academic theory?

Is the social dimension of CSR likely to be more extensively followed with neo-liberals dominating politics?

Is the social dimension of CSR likely to be more extensively followed without more active public involvement in setting business strategy?

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# 5 The social context of CSR

## 5.1 Introduction

The social context of Corporate Social Responsibility provides a background to what is often seen as a management issue. Managers need to understand the social threats and opportunities to their organisations not only in the short-term but in the long-term. Politicians and the media influence the social context. The behaviour of politicians and senior businessmen has undermined public trust in them and damaged the social contract. The social impact of neo-liberalism has reshaped the views of many people on social justice.

Your goals for this chapter are to learn about:

1. The importance of social stability to business and the economy
2. The role of business in society
3. What it means to be an ethical and socially responsible manager
4. The social relationship between business, politics and the media
5. The contribution Communitarianism could make to CSR

On completing this chapter you should understand

- The consequences of not promoting the “Social” in Corporate Social Responsibility
- The hold of neo-liberalism in politics means that social change needs to be driven from the grass roots, including by managers
- Businessmen who believe in social responsibility but are part of the elite social group of politicians, media and business are in an ideal position to promote the “Social” in CSR.

## 5.2 Business as part of society

### 5.2.1 The role of business in society

The idea of business as part of society goes back a long way. The code of Hammurabi around 1700 B.C. includes rules of business based on morality. In other words, people in business bring with them their personal moral codes. Thus the political debate on slavery appealed to personal moral codes and non-conformist religious beliefs in particular. It succeeded because its time had come. US independence British sugar plantations in the West Indies had declined and after the French revolution slaves began to revolt (The Abolition Project, 2009). Business ethics was hardly an issue as global ethics still supported slavery.

From a political perspective, governments have regulated business for centuries as money meant economic power and with economic power came political power. Many companies had to receive the royal charter in order to operate. The same was also true for many markets. Regulation by the state is no stranger to business. The new rich from investors (and managers) of the East India Company encouraged investment without due consideration of the risks. The South Sea Company was granted a monopoly by the UK government to trade with South America. Money followed monopoly with its expectation of profits. With so much cash and so little to spend it on, the company bought government debt which was due to a war with the Spanish that made trade with South America all but impossible. The Bubble of inflated stock prices began and the South Sea Company itself sponsored the Bubble Act 1720. The government liked it as companies were forming without government charter and it wanted to retain some control over them. Three centuries later, UK citizens are still paying off the government debt created in 1843 that consolidated the debt created by the bubble (BBC, 2014). Speculation and poor regulation continues to bring bubble and crash and citizen bailout of the wealthy gamblers. The UK government has responded by more regulation of banking and financial services but is limited to what it can do with this golden goose on which government economic objectives so greatly depends. Government debt and austerity is a consequence of failure in the free market.

At issue is the tension between humanitarianism and the laissez-faire of neo-liberalism and its predecessors. The former requires intervention by the state; the latter would let nature and competition take their course but would allow philanthropy as a personal choice. Not surprisingly, richer people dispute with poorer people how much the poor should be helped. A simple social model might see business as responsible for the economic growth and the state responsible for social services. But businesses share a common infrastructure including transport and social stability. Businesses also share a healthy, educated pool of labour. As business profit is not calculated on total cost to society but only what the business has paid out itself, a key aim of management is to minimise the business contribution to the state provision of this infrastructure. The rich and powerful will also seek to minimise their cash contribution to the state. The result of this skewed power balance is that the poor see their share of the wealth created by their labour as unfair and their treatment at work and outside work by the people with power as unfair.

### 5.2.2 Society, economics and business

Change can undermine social stability. Durkheim (1893) describes modern society as involving organic solidarity based on division of labour in advanced economy. He was observing the growth of capitalism and the formation of social groups based on economic roles. The inequality produced by the free market required both economic and moral regulation. Whereas Durkheim saw conflict, chaos, and disorder as a natural consequence of modern society, Marx saw a struggle between social classes for supremacy. Leonard (2009, p. 40) suggests that US businessmen used Social Darwinism (survival of the fittest) to justify laissez faire economic policy. All these viewpoints recognise a social hierarchy and competition for power over others. The free market requires a certain order in society and business leaders believe it is the responsibility of the state and politicians to maintain it. Even neo-liberal politicians would agree with Durkheim on the need for economic and moral regulation of the free market but would see this as the self-regulation to the rules of Friedman's game. Change may bring disorder.

Braha (2012) studied how major civil unrest happens. Triggers were less important than the positive feedback of the cause spreading from person to person. Whilst care might be taken by those in power not to push the mass of people beyond their limit, the trigger may be only a tiny spark. The image of a wildfire can be applied to social control. The internet can provide the means of feedback to huge numbers of people in a very short space of time. For this reason, China employs two million people to monitor the internet (BBC, 2013a). In the West, neo-liberal propaganda minimises unrest. However, whilst most of the world is socially stable, much of this stability relies on state disinformation. The length of time since the 2007 financial crisis that the super-elite have prospered while the majority have seen little sign of a rise in their standard of living is much longer than of any economic crisis in living memory.

Business is part of the structure of society. Lister (2010, p. 13) describes how society can be seen in terms of economic status as well as gender class and ethnicity. Thus investor, management and worker are all structural classifications describing groups of people and their relative place in a hierarchical social structure. The power of one group over another is an important structural issue. Another way of seeing society explained by Lister is agency which is the ability of an individual to shape their life independent of their place in the social structure. Extreme examples of agency are the self-made millionaire and the benefit scrounger. An individual manager is part of the social structure. Being a manager provides an individual with social status below that of senior manager but above that of the cash till operator. Their income enables them to live a certain lifestyle. In an example of structure, being the son of one of the senior managers had help in their career through a superior education, personal example and social circle. This manager had to make some effort but generally all they had to do was to take advantage of their place in the structure of society. Contrast this with another manager who used to work as a cash till operator. This other manager suffered from dyslexia and had a significant speech defect. Both her parents were long-term unemployed with no qualifications. This person also left school with no qualifications but while learning at college to be a car mechanic, discovered she had a gift for engineering. They built a reputation and eventually became engineering manager despite also having three children. This is an example of agency.

Every model of society is a simplification of reality. The first manager had to put some effort into their advancement by doing what he was told by his father. He had to exercise some agency. The second manager relied on a student loan from the state, taking advantage of structure. In structural terms, business is trading but it is the hierarchical social structures of business that impacts on the “Social” of CSR. The members of the groups that have power only do so because of the social contract. In agency terms, business is based on individualism and selfish motivation.



### 5.2.3 Structure and agency

Social structures can be seen as constraints on personal freedom. In socialism, the products on offer to the consumer may be centrally chosen in a bureaucracy. In capitalism, the products on offer may be selected through individual consumers expressing their preferences through the market. At issue is freedom from what? The bureaucracy of socialism produces its own hierarchy of power and its leaders can be authoritarian with those at the bottom of the hierarchy given little choice. The right wing politics that support capitalism may be similarly authoritarian with electable political parties so similar that voters have little real choice. The political divide of socialism favouring state ownership of the means of production and capitalism favouring private ownership is not helpful to socially responsible business. This divide enables anti-social business to exploit the state and taxpayer to fund infrastructure. Imagine the market chaos if every road and school was privately owned and funded by fees and charges and not taxation. The social consensus of the majority is the mixed economy that promotes the common good. This was not utilitarian but compassionate. With Thatcher, society changed and compassion was lost and an underclass allowed to grow.



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Callincos (1989 p. 154) distinguishes collective agents working together from individual agents working independently. Both may be a social group but the former is organised. Collective agents may accept certain assumptions as facts that may create ideology and cause. In explaining structures, Callincos (1989 p. 235) shows that structures can enable not just constrain. In capitalism, the same system that constrains the state enables the market. In socialism, the same system that constrains the market enables social justice. Structures and agency provide the social space for social action. Neo-liberal politicians work collectively with managerialist managers for mutual benefit against the rest of society.

The tension between socialism and capitalism is explored in Giddens and Sutton (2014 pp. 71–74). They contrast the critical positions relating to capitalism of Marx and Weber. For Marx, competition set people against each other and so society did not pursue the common good. Competition produced victors who then joined together in an elite group to the detriment of those with less power. Even so, Marx recognised the ability of capitalism to enable people to be more productive and to make them less vulnerable to natural disaster. For Weber, the bureaucracy of socialism stultified new ideas and personal initiative that satisfied personal need. Capitalism could be exploitative but alternatives provided less opportunity for democracy and the exercise of personal freedom. Both therefore agreed that the downside of capitalism was exploitation. This similarity between academic views of socialism and capitalism is underplayed by those capitalists who are anti-social.

Even Friedman had his “rules of the game” with laws against fraud and deception (Friedman and Friedman 1962, p. 133). All the players in a game need to know the rules. The game of society has a set of rules called the social contract. Society expects business to play to the rules. The key rules of society are called morals. The study and knowledge of morals is called ethics. Business ethics is the application of morality to business.

#### 5.2.4 Business ethics and the ethical manager

The definition of business ethics is partly determined by what is understood as business. Buckley (2013) suggests that business ethics might be partly based on political philosophy. This would recognise that businesses that put social objectives before maximising profit would have very different views of business ethics. The difficulty with this analysis is that it assumes organisations actually behave as they say they do. A Community Interest Company (CIC) is a business that dedicates its assets for public benefit. A CIC puts social objectives first and its profits are primarily applied to social purposes rather than being distributed to shareholders and owners. Like bankers’ bonuses, this rule can be avoided by owner shareholder managers by paying themselves a higher salary. So every organisation that trades is a business.

Before looking at business ethics from the point of view of the business organisation and further consideration from business as a whole, it is useful to assume that strategic decisions are made by managers. For CSR to work, managers need to be ethical. Based on Nash (1981), there are twelve questions for the ethical manager:

1. Have you defined all of the problem or only part of it?
2. If you were the biggest loser, would you define the problem differently?
3. Why is there a problem?
4. To whom and to what do you give your loyalty as a person and as a manager?
5. What outcomes would you like from this decision?
6. How does this compare with the probable outcomes?
7. Who could suffer negative outcomes?
8. Can you discuss these negative outcomes with those you would put at risk before you make your decision?
9. Are you thinking long-term as well as short-term?
10. If you made this decision, could you defend it morally not just inside the company but to all those who would suffer negative outcomes?
11. To what extent are you prepared to stand up for your personal moral principles?
12. To what extent are you happy to personally benefit from the suffering of others?

Some of these questions are about management whereas others are very personal. The last question may be the most challenging of all. If the manager had been found guilty and was being sentenced, how much the manager personally benefited may show how much the manager was under pressure from other managers. Under the influence of managerialism, instructions to break the rules may rarely be put in writing and senior managers may escape blame. The ethical manager will find it difficult in an unethical culture. In sociological terms, misuse of power by managers is a key issue for CSR. Profit maximisation before the common good and social justice turns CSR into greenwash.

### 5.2.5 Hidden and relative ethics

Boje (2008, p. 8) claims that the ethics of the academic fields of business ethics and public administration ethics hide unethical practice. As Boje claims to use critical theory, such a statement is surprising. There are many examples of textbooks and papers that expose unethical practice in the business and government. Some of them have been referenced earlier in this book with more to follow. What is relevant is where Boje points to the 1970s as when business ethics became an issue. This is the same time as the rise in neo-liberalism and managerialism. According to Marcoux (2006, p. 1), business ethics as a “discrete, self-conscious academic discipline” is less than four decades old.

Boje (2008, p. 30) also points to the influence of postmodernism on business ethics. Since there is no reality, lies cannot be unethical. Everyone has their own point of view so that of the business marketing and public relations executives had as valid a viewpoint as any. Business has no social responsibility. Frame the message so people hear what they want to hear. Politicians use the same methods with similar justification. Lister (2010, p. 104) describes how postmodernism constructs its own reality based on its own system of rules and conventions. This presents a discourse such as “benefit cheats” which ignores the reality of the limited extent of benefit fraud. Another discourse is around “economic growth”, the trickle down of wealth from the super-rich and the need to put the economy before social welfare.

Hamilton (2002) points to the professions of law and medicine in the US allowing their ethics to be influenced by capitalism. He complains how the academic profession is going the same way. Similar observations have been made about the academic profession in the UK with educational establishments being increasingly run as competitive businesses with managerialist targets more important than academic ethics. The MBA has been shown to be a prime example of avoiding ethical issues.

It is possible in writing an academic work to present conclusions as if they are truth. All academic work is based on logic. In a problem of logic, the starting point is to state the assumptions. Aghion and Bolton (1997) in demonstrating the “trickle down” theory, explain how their economic model is limited to borrowing and lending and even then only in certain circumstances. Despite these assumptions, they showed that governments needed to get heavily involved to make the amount of “trickle down” significant.



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The rise of neo-liberalism brought business ethics, politics and public administration into an anti-social alliance.

#### 5.2.6 Business ethics, politics and public administration

It may be true that the rise of the knowledge economy made academic research and study more popular. Business ethics may have become an apparent issue as part of the growth of the management training industry. But business ethics does not seem to be taught much in the management syllabus. There is a niche market for consultants in business ethics as part of change management. Change theory is based on a three stage process: unfreeze, make the change and refreeze (Kaminski 2011). Why use consultants to help manage change when many businesses have their own skilled project managers? A managerialist organisation wants obedience from its staff (not unlike a communist bureaucracy). Perhaps managerialism does not want its managers to have a knowledge of business ethics because this may give rise to ideas for change that would run counter to managerialist ideology. A change consultant could be found by senior managers who would understand how the “game” was played (the consultant may have been such a senior manager). So in society at large there may be much interest in business ethics, perhaps more than in business itself.

The social norms of senior managers are similar to that of many senior politicians and senior civil servants. Their social groups intermix. Senior politicians and senior civil servants may become senior managers in business and vice versa. Social norms include common views on morals and values. Ethics is the study and knowledge of morals so it is not surprising that the ethics of politics and business share moral standards. Political ethics and business ethics are related and reinforce each other.

Boje (2008, p. 8) exposes the ethics of business and public administration since the 1970s. Boje holds that such organisations presume they have a right to lie and to exploit in order to discharge their responsibilities. Citizens and consumers are expected to be individualistic not social beings. Employees must not lie, cheat or steal within their organisations nor should citizens and consumers behave like that. But business and public administration can behave like this as the ends justifies the means. Marcoux (2006, p. 64) explains how business ethics encourages a business view rather than a society view.

Political ethics encourages a political view rather than a society view. Bale (2013) describes how both Cameron and Thatcher governments were not open on their true policies in their election campaigns. This is also the same as the above time periods. Both governments then implemented social change in a way the public had not agreed. Using their power in government, both governments changed public opinion through exercising government power rather than Opposition election canvassing. He suggests Labour should adopt the same tactics in the next election since this is now a political norm. Few voters are interested in trying to understand the detail behind policies. Tabloid headlines, say psychologists, have more influence over voters than an honest presentation of detail. Illustrating government changes to social control without public reaction, the purchase of water cannons to be used against UK citizens has been approved with little resistance (BBC, 2014a).

### 5.2.7 Ethics and trust

Trust is central to developing citizenship (Coleman, 2012). The British Social Attitudes survey asks if citizens trust governments “to place the needs of the nation above the interests of their own political party”. The level of trust fell from 38% in 1986 to 16% in 2000 when it rose somewhat before falling to 18% after the 2009 expenses scandal and then recovered slightly (British Social Attitudes, 2013). Trust in banks collapsed from 90% in 1983 to 19% in 2009 after the financial crisis. Yet M.P.s continue to overrule the independent commissioner for expenses. Banks get fined for breaking regulations and still pay themselves more than their performance justifies. A political ideology such as neo-liberalism where manipulation of the public is acceptable cannot engender trust. In 1999, New Labour was elected and political communication became “spin” rather than factual. A logical inference can be made that such method of communication caused the radical fall in trust of the UK government.

Only around 10% of those polled for the last ten years think hardly any of the people running the US government are crooked whereas over a half believe quite a few are. Confidence in US politicians fell from 66% to 49% after the 2008 financial crisis (Gallup, 2014). US politicians obtain a lot of money from individual business people to fund their elections.

UK business was credited more for the economic recovery (52%) than UK government (25%) according to the Wintour (2014a) account of the 2014 Edelman survey. Trust in business was 56% and government 42%. But only 39% trusted chief executives and 33% the prime minister. Thus the leaders were trusted less than the organisations they represented. If the government economic policy did little to achieve economic recovery we can wonder if its policy of austerity had more of a social purpose than an economic one. 64% wanted more regulation in financial services. In the privatised energy market, 73% wanted more regulation. Those who trusted business “a great deal” dropped from 17% to 10%. Eighty-four percent believe that business can pursue its self-interest while doing good work for society but the operative word is “can” (Edelman Trust 2014 p. 1). These results suggest

1. There is a lack of public trust in neo-liberalism and managerialism
2. Trust in working level staff in business is high
3. There is a strong belief that businesses could be managed to pursue self-interest while doing good work for society
4. The public want more regulation for industries who make super-profits out of exploitation

Corporate Social Responsibility is based on the assumption that organisations want to be socially responsible but just need encouragement and help. Corporate Social Irresponsibility is the name given to where organisations have no desire to be socially responsible and will try to get away with whatever they can.

### 5.3 Corporate Social Irresponsibility

The unacceptable face of capitalism for the UK was UK companies still trading with what was then Rhodesia despite government sanctions (BBC, 1998). The comment by Prime Minister Edward Heath was followed by a public inquiry that cleared the company but implicated government ministers and other companies. Similar examples of the behaviour of US companies working against national interests have already been quoted. Such behaviour by business with political approval goes back much earlier.

#### 5.3.1 A legacy of corporate social irresponsibility

The UK was responsible for the opium wars where the nation made money by promoting drug addiction in China. Massin (2012) examines corporate social responsibility of business today that sells addictive products. A measure of corporate sincerity is the action taken by such companies to reduce the social impact of addiction. The conclusion is that many harm reduction strategies actually increase, not decrease, overall social cost. The measures often encourage addiction to continue even if some of its anti-social effects have been mitigated. Electronic cigarettes and sugar in food are current contentious issues. Boseley (2014) explains that there is much rhetoric between the tobacco business and its critics over e-cigarettes but little evidence. The information supporting both arguments is still weak. CSR places a positive view on the willingness of business to be socially responsible and is about improving management processes. Corporate Social Irresponsibility assumes business cannot be trusted and needs to be regulated. Windsor (2013) concludes that both approaches are relevant as between them they will cover all business.



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All businesses potentially can make negative social impacts and can try to minimise them. Zyglidopoulos et al. (2012) conclude that CSR consists of two parts: CSR strengths and CSR weaknesses. These broadly are the good things the business does for society and community and the bad things. Even with strong stakeholder pressure (such as from the media), the bad social impact of the business' activities might go to the core of the business, tobacco for example. The ability (practical and financial) of a business to reduce its CSR weaknesses may be limited and it may therefore place more urgency and importance on its CSR strengths. The more visible aspects of business CSR activity might therefore be grants to charities and staff volunteering for charity.

Sweetin et al. (2013) propose a comparatively new idea of corporate social irresponsibility. There are businesses that recognise that they are part of society and want to be more socially responsible. There are other businesses that are socially irresponsible. This latter group deserves different treatment from society than the former who are at least trying to be socially responsible. Lin-Hi and Müller (2013) point to the need for business to avoid doing bad as well as trying to do good. Corporate Social Responsibility as a business concept promotes a positive image of business. Corporate social irresponsibility is an image created by business critics and puts business in a negative image. The point is that business wants to create a positive image whereas the media feeds on negative criticism. Both positive and negative aspects of business merit the facts being available for in depth public discussion.

Pearce and Manz (2014) associated corporate social irresponsibility with hierarchical and authoritarian management. Their prescriptions seem to suggest that trying to make a socially irresponsible manager more socially responsible may be more difficult than looking to the training of those who will be the senior business managers of tomorrow. Skills in shared leadership are needed. Training needs to start with students at college and university.

### 5.3.2 The cost of corporate social irresponsibility

Campaigns by social movement organisations (SMOs) against businesses were studied by De Bakker et al. (2013). They concluded that established campaign organisations with paid staff had become less radical and smaller, more radical organisations had sprung up. The larger organisations may have a wider focus, a whole industry or even all business. Greenpeace stopped Shell from sinking the Brent Spar oil rig in the North Sea and also stopped anyone else from similarly disposing of oil rigs. Comparison with the Greenpeace action against a Russian oil rig (BBC, 2013b) shows even less democratic countries need to manage SMOs. By creating a formal and mutual relationship, such stakeholder groups can be relatively easily managed. Compared with these large organisations, the SMO can be less predictable and more like terrorists than an organised army. For their size, SMOs can cause disproportionate damage to a business.



According to De Bakker et al. (2013, p. 759), every organisation has its own ideology formed from its norms, values, and decision-making protocols. These determine beliefs, expectations, control and action to protect the ideology. Ideological radicalism is where the organisation's beliefs and values are opposed to that of the wider society in which the organisation operates. Thus the ideology of business organisations can clash with that of the SMOs who consider themselves stakeholders. Unlike the SMOs with more resource to take on business organisations in court (playing to the rules of stable society), SMOs who are resource poor may take direct action. The SMO may not even be a recognisable group. Pring (2014) explains that Atos were unable to provide evidence of death threats to benefits staff and that the SMO, the Black Triangle Campaign, was not even accused of co-ordinating it. As a disability and moral campaigner, Pring may not see the difference between having insufficient evidence for prosecution and having no evidence to make a moral case. Atos seems to have had evidence to support their moral case. This action against a business that claims to act in the public interest indicates the extent of social unrest caused by neo-liberal social policy.

A business might join an association such as Business in the Community which is “working to shape a new contract between business and society, in order to secure a fairer society and a more sustainable future” (BitC, 2014). In driving change BitC aims (amongst other things) to stimulate the local economy and improve its labour relations. BitC publish a Corporate Responsibility index for participating members. This is evidenced based but the businesses complete the assessment themselves. There is no independent verification such as the PQASSO Quality Mark for charities (CES, 2014). It should be noted it is a “Corporate Responsibility” index not a “Corporate Social Responsibility” index. Perhaps the word “social” does not match the ideology of some businesses.

Organisations such as BitC help to promote CSR. But the “social” in CSR includes all of society, not just business. A new form of society and politics is necessary if CSR is to be the generally accepted behaviour. Communitarianism might be an option.

## 5.4 Communitarianism and CSR

### 5.4.1 Communitarianism; Both Left and Right

It was argued above that politics of neo-liberalism undermine CSR. This section identifies the communitarian policies that are shared by all the major UK political parties, albeit to different extents. Parallels between CSR and communitarianism include: provision of information that is sufficient, accessible and transparent; a balance between collectivism and individualism; the importance of the community and the need for social justice. Communitarianism tends towards the political left in economics because of central government funding as an essential resource for community services, particularly in poor communities where need is greater. Communitarianism tends towards the political right in social policy in terms of the responsibility of individuals to help themselves rather than rely on the state and of the role of family and community to support those in need. Communitarianism is therefore both left and right. It supports the market economy and is opposed to the socialist ideal of public ownership of the major means of production. It supports capitalism.

A distinction must be drawn between the left wing view that the state should fund those in economic need automatically according to government thresholds and a more right wing view that would reduce an individual's entitlement, to an extent that many people would see as an inhuman, because their behaviour is found to be at fault by the person administering the benefit. Left wing economics may take second place to right wing social policy in such circumstances. Communitarianism may not be acceptable to the political left. Perhaps if those with right wing politics spent a few days with those people they label as "benefit scroungers" then they might change their opinion based on more complete information. Prejudice has no place in communitarianism as it is based on social justice and facts. It is a fact that few people die because they do not have a holiday away from home, a television and a mobile phone. Thresholds for free public help might still continue to reduce under communitarianism through informed debate and widespread participation in feedback to political leaders. Communitarians are democrats without the political deception and lack of accountability through transparency.

The collectivism of social democracy goes across national boundaries. Diamond (2014) explains how voters chose right of centre parties in the UK and Europe to resolve the financial crisis. Voters seem to put national identity before helping other nations. In the UK, Localism is popular. Collectivism in terms of everyone caring for everyone else is limited in practice. Although voters and consumers may say they want more social responsibility, when it comes to what they are prepared to sacrifice individually the practice may be different. For Diamond, social democrats need more definitive policies on how a fairer society can be achieved whilst achieving economic growth. Such policy would have a degree of nationalism and nationalist pride that would limit collectivism. It would promote community and increase collectivism locally even if this affected collectivism globally.

Sage (2012) reviews Big Society and the more recent policy called Blue Labour. Both policies have a basis in communitarianism. Both policies also have issues with social justice. Labour fear social justice may seem like a policy of Old Labour and the far left where such policies had made the party seem extreme and unelectable. The Conservatives problem with social justice was that it did not fit with their policy of reducing the welfare state. It was anathema to the neo-liberals who thought it also was a policy of the far left that was incompatible with their far right position. Whereas the Conservatives had little chance of reconciling their policies with social justice, Labour could accommodate it if worth the political risk.

Van Houdt and Schinkel (2013) explain how neoliberalism and communitarianism have been combined in government policy for crime and punishment in the Netherlands. The difference is that in the Netherlands the government provided the necessary funding for the local services to be effective. In the UK, austerity means the Big Society project relies in leveraging significant funding from non-government sources. This austerity is seen as permanent. The Netherlands example does show what might be possible if neo-liberalism in the UK adopted similar principles as their Netherlands counterparts.

Driver and Martell (1997, p. 43) review New Labour's communitarianism and conclude that the communitarianism of individual responsibility was a greater focus for New Labour than the communitarianism of corporate responsibility. There are many ways in which the fundamental principles of communitarianism can be applied. The basis of communitarianism is seeing the individual in the context of their community. They note that New Labour was different from neo-liberalism because it acknowledged that community values such as co-operation and collaboration ran counter to the individualism of the free market; that welfare cannot be left to private enterprise and that free market policies undermined social cohesion. New Labour was also different from social democracy with too much emphasis on the rights of individuals and not enough on their responsibilities. New Labour believed that economic growth would bring jobs and greater social cohesion to a more dutiful and responsible citizenry which in turn would help sustain the long-term market economy. The emphasis on personal moral duty (individual communitarianism) was more important to New Labour than corporate responsibility to the community (economic communitarianism). Examples of individual communitarianism mixed with economic communitarianism in recent government policy include parental rights (Gov.uk, 2014) and health and social care (Healthwatch, 2014). These policies are based on individual rights with equal emphasis on individual responsibilities but also prescribe a listening role to the relevant public bodies.

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#### 5.4.2 Economic communitarianism in the business sector

Tam (1998, pp. 170–195) applies economic communitarianism to the business sector. He introduces the idea of corporate citizenship. Citizens are also voters and consumers. Individually they have no power over business but collectively they can bring about change. Businesses say that consumers have choice but it is hard for citizens to avoid the negative effects of business (global warming may be an example). What is needed is information from businesses about the significant negative impacts of their plans and activities. For Tam, a key tension for UK business and government is the choice between the American tradition and the continent European tradition, between neo-liberalism and communitarianism.

Tam describes how management can be based on communitarian principles. He relates authoritarian management as mainly being for the benefit of the elite. In communitarian management, all those affected or who may be affected by the business are included in its planning and monitoring process. Investors need to be integrated into the management of the company. Tam thinks that shares should not be traded for short-term profit since society needs a long-term approach to investment.

Access to information and transparency is key to communitarianism. Critical feedback from insiders should be encouraged by senior managers rather than victimising such people. There should be co-operation stimulated by mutual interest. Tam suggests the main alternative to communitarianism is authoritarianism for which he gives the example of Nazi Germany. Presumably today, Russia and China might be an example of a threat to democracy through trade and military muscle. For Tam, business plays a major role in determining the future of democracy.

Tam describes the power and responsibilities of businesses as informing and educating; protecting and improving quality of life; generating productive work and facilitating sustainable community development. Businesses have power to do social good and should use it responsibly. Citizens in collective action can make business reform (Tam, 1998, p. 192). Authoritarian hierarchies suffer from the individualism they encourage. Business leaders (and politicians) should lead by example. To develop the right culture, leaders should provide information and encourage criticism. This would be put into action by using communitarian values to set business objectives.

The views of Tam on a communitarian approach to business form a useful basis to consider what responsibility business should have to society.

## 5.5 What should the responsibility of business be to society?

Corporate Social Responsibility is complex, goes across many subject areas and its context is ever changing (Cannon, 2012, p. 227). CSR is therefore a subject where dogmatism can divide the society that the meaning of the words seems to be trying to unite. The existence of a social contract is an assumption that is probably generally accepted outside business if not within it. A contract creates legal obligations. Law is a system of rules enforced through social institutions. There are laws that do not need law courts to enforce them. The rule of law restricts abuse of power. There are socially legitimate means society can use to enforce the social contract without resort to law courts. If social conflict is to be avoided, political and business leaders need to be aware of their own dogma and be prepared to change. CSR campaigners and those learning about CSR need to be aware of their own dogmatic views so as to avoid abusing their own power entrusted to them by society.

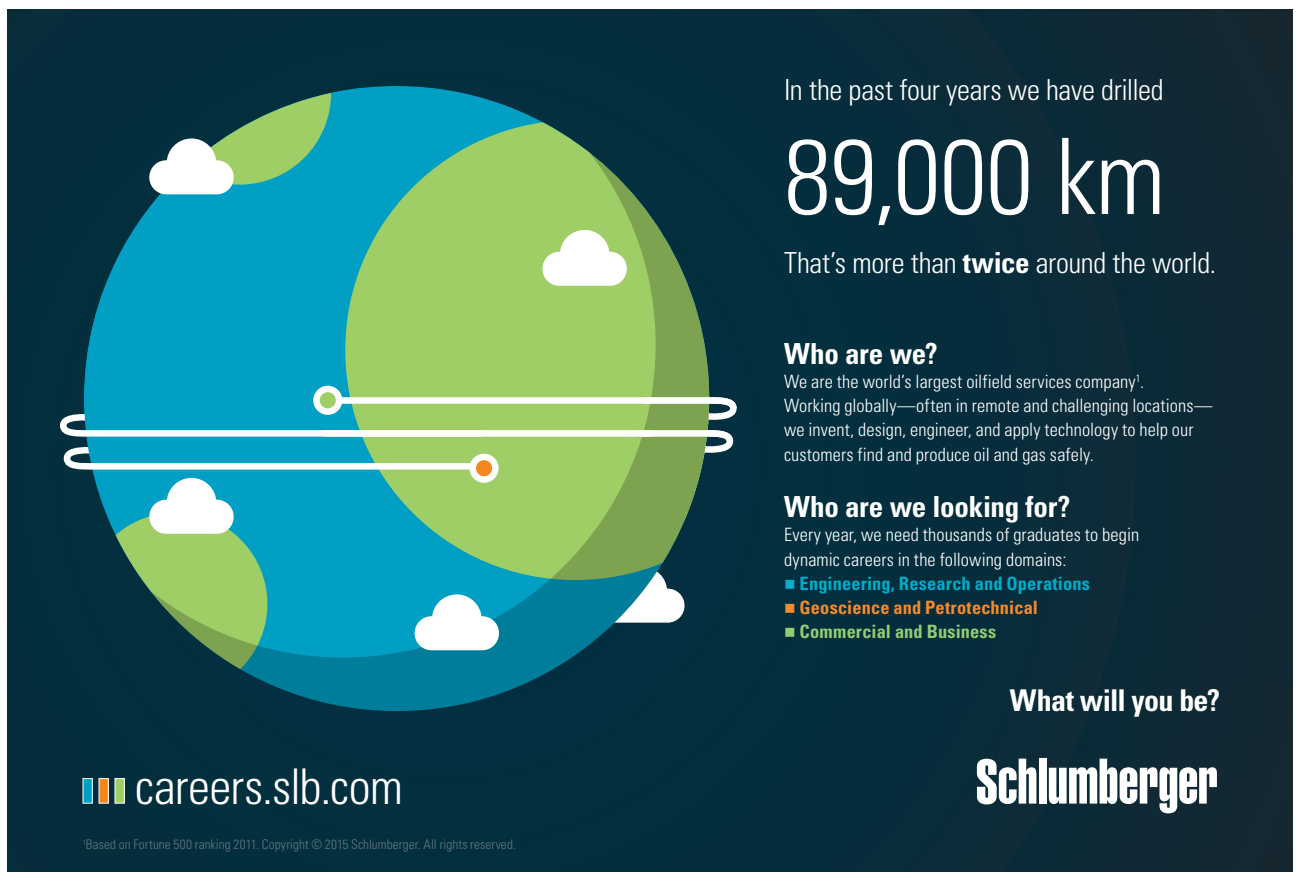
### 5.5.1 Managing social risks to business

Consumer boycotts of business and politicians being voted out of power are the least of the concerns of Corporate Social Responsibility. The consequences of such action by voters and consumers are often manageable and temporary. Systemic risk is the probability that a failure in one part of the system will cause a catastrophic failure in the entire system. Systemic risk in the banking and financial systems was a catastrophe in waiting. That risk did not stay in the system but spilled over and flooded the social system with a tidal wave of youth unemployment and austerity. It wrecked the lives of a young generation and, for many, not just in the short-term. Many of the rich not only recovered their wealth but became richer; the poor became poorer (OXFAM, 2014). Most people became poorer. Unlike previous recessions that were mere trade cycles, this recession is the worst since the one that preceded the Second World War. Although regulation has been tightened, these systemic risks in banking and finance still exist, in house prices and mortgages where an interest rate increase could trigger many repossessions and another recession (Guardian, 2014). The current economic and social system is unstable.

Theory is very different to dogma. A theorist admits to not knowing everything. Their theory will almost definitely be incomplete as it will not have been tested in every context since it is impossible to know every context. The theorist is very humble. In the small print of every professional consultancy report is a caveat that points out to the client that the consultant has not tested this theory in every situation but only in that agreed in the terms of reference. Academics do not end their papers by pointing to the need for more research because they seek more funding but because they want readers to know that understanding of the subject remains limited. Like the academic, the businessman needs to be open-minded and humble in their acquisition and application of knowledge. In this respect, a businessman may be very different from a politician whose beliefs will contain much dogma.

Steurer et al. (2005 p. 275) describes relationships between the business-society concepts of Stakeholder Relations Management, Corporate Social Responsibility, Corporate Sustainability and Sustainable Development. The horizons of businessmen are initially confined to the management system through which they seek to control their stakeholders. They then begin to see their stakeholders as partners in their enterprise rather than a resource to be exploited to make short-term money. Beyond that, businessmen realise that for their business to exist in the long-term then the resources and markets on which they rely need to be sustainable. The most enlightened businessmen then see that the development of society itself needs to be sustainable.

The stronger the demand by society for Corporate Social Responsibility, the more business will respond (Steurer et al. 2005 p. 276). The driver for CSR is not business but society. The next section considers the power of voters and consumers. The business lobby is a significant influence on politicians who represent voters and society. Businessmen finance the election campaigns of political parties, particularly the Conservative party. Booth (2014) describes how the Conservative Prime Minister refused to publish the guest list of the party summer dinner and pointed to Labour's trade union supported M.P.s. This follows him giving way to demands to publish other dinner guest lists at 10 Downing Street and Chequers (Watt, 2012). The situation in other countries such as the US is similar. The influence of businessmen on politicians, especially on Conservatives, is thus clearly demonstrated. Businessmen could change politics to support changes to the law that would promote Corporate Social Responsibility.



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### 5.5.2 Business leaders as agents for social justice

The business person as a citizen has considerable influence. The threat to society of anti-social business seems to be highlighted more by business people than politicians. Having seen the bubble in the valuation of the UK pound in 1992, Soros bet against it and made billions from the UK taxpayer. He then wrote “The Capitalist Threat” (Soros, 1997) where he explains how the assumptions made in modern economic theory do not apply in the real world. The chief of these assumptions is perfect knowledge in the marketplace for all buyers and sellers. By applying assumptions often valid in science to economics (such as precision and equilibrium), risks are taken that destabilises society. It is not capitalism that is at fault but neo-liberal blind belief in the perfect market.

The lead for Corporate Social Responsibility should come from businessmen. The alternative is to risk social unrest on such a scale that their shares and cash holdings become worthless. It may not even be social unrest in the UK that is the trigger. Greece is an example of economic failure producing social unrest that caused further economic decline. Other European Union countries had less serious problems. Across the world, other riots due to austerity following the 2008 economic crisis drew little attention in UK media. The transnational Occupy movement is making its presence felt.

The nation state is becoming increasingly destabilised through globalisation. Robinson (2012 pp. 192–195) considers who is paying for the 2008 financial crisis. The rich minority have made money out of the crisis through a huge transfer of money to them from the poor majority. For the poor, there is no sign of the crisis coming to an end. Austerity measures and low pay seem to have become permanent. The solution, Robinson concludes is a greater transfer of wealth and income from rich to poor on a global basis. Nation states now have only limited ability to manage their own economies. Right-wing politicians aim to protect their economies by adopting the opposite policy of cutting higher rates of tax and capping welfare (Conservatives, 2014).

### 5.5.3 The risk of Neo-liberalism and New Capitalism to long-term business

Neo-liberalism and New Capitalism are gigantic, high risk social experiments. The main policy to help the poor is the hope that wealth will “trickle down” to them from the rich. With nation states weakened, terrorism is now a permanent feature of life. The Islamic State illustrates the level to which individual morals can fall in belief of a cause much of which is directed against Western capitalist values. Using the Tottenham riots as an example, Slater (2011 pp. 106–115) explains how neo-liberal policy makers rarely consult sociologists where neo-liberal beliefs and values might be challenged. For neo-liberals, social policy is about everyone behaving themselves. It is not about poverty or inequality. Their social policy is about social control and having sanctions against offenders that are sufficient deterrent.

Business profitability is increasingly sensitive to social breakdown. Consumer confidence has much to do with people feeling secure. A culture of fear in the workplace is not a good long-term motivator. Businessmen should be concerned that politicians often fail to take proper academic and professional advice on social policy. Instead, politicians focus on think tanks that support their ideological stance. Wintour (2014b) illustrates how the Conservative part of the coalition rejected a Home Office commissioned report on the effectiveness of current drugs legislation since it did not agree with its ideology about punishment. Long-term economic policy depends on long-term social policy. Companies with popularity ratings as low as political parties would soon go out of business. The political system is geared to the short-term in support of short-term business objectives. Businessmen need to learn sociology as well as support sociological research into sustainable business.

Businessmen should learn cost benefit analysis where total cost and total benefits include those not in their accounts such as cost and benefits to society. These should be calculated to inform business plans and decision-making. This should go beyond commoditising outputs of social value in order to win more public sector business. They should support research into the best way of gathering relevant data, processing it and reporting both internally and publicly. Through seeking international agreement, they should amend pricing structures to reflect total cost. The international Integrated Reporting project should be extended to include this.

At the heart of the social contract is agreement on public subsidies to business so that goods and services can be offered at a price that does not reflect the total cost to society. The way this agreement is achieved is at the heart of CSR. Taxpayer investment in public infrastructure for the benefit of business would be better informed if business took their consumption and benefit into account in its reporting. The business cases for taxpayer investment and for customers of regulated industries such as energy would be more transparent and actual results could be reported against plans thus reducing the probability of socially expensive policy failures and economic waste of limited public resources.

The long-term future of business is too valuable to be left in the hands of politicians whose tactics of withholding information and disinformation will inevitably lead to a time of social reckoning. The company director has a responsibility to act in the best interests of their business, its long-term future as well as short-term. As a person, the businessman may have different beliefs for their business identity than for their political identity. The businessman needs to be freed from managerialism so they can see the “social” in Corporate Social Responsibility. They might then change their politics and the direction they steer the politicians.

If they do not, then voters and consumers may change the system to the disadvantage of the business class.



## 5.6 The power of citizens and consumers

The neo-liberal, managerial “New Capitalist” system is based on citizens, voters and consumers being mainly passive to social injustice. These ideologies seek to redefine the meaning of social justice. Slater (2011 pp. 106–115) explains how conservative think tanks influence neo-liberal policy so that social justice is no longer equality but traditional family values. Social breakdown is claimed to be caused by individuals whose background is a social group whose values are anti-social. This conclusion may be correct, but conservative think tanks may be blaming the wrong social group. It is the rich failing to share their wealth and failing to recognise the needs of the less fortunate who are being anti-social. The “Broken Society” is not caused by the poor but the rich.

### 5.6.1 Dissent with New Capitalism and Neo-liberalism

Public criticism of capitalism is recognised by independent leaders such as the Governor of the Bank of England (Carney, 2014) who called for “a basic social contract comprised of relative equality of outcomes; equality of opportunity; and fairness across generations.” The Managing Director, International Monetary Fund (Lagarde, 2014) spoke of “inclusive capitalism”. Ahmed (2014) dismisses the Inclusive Capitalism Initiative as rhetoric because it originated with a think tank with neo-conservative political leanings. Criticism of neo-liberal policies is not limited to sociologists. Change will not happen without changing political direction. This is the responsibility of citizens and voters.



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Snell (2010) researched why so few 18–24 year olds in the US were engaged in civic life and politics. Distrust of politicians was a major reason. There was a high degree of relativism among young people where there was no right or wrong so they did what made them feel best. Because of their relativism, they did not have the cognitive skills for forming an opinion as to what was best for society. They had also had been brought up in an atmosphere of fear where it was best to avoid conflict.

Many voters may support neo-liberal policies and believe that they are socially just. However, their beliefs may be shaped by the selective and self-serving propaganda of the media rather than the facts. Monbiot (2014) explains how many Scottish voters in the independence referendum were against the neo-liberalism of Westminster and voted Yes. The media were practically all against independence. Monbiot relates how the almost exclusively neo-liberal leaning media move in the same social circles as neo-liberal politicians. (The main exception is Monbiot's Guardian newspaper which social science tutors encourage students to read).

Fear of conflict with authority is not universal. Weaver (2010) describes how animal rights activists terrorised suppliers to Huntingdon Life Sciences. Chorley (2014) explains how Atos Healthcare staff received death threats from angry sickness benefits claimants. Lapavitsas and Politaki (2014) warned that the frustration of young people in Europe with continuing austerity and unemployment could lead to social unrest. Moore (2014) later in the year reported the riots across Greece with the government having lost control and business premises a particular target. The riot started with the death of a youth by police, as did the Tottenham riots in the UK. Direct action by a small group of citizens can lead to social breakdown. The right and ability to vote is not necessarily a reliable social pressure valve on its own.

### 5.6.2 The Leadership–Stakeholder Involvement Capacity' nexus model

The above paints global and national pictures of the power of citizens and consumers. Waligoa et al. (2014 p1348) provide a way to picture and unravel this complexity. They identify two separate social groups of leaders and stakeholders. Leaders are empowered by stakeholders so the Leadership–Stakeholder Involvement Capacity' nexus model (LSIC) reflects the social contract. Although leader can mean business leader, LSIC can also be applied to civil society of which voters and consumers are part. The following describes how the voter stakeholder concerns over CSR for voters in terms of the LSIC nexus model based on Waligoa et al.

Voter stakeholder concerns are affected by:

#### External influences

- Lack of factual information in suitable format for public comprehension
- Educational system under neo-liberal control
- Neo-liberal control in electable political parties
- Political voice of charities suppressed by neo-liberal government
- Risk of persecution at work for opposing managerialism
- Media support neo-liberalism

#### Leadership quality

- Activists tend to be of the political left. Reform needed not revolution
- Need to bring fragmented interest groups together in voice and action
- Political leader not right or left aligned

#### Stakeholder involvement

- Voters tend to look to short-term issues that immediately affect them personally
- Fragmented interest groups
- More time at work to achieve living wage means less spare time
- Fear of being branded anti-social due to depth of neo-liberal psychological persuasion of many voters

#### Capacity personal influences

- Neo-liberals have made voters more selfish with less concern for others
- Voters tend to vote as before
- Voters inclined to make political decisions emotionally rather than to search for the facts
- Expert use of social media needed

The reader is invited to produce an LSIC nexus model for consumers using the same headings. A key difference is that business responds quickly to changes in consumer effective demand. This is because effective demand directly affects business income. If a particular business does not meet effective demand, a competitor will. The only way business has of opposing the power of the consumer is through influencing the politicians to make meeting the demand illegal which even neo-liberals would not do. A key difficulty for the consumer is the ability to pay a price based on the total cost of the product including the costs that business currently do not take into account in setting price.

Social Responsibility comes back to the willingness of voters and consumers to make a personal sacrifice for the benefit mainly of others.

## 5.7 Conclusions

The social context of Corporate Social Responsibility is that the current economic system is fragile due to reliance of continuing public austerity and labour receiving a disproportionate share of the benefits of growth. There is increasing tension between capital and labour and while public support for neo-liberalism continues, a minority is becoming increasingly isolated. Death threats to private sector staff running the benefits system and UK citizens joining terrorists such as the Islamic State illustrate the risks to social stability on which business confidence rests. Even Scotland nearly voted for independence from the UK partly based on neo-liberal extremism at Westminster.

The effectiveness of neo-liberal control over the media and education and its use of psychological persuasion encourage the individualism that is contrary to the values of CSR. Those responsible for economic regulation publicly call for change so that disaster may be avoided through more social responsibility and social justice. With economic growth a priority, social justice is low on the political agenda. This political agenda is reshaping society. Despite political success, neo-liberalism has contributed to bringing trust in politicians and senior businessmen to very low levels. Trust in the financial and energy sectors is low because of their exploitation of the public but trust in other business gives hope. Those businessmen who believe in social responsibility but are part of the elite social group of politicians, media and business are in the best position to promote the “Social” in CSR.

A significant increase in the social responsibility of voters and consumers might require their acceptance of and action upon the long-term implications for the next generations and medium-term implications for the disadvantaged. The manipulation of neo-liberalism needs to be exposed with sufficient public interest that the media changes sides.

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## 5.10 Self-test Questions

Is the “Social” in Corporate Social Responsibility necessary or can it be omitted?

To what extent is neo-liberalism in UK politics anti-social?

What part can businessmen who believe in social responsibility play in promoting the “Social” in CSR?



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# 6 The Social Business

## 6.1 Introduction

The previous chapters have shown how management, business, politics and sociology are all linked. In this final chapter, the concept of social business based on communitarianism is developed.

Your goals for this “Social Business” chapter are to learn about:

- How the roles of community, society, the state and business are interlinked
- The appropriateness of communitarianism as a political dimension for CSR
- The concept of social business
- How public services could be developed into social businesses
- How society can control business rather than business control society

On completing this chapter you should be able to understand how only social businesses can keep the social contract from both business and society viewpoints.

## 6.2 Community, society, the state and business

### 6.2.1 The effects of New Capitalism, neo-liberalism and managerialism

Business operates within nation states that provide the social order necessary to operate with confidence. States also provide essential infrastructure to help make markets efficient. Society is everyone on the planet including those not yet born. Most people live within communities and many within families. Individuals develop their identities according to inherited characteristics but mainly through interaction with other people. In this context, business is a very minor social part of society. Globalisation, through New Capitalism, made business a disproportionate economic part of society. Consumerism created personal need where such needs had been unnecessary to well-being. Individualism set people against each other and unwilling to help others unless they was some benefit to the helper.

New Capitalism is not business. It is an ideology followed by many business and political leaders. It unsustainably exploits society, states and communities. Neo-liberals control the state to enable New Capitalism to flourish. The means of control used by such business and political leaders is managerialism which is based on deception and force and where the ends justify the means. In this section, the social relationships between community, society, the state and business are explored in the context of these ideologies.

Business relies on markets. Effective demand in a free market economy is based on the customer having the ability to pay. The mixed economy of the Welfare State helps those without the money for the essentials of life such as housing, food, health and education. The state reserves some services for the public sector to the exclusion of or minimum involvement of private sector business. Such involvement by the state reduces the opportunity for private sector profit. It is a belief of managerialism that private sector business methods are more efficient than those in the public sector that do not involve competition as a key motivating factor. This belief leads to another belief that the manager is superior to the specialist, such as doctors and social workers. Neo-liberals would reduce the role of the state to providing money to the very poor so that social unrest can be contained enabling private sector business to control the supply of all goods and services and to maximise its control over demand.

Such a world of business is inhuman. It reduces humans to resources of business corporations. Humans would exist only to individually maximise the utility of their consumption. Of course, since most neo-liberals have conscience they would not see this as a consequence of their beliefs. They may see an end to war as boundaries of nation states lose their meaning as their borders open completely for the transfer of goods and services. The beliefs of everyone can be catered for provided they are not “anti-social” (meaning disturbing the social foundation on which business relies). The world would be one big happy family except for those “anti-social” people who are lazy and scrounge off the hard work of others. Neo-liberals may even have some Christian beliefs based on traditions of behaviour but where compassion is reserved for the deserving. Neo-liberals may have been brought up by their parents to compete with others and not let their parents down by being lazy and poor. This description of a neo-liberal is of course a stereotype but is illustrative of how a neo-liberal might think they are being compassionate to all when they are actually bringing misery to the majority of people.

The world of socialism/ communism can be equally inhuman as shown by Lenin in Russia and Mao in China. Similar methods of deception and force are used. The leaders will also believe their actions are in the best interests of their people. People may vote as in Western style democracy but within the one party state there may be little grass roots change. This may suit the leaders. It may even help short-term social stability. But sustainable business requires not only a long-term business focus but a long-term political focus. Economic and business downturns used to last only several years and Adam Smith’s “invisible hand” amongst other factors eventually turned recession into growth whereupon the price of labour recovered. This has not happened with the 2008 crisis. The price of labour remains depressed and working people are taking even less of the benefits of the growth due to their labours than before. A political system dominated by neo-liberals or by socialists/ communists is incapable of managing the social contract.

## 6.2.2 Human Rights and Welfare

Lister (2010 p. 158) describes welfare dependency where the availability of benefit encourages recipients to become dependent on handouts rather than making an effort to support themselves. She links it with other concepts such as an underclass which is beneath the working class. The idea is that they are parasites on the hardworking people majority. People can escape poverty if they work hard enough. Lister states that the latter theory is not supported by research evidence. MacInnes et al. (2013) show that in the UK that many people receiving benefits are in work and that low pay is a cause of poverty. The most significant benefit is the state pension payable to all of pension age irrespective of other income. Lister points out that so successful is neo-liberal propaganda that many citizens believe that “benefit scroungers” account for much of the tax taken from working people. The neo-liberal demonization of people on welfare benefits focusses the attention of the working poor on this underclass rather than on the super-rich who benefit most from the free market economy and who in the current time of austerity benefit disproportionately from economic growth.

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Social agreement is needed to protect those who would otherwise be disadvantaged by the free market system that decides what goods and services should be created and how the cake is divided. As a minimum there needs to be the rules for Friedman's game. These are social codes for capitalists and include not committing deception or fraud which could undermine open and free markets. Pech and Stamboulidis (2010 p. 37) define deception as legal, but unanticipated methods of pre-empting or countering competitor actions that might be harmful to a business. Thus under Friedman, deception is part of the game as long as the business does not get prosecuted. Many businesses would not even have the ethics of Friedman and would make an emotionally cold calculation of the costs of fines against the benefits using probability theory. The only way of influencing such businesses is to make the costs to them great enough to change their behaviour.

Neo-liberals would then respond that adding costs to business would make them uncompetitive in an open market. This is only true when costs are added to some businesses and not others. This forms the basis of trade negotiations between nations and trading blocs and is designed to protect society within each nation. The European Union is an example of a trading bloc that values social justice. The United States favours free markets when terms are in its favour but soon applies tariffs when faced with adverse social and political pressure from groups essential to the success of the party in power. Although there is such a thing as society, there is no such thing as an open and free market whilst nation states retain some levers over their economies in the national interest.

Carbon trading is an example of charging environmental costs to businesses where previously society at large (including future generations) paid the cost and not the business. Neslen (2014) describes European Union proposals to change the EU scheme by granting exemptions for businesses who risk losing trade to countries such as China who do not charge carbon polluters although they seek to reduce emissions through new technology. Economic growth comes before reducing pollution. Much of the cost of EU membership comes from Carbon reduction requirements compared with the cost of implementing social legislation (another neo-liberal myth).

Common values should unite communities, nation states and businesses operating in nation states. The common good means in the best interests of everyone. To the utilitarian it means the interests of the majority since not everyone will agree that something is in their personal best interests. Utilitarians are pragmatists not idealists. Social responsibility can be seen either from a utilitarian viewpoint or an idealist viewpoint. Values are often idealistic. The mission statement of an organisation can contain values and aims that are idealistic. Business has no problem with values that are idealistic. The question is whether the senior management see values that relate to social responsibility as being in their best interests.



### 6.2.3 The rise of neo-liberalism

Neo-liberals established their power in the UK through the premiership of Margaret Thatcher. The miners' strike of 1984–85 was a significant period of social change. Milne (2014) reflects on Thatcher's anti-democratic tactics and use of public rhetoric to justify her government's anti-social actions. The previous Conservative government of Edward Heath had been brought down by the previous miners' strike. The political objective of the miners' socialist leaders was to do it again. But not all miners supported Arthur Scargill. Most were fighting for their jobs and the industry on which their communities depended. Thatcher's rhetoric was to refer to the miners as "the enemy within". Milne states that publication recently of more of Thatcher's papers show that she planned to describe the Labour party at her party conference as "enemies of democracy". The Brighton bombing persuaded her that this tactic would be too divisive. Her neo-liberalism was the real enemy of democracy with its use of the police and security services against the human rights of strikers.

This crushing blow on people prepared to stand up for their rights made an impact throughout every group of employees. It laid the foundation for managerialism and the exploitation of employees. Business began to take over public services. Many of the new managers were bullies and public service professionals like teachers and nurses found themselves inferior to this new elite. Academics in sociology were ignored when it came to government social policy. Milne sees the miners' strike as a challenge to the destructive free market and the use of corporations to drive the reconstruction of the economy. That social defeat led to the crash of 2008. It brought us the deregulated, outsourced, zero-hours world of the neo-liberal.

So 30 years on from the miners' strike what is happening? For the first time in 30 years there is a strike in the NHS (BBC 2014a). There are "robust plans" to counter the strike. The NHS is the last bastion of the Welfare State. The neo-liberals say the NHS is safe in their hands. The reality is that neo-liberals seek to privatise the NHS which would bring in private sector ethics of profit before people as with care homes (BBC 2014b). More cuts to public sector budgets are planned. A social breakdown of the scale of the 1984–85 miners' strike may be on its way as a result of neo-liberals asserting their power.

### 6.2.4 Countering anti-social politics and management

The success of rhetoric and psychological persuasion partly depends on its credibility and the desire of the listener to believe what they are being told. It is not only neo-liberalism that uses such techniques; socialists can similarly implement their ideology. The centre ground seems increasingly unpopular with voters as the demise of the Liberal Democrats and rise of UKIP shows. Such polarisation can only increase the risk of social breakdown. Both neo-liberals and socialists want to protect rights but interpret what this means in terms of the right to promote their own extreme views. Herbert (2008), when Conservative Shadow Secretary of State for Justice, presents a well-reasoned view of the dangers of rights without responsibilities and how the Human Rights Act should be replaced with a Bill of Rights and Responsibilities.

Herbert sees the development of “rights culture” (Herbert 2008 p. 9) that encouraged selfish individualism rather than the collectivism of the common good. This is probably true but the blame may be due to neo-liberalism promoting individualism. The competitive spirit of neo-liberalism encourages maximum reward for minimum effort through the exploitation of power according to one's place in the system. Herbert complains that many judges are left wing (in his opinion) and interpret the Human Rights Act ideologically in a way that undermines the sovereignty of parliament and democracy. He gives the example of the Article 8 of the European Convention on Human Rights being interpreted as preventing wanted posters for suspected criminals. This interpretation and use of Human Rights, he says, provides a means for criminals to escape justice and for claimants to exploit welfare in a way that society through parliament never intended. Herbert's solution is the centralisation of power and supremacy of parliament. In other words, we should give even more power to the politicians. This illustrates the neo-liberal approach to social justice.

The “rights culture” is also a consequence of managerialism. Instead of allowing social workers to use their professionalism backed with their professional ethics, social work was reduced to a system of rules and entitlements. This facilitated the privatisation of public services by defining outputs more precisely. It also helped to be able to reduce the cost of welfare by reducing the thresholds to entitlement.

If society treated political leaders and senior managers who were not socially responsible as social outcasts then behaviours would soon change. The problem is that they are a self-supporting social group with power over most other groups. They are, of course, only self-supporting because people defer to their power.



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### 6.2.5 Essential principles for the social dimension of CSR

Lister (2010) describes three basic concepts in social policy that can be used to define the social dimension of CSR. They are

needs;  
citizenship and community; and  
liberty, equality and social justice.

Since business is part of society, the same principles that are used to define social policy in politics should be applied to business. Lister (2010 p. 170) states that capitalism has an influence over the needs of the needy. It reshapes wants as needs through advertising. Lister (2010 p. 182) explains how a felt need in the domestic sphere (at a peer group level) can be escalated to the political sphere through feedback from citizens to politicians. The needs included in the minimum wage and living wage reflect this pressure. Business advertising and related peer pressure create not only the effective demand that generates sales but also ineffective demand as in the housing market (Figar and Veličković 2011). Capitalism can force costs onto the state to meet the ineffective demand it helped to cause.

Citizenship is linked to a collective view of the beliefs and values desirable in social and political community. It is also linked to rights and responsibilities both individual and collective. Legal citizenship is an example of individualistic nationalism. Community is interpreted in ideologies ranging from extreme individualism to extreme collectivism (Lister 2010 p. 201). The range of meanings of citizenship and community enables politicians to use the words in deceptive rhetoric to create underclasses of citizens and to treat some communities better than others.

Liberty or freedom is a core concept of political ideology. Lister (2010 p. 224) identifies a “negative” freedom (a freedom from) and a “positive” freedom (a freedom to). Freedom from is not just freedom from ills such as hunger. The New Right defines it as freedom from coercion, from being not allowed to own private property and freedom from not being allowed to make one’s own choices. This definition sees the welfare state as a threat to freedom. Whereas freedom to means having the economic resources to exercise real choice. Capitalism sees poverty and misery as motivating factors to work and contribute to economic growth. For the neo-liberal, mitigating poverty and misery risks damaging overall economic growth so the wealth from the rich is not there to trickle down to the poor.

Capitalism results in distributive injustice or maldistribution where those less able to compete in the market are denied the resources they need to interact with others in their peer group on an equal footing. Whilst some temporary lack of resources might be a social incentive to find another job, a permanent loss of income can mean a drop in social group. Status inequality or misrecognition is where the social system gives groups of people a lower status than others and creates a hierarchical society where it is difficult to move up levels. Although capitalism creates the new rich to join inherited wealth, it is based on forcing the majority to be subservient to a minority by giving them no other choice. The purchase of water cannons in the UK to suppress potential riots and the use of CCTV shows extreme social control to protect the system that benefits the minority.

Misrepresentation is where political leaders deny some people the means on participating on a par with others in social interaction, such as determining political policy. Business lobbying is an example of misrepresentation. Communitarianism would be one answer to misrepresentation.

### 6.3 Communitarianism as a political dimension for CSR

Mian (2014) contrasts the “wishful thinking” of the 2014 Conservative and Labour party conferences with the “realism” of the Liberal Democrats. Apparently the party had done their sums and was not promising anything that would be unaffordable. It has steered between the extremes of Conservative austerity and Labour compassion. The problem for the party is that voters tend to be more influenced by promises and spin than sound policies and facts. The party want to create the impression that it is run neither by ideological socialists nor neo-liberals but by politicians who can be trusted to work for the common good rather than self-interest. They tell the facts to the public even if they know the facts will be unpopular with voters. Evidence of this honest behaviour was their European Union parliamentary 2014 election where they risked everything and lost nearly everything. It is debateable if this is political rhetoric or not but it does illustrate the difficulty of a political party trying to influence voters by giving them factual information that is bad news rather than good news propaganda. The public have become used to the false images of advertising and now seem to be unprepared to think and challenge.

#### 6.3.1 Anti-social ideologies

Socialist and New Capitalist ideologies are both incompatible with Corporate Social Responsibility. The former would abolish the private corporations owning the means of production and the latter does not recognise any need for CSR beyond the image needed to maximise profit. Neo-liberals put economic growth before social justice. The politics of New Labour with its Third Way and the Conservatives with Big Society share aspects of communitarianism in their policies. In this section, the opportunity of applying this declared common ground is applied to CSR. The assumption is that these communitarian elements in both the Labour and Conservative parties are not just rhetoric aimed at deception and social control for the benefit of an elite.

The Conservative party can be excessively influenced by a neo-liberal minority and Labour by a socialist minority. The electoral system favours these two major political parties which take it in turns to rule as the nation gets fed up with one extreme and then toys with the other. Perhaps that was why neither won a majority in the 2010 general election. The system is adversarial with a Government and Opposition with the Opposition supporting the Government when it would be unpopular with its own supporters if it did not. When a government changes, there can be major swings in policy (particularly social policy) because of their extreme ideological positions. To make sure a policy has to be continued by its successors, changes in administrative structures can be made so deep that it becomes economically difficult to change them. This is not in the interests of democracy but then the values of neo-liberals in both main parties permit them to be manipulative and to work in the interests of the elite rather than the majority.

“Compassionate” Conservatives and “Blue” Labour are both influenced by communitarianism. This is the image that makes their parties electable for government and not the extremist neo-liberal or socialist image of the extremes of their parties (whose activists raise most of the money for the party election campaign).



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### 6.3.2 The three principles of communitarianism

Tam (1998, pp. 12–18) describes the three principles of communitarianism often used by politicians but frequently only applied as it suits their real political beliefs. Communitarianism is compatible with unabusive capitalism.

The first principle of co-operative enquiry only judges claims to be true only if anyone with access to all the facts would agree. There is no coercion, no subtle use of psychological persuasion, no pressure. Transparency is the key to co-operative enquiry.

The second principle is common values and mutual responsibility based on four types of deeply valued human experience.

- the value of loving and being loved.
- the value of wisdom and the ability to think for one self rather than having to rely on the judgement of others.
- the value of social justice.
- the value of self-esteem.

The third principle is communitarian power relations which gives ultimate power to citizens. All citizens have a duty to be actively involved in each social group of which they are a member. Everyone should be able to find out about every group problem, delve into the detailed supporting information and provide their view to the group leaders. Leaders in politics and business would no longer be able to avoid giving answers if they wish to retain the power that society has given and for which they are accountable.

### 6.3.3 Applying the three principles of communitarianism

Applying the principle of co-operative enquiry, Rose (2014) describes the system of secrecy in government where releasing cabinet papers would be “detrimental” to good government according to a review by a former cabinet secretary. Unless the politicians can practice transparency and accountability, they can hardly expect it in business.

Applying the principle of common values, unpaid work should have similar status in society as paid work as not everyone can do the latter. Capitalism ascribes value only to paid work. The neo-liberal state may value voluntary work if it saves the state money. Office for National Statistics (2013) states

“When measured using gross wages, informal childcare would be the equivalent of 23% of Gross Domestic Product (GDP). The value of informal childcare is outside the scope of the internationally agreed National Accounts framework and therefore GDP”

The government scheme to force the unemployed to work for nothing by calling it work experience has been subject to the Cait Riley case which has now lasted two years as the government fights its corner (Syal, 2014). The High Court ruled the scheme as contravening European human rights law. Business is now reluctant to take such forced labour as it undermines their CSR.

One way of ensuring that unpaid work is valued could be to pay everyone at least a basic income. Jordan (2010, pp. 151–169) suggests that this would ensure that the basic material needs of every citizen would be met and everyone would feel financially secure. The implementation of an integrated benefits system like the Universal Credit would help achieve fairness in the state benefits system. However, no suggestion is made that those that are able to work but do not should have benefit calculated accordingly. Government Welfare to Work policy forces certain claimants to do voluntary work or lose benefit. State pensions are paid without any condition to volunteer if able.

Applying the principle of common values, we may question the reward of labour based on its productivity whilst maximising profits to shareholders and management salaries and bonuses.

Applying the principle of communitarian power relations might radically reduce the abuse of power and might be a way of maintaining the social contract. It can only work with the principle of transparency. The Freedom of Information Act 2000 applies to UK public services. To make it practical, organisations can refuse requests for information where it is “sensitive” or the cost of providing it is too high. Information might not be released if it could open the government up to legal action. The principle places an expectation on government not abuse its power by putting its political ideology before the facts. The principle places an expectation on the citizen to participate fully in democracy by considering and requesting information from those in power. When referenda have been held in the past, sound bites and rhetoric seem to have played more of a part than weighing all the facts. The system needed for communitarian power relations requires those in power to build trust with those affected by their use of power and those under the influence of power to be active in feedback rather than passive.

There are two opposing views of community. One is where the community is the servant of the state (of the ruling party in government). The other is where the community may be opposed to a government policy. The former may produce social stability but at the cost of social justice. The latter may produce social justice at the cost of social stability. Where the policies held in common by the electable political parties are sustainable, social stability is desirable. But if change is needed, then effective political challenge needs to come from somewhere.

The above goes beyond traditional communitarianism which tends more towards local interest groups than national campaigns. Indeed, national politicians can use local communitarianism to divide and rule. The principles of communitarianism can be applied to critical thinking by national and international activists in order to promote social change. The social change that would promote CSR would be to favour social business.

## 6.4 The concept of social business

### 6.4.1 Business as part of society

The words “social business” imply a business that is social. Being social can be also defined in the negative as not being anti-social. The words “Corporate Social Responsibility” means the social responsibility shown by an incorporated organisation. The values common in business and politics are to twist the meaning of words and present them deceptively to meet a hidden agenda. Such deception may be deemed as in the interest of society and therefore ethical by this self-deceived elite group. The beliefs and values of the majority of people is that such behaviour is anti-social. Social means relating to society. So the first characteristic of a social business is that it recognises that business is part of society.

People in communities are the basis of society. One view of society is their subservience to the state (i.e. central government). The opposite view sees society as a source of grass roots social and political activism. A social business would accommodate both views into its business strategy with the relevance of each depending on the extent to which the government was a stakeholder and grass roots communities were stakeholders.



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UK Government (n.d.) defines social enterprise as “a business that helps people or communities”. This definition covers every business! Nearly every business can claim to be a social enterprise as it serves a community. Their customers might be regarded as a community. It might pay a business trading with the government, to call itself a social enterprise but for most other purposes the term may have little value. The term “social business” has an agreed definition.

Social business is a business. Yunis (2010, p. 1) defines a social business as a business outside the profit-seeking world that seeks to “solve a social problem using business methods, including the creation and sale of products and services”. Yet Yunis relaxes this definition by allowing profits to be made so long as they are reinvested in the business or the business is owned by poor people. Business accounting means making a profit or loss. If it always makes a loss it cannot be a self-sustaining business and becomes more like a charity.

The concept therefore has two different conceptions or ways at looking at it. One is based on the principle that investors should not receive a return on their capital since they already have a surplus by having capital in the first place. The other is based on capital being socially justified and the investor should receive a return on his investment based on free market principles.

These conceptions are reconcilable. The free market is based on choice. An investor may choose to accept a lower financial return or no return because they will receive social value from their investment. Rutherford (2011) examines the social value of self-esteem to the “elite” of the capitalist system. For this elite social group or class to be self-sustaining, more than financial wealth is needed. This social group, just below the super-elite social group of the world’s most wealthy who virtually control business and government, has relatively lower levels of wealth than in previous eras whilst the extremely rich get richer. Self-esteem has social value. Part of that self-esteem might come from using their wealth to help others (in contrast to giving to specific charities as a means to maintain or grow their own wealth like the super-elite social group). Assuming one’s idea of equality is not equality of wealth and income, payment of a return to investors in social business on the free market is not anti-social.

#### 6.4.2 Social objectives before maximising profit

Under this thinking, the social business forms part of the free market with the profit-maximising businesses forming the other part. The market for social business already exists as does the financial institutions that fund them. The problem for social business is effective demand, that is customers willing to buy their goods and services at a price and volume that makes the social business profitable and sustainable. For example, consider a recruitment agency for social businesses that also wants to be a social business. Care workers form a significant category of workers in social business so at first sight may seem an ideal source of income for a social business recruitment agency. But care workers are paid very little so the commission for recruiting them is likely to be very little. With little income from such commissions, the social business recruitment agency could not pay its staff and so would soon be bankrupt. Government contracts may be a major source of income for social businesses and this is the subject of the next section.

Shareholders own a company. Profit provides them with a return on their investment through an increase in the value of the shares and through dividends. Pension funds own many shares and are a socially acceptable way of saving for retirement. Savers want to maximise their pension and therefore pension funds will want to maximise profits. Having companies that maximise profits is therefore socially acceptable. The issue is how companies maximise profits the fair reward of labour as well as capital.

Whilst inequality in wealth is something that is probably for the state to address, inequality in income relates to the way the labour market operates. Green and Wright (2014) calculate that it would take 60 years for women to be paid the same rate for the same job as men. This is despite the Equal Pay Act 1970. The problem is that there is insufficient data in the marketplace to inform supply and demand according to the traditional model of what constitutes a free market. This is an example of capitalism being applied in an anti-social way and not a fault of the concept of capitalism itself. Much of the inequality of pay between men and women is in senior roles. Not only do the male majority discriminate against women in not appointing women to senior roles, if women are successful then the male dominated system pays them less. Given that women generally are thought to be more compassionate than men, this corporate behaviour may have a serious impact on CSR.

Working tax credits are a method of compensating for low pay. The statutory minimum wage is below the living wage. The free market for labour tends to drive pay to the bottom. Shierholz and Mishel (2013) describe a decade of flat wages whilst management pay has risen. They trace weak wage growth back to 1979 (the start of the rise of neo-liberalism). Low wage policy was justified politically by lower prices and economic growth. A company that was strong on CSR would pay a living wage and not rely on government subsidy of its wage bill.

#### 6.4.3 Behaviours in social business

For CSR to be real, there must be transparency and accountability. The problem is due to the values of those controlling the business. The transparency exists in the data held in the company computer system. A simple report using the reporting software supplied with the software package could be written to highlight cases that might contravene the Equal Pay Act. Under managerialism, the Human Resources department will help directors minimise the pay bills in their directorates. Even illegal under payment may be ignored if the consequences of being caught are insignificant. The justification is that the employee accepted the contract offered. Of course, had the employee known that the offer was illegal, they might have taken the company to court. A social business would encourage trade unions and staff associations and show them social responsibility. A social business would not just keep the law only to avoid the penalty that would seriously damaging profits but would keep the spirit of the law and accept a lower profit.

Since it trades, every business has potential to be a social business. All goods and services have a social impact since people pay for them to obtain utility. Goods and services fulfil needs. A business must create an effective demand for what it offers. In a free market, businesses are competitive so what they offer must be more attractive than the opposition. Needs can be created through advertising that are not for good for society. It is important that the social business is not just a niche market. The state has a significant role in passing and enforcing legislation to protect the environment and society. Social business would need to campaign for this legislation in a way that gives them competitive advantage over anti-social business. They would work with communities and charities to promote discussion, research and legislation. Anti-social business needs to be seen as the bad boys.

Social business should make profits for investors. As in anti-social business, some of this surplus cash owned by investors needs to sponsor politics. This would be the politics of the common good and would provide alternative funding to that from trade unions and anti-social business who pursue the agendas of their organisations and not necessarily those who gave them power. Social business funding of political parties might increase the amount of government contracts awarded to them meaning fewer contracts for anti-social business. The government might change the playing field for anti-social business through withdrawal of grants and tax concessions; increase of fines for breaking the law; and increased charges for environmental damage. In this way, social business could turn the tide against anti-social business by reducing their markets and thus their income and increasing their costs.

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Social business would also action other CSR activities such as treat their staff properly and treat all stakeholders as partners. A key contribution of social business would be to replace the ideologies of neo-liberalism and managerialism and encourage communitarianism. The European Union might be a source of support in this shift of ideology. A significant problem would be US business who would oppose the additional responsibilities placed on the UK subsidiaries. This reflects the two opposing political positions in the UK between politicians who want the UK to be more like the free market US and those who favour the social justice EU. Social business would influence global society and trade by providing an alternative to anti-social business.

The most urgent figure for a business to control is not profit but the cash balance. Even profitable companies can go bankrupt by not having enough cash to keep the creditors from getting the court to wind up the company. Some companies have so much cash that they decide to give it back to shareholders, possibly after deciding the already large management bonus could not be increased more without the shareholders objecting. Other companies find themselves in a position of asking shareholders to inject more cash to protect their existing investment. Businesses that can persuade governments to invest cash up front can reduce their risks and increase profits greatly. Enterprise zones and free transport infrastructure are examples. The housing industry wants roads and schools, funded by the taxpayer, built first. This greatly reduces their risks and costs by passing them to the taxpayer. Social business would change government rules and share risks and costs more fairly.

## 6.5 Public services as social businesses

### 6.5.1 Neo-liberalism and anti-social public services

Since public services are provided under government contract, citizens and consumers might expect the providers to behave like social businesses. As shown above, many do not. Neo-liberals criticise energy companies for their behaviour as if it is unexpected. The neo-liberals agreed the contract terms and the conditions of regulation. But as neo-liberals practice disinformation, it can be assumed that the criticism is for consumers and voters to believe that they are on their side whereas they share the same elitism. The neo-liberals have done well to ensure that the privatisation is irreversible as the country could not afford to buy back the assets. Consumers could switch to social business suppliers en masse even if it meant their payments had to rise in the short term. The free market can work as much to the disadvantage of anti-social business as to its advantage. Voters would need to ensure that the neo-liberals then did not change the rules against the social businesses.

International laws of trade define fair competition on outsourcing contracts. These laws are themselves defined by neo-liberals because of the dominance of the USA. Wolnicki (2006, p. 476) points to the declining influence of the USA in world markets as the economy and influence of China grows. China already pushes the limits of international trade law. Their “state capitalism” is based on authoritarianism compared with the “democratic socialism” of the West. Russia is another example of state capitalism as is seen in 2014 as it manipulates gas contracts with Ukraine for political purposes. Wolnicki warns that democracy itself will be threatened if neo-liberalism is not curbed.

In the UK, the Public Services (Social Value) Act 2012 was heavily criticised by social enterprises for having been weakened during drafting so that public services only had to “consider” social impact. Under austerity, public services can be expected to have maximising efficiency savings as their priority. Cabinet Office (2014) shows the neo-liberals still in control of this policy. They have ignored calls to make the Act stronger in social justice terms and have instead decided to review how it might be extended to help more small businesses and voluntary organisations. Two examples of how the Act has been successful are quoted. Wakefield Council selected a school milk supplier who also provides local schoolchildren with lessons on healthy living and food miles. The University of Northampton challenged the UK’s higher education sector to spend at least £1 billion of the £7 billion it spends on procuring goods with social enterprise. Yet the Act was supposed to help small businesses and voluntary organisations. Pharoah (2014) explains how the procurement requirement to itemise components of social value will turn these items into commodities where large-scale providers can make efficiencies that the small organisations cannot. Small charities are being forced to use donations to subsidise their bids for government contracts. Volunteers are also replacing paid workers.

#### 6.5.2 Co-operative enquiry and public services

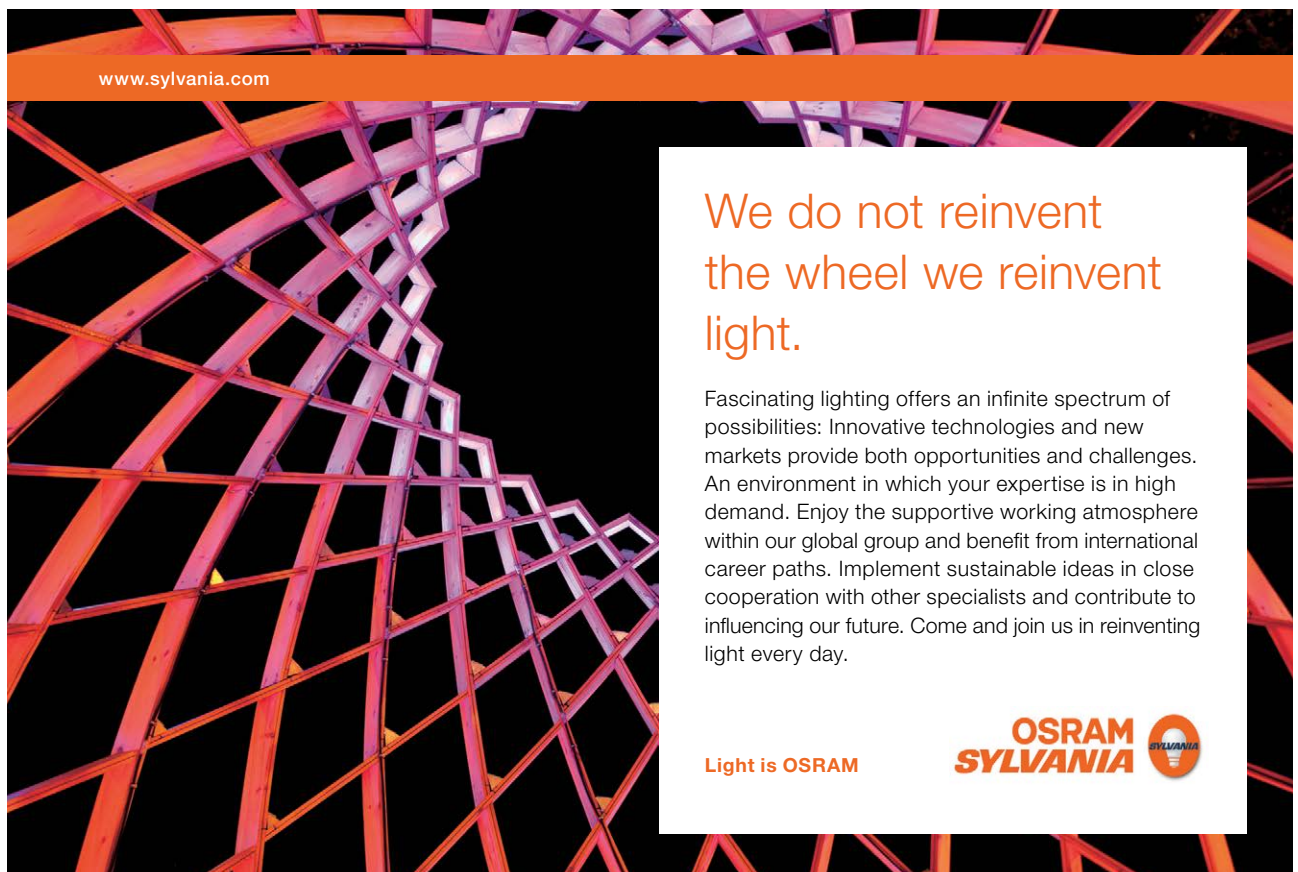
Assuming the need to reduce or at least contain public expenditure so as to manage public sector debt, social business could provide public services at lower cost and greater (positive) social impact. First, the procurement rules would need to be changed. The Conservative party 2010 election manifesto promised that data would be published of interest to “armchair auditors”. Much data has been published but very little information (data with meaning). For example, details of payments to suppliers can be seen but only headline contract information. Requests for that under the Freedom of Information Act are often refused because of commercial confidentiality. Social businesses are quite happy for this level of transparency and public service contracts often contain clauses requiring suppliers to agree to contract details being published if requested. Publication of information and transparency is needed for the communitarian principle of co-operative enquiry.

The chair of the UK Government Public Accounts Committee has called for basic measures to promote transparency: Freedom of Information to apply to contracts with private providers who must open their books to officials including the National Audit Office (the government auditors). She said major suppliers G4S, Atos, Serco and Capita were ready to accept these contract conditions. The main barriers to greater transparency may lie within government itself. The CBI, which represents big business, agreed that the public had a right to such information and reform was needed. The government response was that it was improving Whitehall’s commercial expertise. This did not answer the question and did therefore not help public trust in government (BBC 2014d). The CBI was in favour of greater transparency, the government was not. (This was the Cabinet Office under a Conservative minister not the Department for Trade under a Liberal Democrat).

### 6.5.3 Common values, mutual responsibility and public services

The second communitarian principle is common values and mutual responsibility. This needs to be the foundation of public services. Service providers and recipients need to show common values and mutual responsibility. Ledwith and Springett (2010) describe participatory practice where service users are helped to learn how to help themselves. This is a partnership between the service provider, service users and the service user's community. One of its methods is critical education, not unlike where students criticise what they are being taught so it changes their life and not just implants some data for regurgitation. This approach does not commoditise social value as managerialism does. It includes values such as love that cannot be traded.

Many local authorities aim to outsource as much of their services as they can leaving a small core of policy and procurement officers. Pollitt (1991, p. 195) foresaw Third Way and Big Society provision of public services but pointed to the need for the public to be involved in the design and assessment of public services not just delivery through volunteering. This concept of local authorities as enablers rather than providers challenges ideas about community. The local authority is the lowest level of the democratic system and a key aspect of democratic voice. Yet by taking resources from local authorities and imposing more public expectation on them, central government are setting them up to fail. This would remove effective grassroots democratic power that might challenge the central power and its big business allies. The amount of volunteering that is essential to the successful replacement of paid public staff is not materialising. When this rhetorical plan fails, the real plan of big business will be the only option left and the public will have no choice except for a few isolated local success stories.



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A key problem with public services is the demand cannot be met completely by paid staff without reducing pay even further below poverty levels. Whittaker and Hurrell (2013) describe how a disproportionate amount of the gain from employee productivity across the economy goes to increasing profit and how those below the living wage rose from 3.4 million in 2009 to 4.8 million in 2012. Cribb, Disney and Sibietta (2014) show that, over the period of austerity caused by the financial crisis, public sector employment will fall by over a million. This will be only partly offset by outsourcing. A social business would ensure a fair distribution of the benefits of a government contract between investors, employees and returning excess profits back to the government. The fall in numbers of those in paid work on public services will in some cases be due to real efficiencies but increasingly unpaid staff will be needed to fill the gap. The social business will not exploit volunteers working in partnership with them. Instead, social business would provide funds to re-invigorate local charities as both social business and charities serve the common good.

The NHS already utilises many volunteers as does charities such as Age UK. Kings Fund (2014) predicts a funding crisis in 2015 that the newly elected government will inherit. A quarter of NHS is already in deficit and unable to cope with current funding and more cuts are to come. Volunteers and donations will make little difference on this scale. Tizard (2014) says the cuts will change the landscape of public services forever. However, the growing demand cannot be met by the existing system of funding and provision.

#### 6.5.4 Power relations and public services

The third communitarian principle is power relations that give ultimate power to citizens. Norman (2014) who is one of the Conservative architects of Big Society states its key themes are the “empowerment of individuals and of the intermediate institutions that lie between the individual and the state”. This may sound like empowering citizens but the wider context of Big Society is the reform of public services on free market principles. It is about consumer choice not social justice.

Accountability in public services can be seen from two different viewpoints (Smyth, 2007, p. 40). The traditional viewpoint included professional, bureaucratic and democratic accountability but this is being replaced by managerial and market forms of accountability more appropriate to business. For public services to be accountable there has to be control by the public. In the neo-liberal marketplace, this is the citizen customer. But neo-liberal government often does not give the citizen customer any real power other than systems of appeal or legal challenge that is impractical for many. So major suppliers such as G4S, Atos, Serco and Capita could show their credentials as social businesses and help fund organisations to represent their customers as standard parts of their bids, whether the government asks for it or not. This would be in addition to any government control.

Citizens are also employees. Seifert and Mather (2013) explain how firemen now also train as paramedics. The first person to arrive at an accident scene is now likely to be able to save lives using medical skills even though that is not their main expertise. A key difference between staff in an outsourced public service and public sector staff can be their willingness and ability to multi-task and be multi-skilled, for example a payroll clerk may also pay supplier invoices as work priority demands. Business culture is more efficient than bureaucracy with its rigid staff structures and resistance to change. Bureaucracy may aim to take no risks. Business will determine what an acceptable level of risk is and manage it.

The reason why businesses in the public services need to take the initiative is that they, with the sponsored customer organisations, are likely to specify such an offer much better than the politicians. Even though the civil servants will have commercial expertise, politicians tend to interfere to promote their own particular ideology. There are few signs of politicians changing their behaviour so that public trust in them is restored. Given the party system, voters cannot change behaviour that is common to all the major political parties by voting for a particular party. The initiative for change needs to come from business.

Citizen consumer power is the opposite of management power. In his study of managerialism and the public services, Pollitt (1991) predicted two consequences of the New Public Management that had flowed from managerialism. First was segmentation in the provision of public services enabling exclusion of an increasing number of people from the service. This has happened, particularly with social services provision as the thresholds have gone towards minimum provision (Age UK, 2012). Second was the ability of service providers to hide reductions in service quality. Pemberton (2013) describes the pressure by senior managers on child protection social workers to rate a child in the lower “child in need” category rather than “child at risk” because central government has reduced local government funding well below the level that efficiency savings can offset.

#### 6.5.5 Social business needs citizen and consumer support

Social business could be the major provider of government contracts quickly since business is ready to adopt the transparency that would hold social business to account by citizens and consumers. It is neo-liberal political power that stands in the way. Business might believe that such information would increase costs that would be passed on to the government and that little use would be made by citizens and consumers. Even if the information was used, business may believe that control of the media would prevent exposure damaging profits. Social business is not practical without the communitarianism of citizen and consumer activism.

The prospect of the public utility market such as energy being dominated by social business is complicated by international trade agreements. For this to happen, the UK would need to lean more towards the EU and less towards the US where CSR is seen as less important. Similar principles to make business more socially accountable could be applied to business in general.



## 6.6 Social control of business

Arjoon (2005) describes a communitarian model of business. The model itself is recommended for further reading. Her conclusions illustrate how communitarianism can be applied to business. The political left criticise communitarianism as it supports capitalism with free enterprise, free production, and free competition. But communitarianism is opposed to the no regulation no control “invisible hand” of capitalism. There must be rights and responsibilities based on justice in the market place. People must come before profits. It is an oversimplification to say that ethics represent the end and profits the means. Most people seek fulfilment or happiness (a total satisfaction of all their desires) and financial wealth may be a means to this end. Such an end is individualistic but the means are collective as well as individual. It is this combination of individualistic end though both individual and collective means that provides potential to unite all of humanity except for those who psychologically and socially cannot work in partnership with others. The thread in this chapter of Tam’s principles of communitarianism can be applied to business in general.



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### 6.6.1 Co-operative inquiry in the social control of business

Information enables control but only if the control mechanism contains an element where the information is compared with expectations and a message sent to the element that has the power to make changes. The communitarian model of business is based on a partnership between stakeholders with each group of stakeholders having the resource and influence needed to contribute effectively. There is no room for managerialism.

Applying the principle of transparency would build the trust that is essential for partnership and the social contract. Responsibility requires accountability and accountability works through information be available, transparent and in a form that those holding others to account can use. Business information has value to competitors and its open release can affect the competitive advantage necessary for success in the free market. Part of the process of forming a business partnership is called “due diligence”. This not only involves being open to the prospective partner asking questions and being provided with evidenced answers but a mixing of employees and other stakeholders of all the partner organisations that exposes beliefs and values as well. Business management is used to this treatment of business stakeholders but it could be similarly used with other stakeholders. Not everything is revealed at once. Trust is built in managed steps to ensure information is not released to potential partners who have yet to prove they can be trusted. Healthwatch is an example of a statutory organisation with access to health and adult social care information so it can represent citizen and service user. The people authorised by Healthwatch to conduct its enquiries first have to prove to the Healthwatch directors they can be trusted and then to health and social care managers. Any business should be able to build up similar relationships with their stakeholders. The caveat is that a process like due diligence is very time consuming and complex for both organisation and enquirers. The overall benefits of the information process needs to exceed its costs.

An initiative for business to provide more information is Integrated Reporting. This is not reporting to the public however, it is for providers of financial capital. It includes stakeholder management but not much stakeholder engagement. Its primary aim is still to maximise the wealth of providers of financial capital (International Integrated Reporting Council 2013, p. 4). Its purpose is to

“provide insight into the nature and quality of the organization’s relationships with its key stakeholders, including how and to what extent the organization understands, takes into account and responds to their legitimate needs and interests.”

International Integrated Reporting Council (2013, p. 5).

Integrated Reporting could offer a significant boost to CSR. It is a global standard and therefore would apply across nation states, including the US. Not only does management need to consult stakeholders but an assessment would be made and published of the organisation's relationships with its stakeholders. This assessment would examine the organisation's understanding of stakeholder needs and interests. The extent to which the organisation responds to that understanding by integrating these into its policies and practices would be reported. An example of social reporting is at Clorox (2014). It begins with a statement of the company's work in overseas aid and its staff volunteering in local communities where they live and work. They fund a safe water project in Peru. One of their key products is Brita water filters so their campaign to encourage people to live healthier lives through drinking more water complements their products. Integrated Reporting is voluntary and needs to remain so if the cost of producing the information is to be less than the benefits. Aspects of it need to be statutory and subject to external audit such as pollution emissions. Charges and taxes could be levied on the basis of these audited non-financial statistics that would further discourage these anti-social activities. The main value of Integrated Reporting may be in managers listening to all stakeholders with significant interest in their organisation's activities and treating them as partners. The report would help their public image.

#### 6.6.2 Common values and mutual responsibility in the social control of business

The second communitarian principle is common values and mutual responsibility. A social business shares common values with its stakeholders. It does not manage and manipulate its stakeholders but works in partnership with them. This is standard textbook management. Managerialism goes against the textbooks. The appropriate words may be all there in promoting the organisation's desired and deceptive image. But like the drunken husband beating his wife and children behind closed doors, the reality inside the workplace may be different. Abuse of power is encouraged where there is little responsibility enforced by accountability. Those who share, probably unconsciously, the ideology of managerialism are committed to its beliefs and values including a mutual responsibility to the alliance of individuals scratching each other's backs. It is appropriate to use such language to convey the nature, extent and impact of their anti-social behaviour.

The mutual responsibility of stakeholders in a social business goes beyond the supply chain where each business works efficiently and effectively to maximise value added activity for competitive advantage. Customers and citizens are key stakeholders in the social business and contribute to formulating its strategy. The common view of a stakeholder is someone who benefits from something. This is based on individualism and aggressive competition which are values of managerialism. Determination does not have to be aggressive. All the textbooks encourage assertiveness. In a social business, stakeholders have a responsibility to promote the common good. This behaviour goes beyond that determined in legal contracts. Partnership contracts cannot include every possible situation. Their basis is a commitment to jointly face the unknown and is more like a courtship than a marriage. If there were that few unknowns, there would be a legal merger of the organisations. The law should be a last resort in a relationship. A measure of the anti-social nature of an organisation (where law is not the business) is the number of lawyers it employs.

Just as politicians and people in business move across each other's sector in New Capitalism, perhaps community workers should move across into business so that marketing, public relations and human resources departments build less manipulative relationships with stakeholders and help to build partnerships. The values of professional community workers working inside the social business would greatly help the business develop common values with its stakeholders. Community workers are skilled at developing partnerships both with individual customers (or service users) and with organisations.

What occurs for "free" is a very important element of social business both as outputs and inputs. The social basis of charging is value for money. The social business needs charges to maintain a positive cashflow but its objectives are more social than financial. The inputs to the processes that produce social outputs may go beyond those of a conventional business. Inputs may include unpaid work. Lusch and Vargo (2006) distinguish between the co-creation of value in the usage/consumption stage and co-production in the production process which precedes the usage stage. In the former, the product has already been designed and produced but the user is doing something that adds value to the outcomes of the product. This may go beyond simply following the instructions that come with the product and may involve creative use. Such a philosophy matches the idea of a "hand-up" rather than a "hand-out". In the latter, the design (and possibly production) team are supplemented by people who would not normally be involved, particularly users. The user creativity is employed to give the design team a better knowledge of the world of the user and the user's needs. Whereas a marketing team might conduct a user survey and take this into account in design, users themselves would be integral members of the design team and have a vote in the decisions over design. Users might be involved in the entire decision-making process relating to the products they intend to use. There is a mutual responsibility between stakeholders in the organisation and outside that encourages common values.

### 6.6.3 Power relations in the social control of business

The third communitarian principle is power relations that give ultimate power to citizens. Whilst customers are in business models, traditional business has no role for citizens with business and the state roles not overlapping. This ignores reality and is a model that inevitably fails. Traditional business influences the state through membership of state bodies and through lobbying (and funding) of politicians. This approach is not in the best interests of their consumers who are also citizens. It is a divide a rule approach that is anti-social. Citizens have ultimate power since social unrest can destroy business. There are many levels of social unrest from the support of consumer watchdog organisations to sending death threats to company employees and rioting. When people are desperate they may feel they have nothing to lose and may vent their anger so that everyone loses. Greece under austerity is an example but the four days of riots across England that followed the Tottenham riots illustrates the alienation of citizens.

An example of ultimate power to citizens is the pursuit of international companies who avoid paying tax by declaring their income as arising in tax havens. Major corporations recognise the damage to their image and sales that such publicity can have. Some are even volunteering to pay tax where they are under no legal obligation in a bid to protect their brand. Of course, their brand is the major asset of their business. Damage to brands can cause shares to become worthless over a matter of days.

The appearance of Rupert Murdoch before the Leveson Inquiry into phone hacking was an example of citizen power (BBC, 2012a). A newspaper was put out of business. Austerity is a state measure that affects citizens. The link between citizen and consumer, state and business, is illustrated by poorer citizens having to shop at discount stores and affecting the profits of larger supermarket chains (BBC, 2014c).

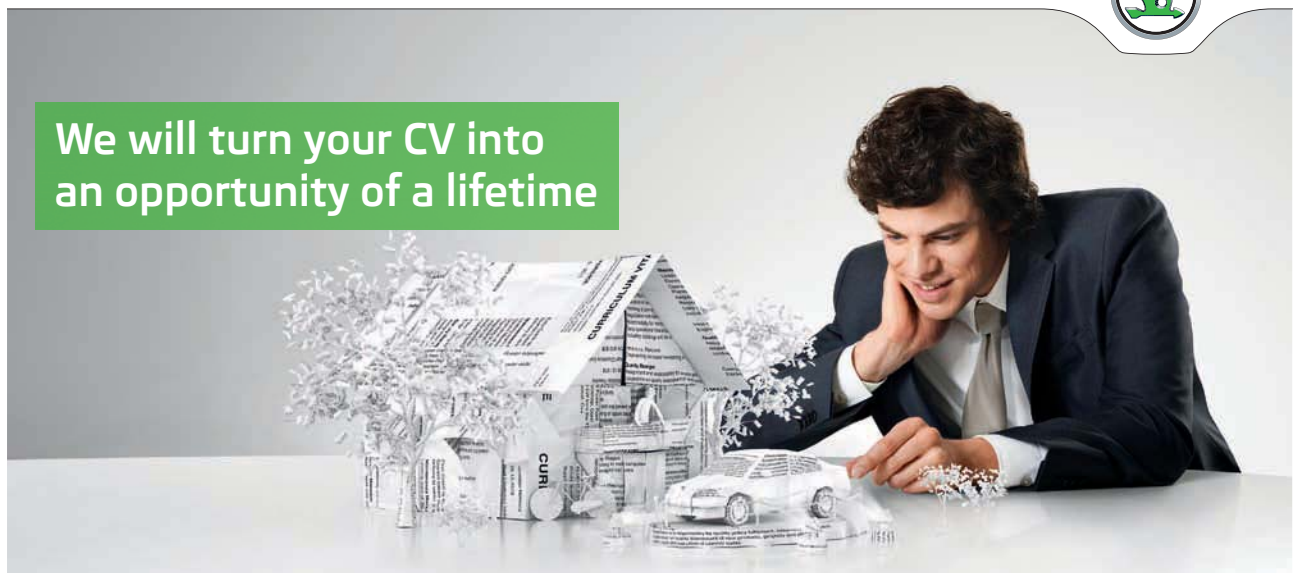
Managerialism with its cold logic of the free market will cease to be a dominant ideology when those who promote it are treated as social pariahs by investors, managers and staff. Managerial behaviour is anti-social and if society isolates those who are anti-social while taking away their power then such people will change. With the beliefs and values of managerialism becoming a social disadvantage rather than advantage, the ideology will become antiquated and wither.

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The ideology of consumerism that feeds New Capitalism and neo-liberalism is held by most of society. Whereas managerialism is practiced by comparatively few in society, consumerism is popular culture. Ironically, many people individually do not want to be trapped by consumerism but collectively peer pressure makes it addictive. The key to change is information and education. The social business should respond to demand not create it. This is where citizens and consumers in co-creation and co-production could help social business overcome the anti-social value of promoting consumerism. Anti-social business would remain and their products remain popular. The problem for society is to ensure social business reaches a critical mass in the market so that anti-social business does not hold society to ransom over the production of items that meet essential needs of society.

## 6.7 Conclusions

Business is part of society but consumerism is making people less human. The rewards of economic growth are shared unfairly which risks social unrest that could significantly damage community, society, the state and business. The consensus in the UK among moderate politicians has a basis in communitarianism. A communitarian model can be applied to business so that community, society, the state and business can work for the common good.

Social business puts the common good before maximising profit. The normal way profit is calculated excludes the cost to society and economic growth ignores social degradation. By reserving provision of public services for social business, nation states could address this social decline.

Society can control business by withdrawing power from those who refuse to provide the information that would make them accountable for what they have been entrusted. Business leaders wanting business to be more socially responsible should not support neo-liberal but communitarian politicians thus breaking the foundation on which anti-social business relies.

Citizens and consumers would play a major role in the communitarian model of business. This would involve major effort to consider the information from government and business that would be more complete, transparent and understandable. In the social business, citizens and consumers would be partners in the business from assessing needs through design to using the products in the best way for society.

Students can make an important contribution to making organisations more socially responsible as they are the leaders of tomorrow.

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## 6.10 Self-test Questions

Would the communitarian business model provide a sound basis for CSR?

To what extent is the term “social enterprise” political rhetoric and would social business be a better description?

To promote CSR and social business, should the state apply conditions to public sector contracts requiring social outcomes that anti-social business could not meet?

In what way does the education system need to change so that an understanding of society and accountability is built into it?

In what ways does the political system need to change so that trust is restored and the social contract reinvigorated?



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