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The State, Multinationals and Social Responsibility

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We all know that the world is far from being a perfect place. The widening gap between the rich and poor, exploitation and violation of human rights on the workplace and beyond, unfair trade and global warming are only a few of the topics relevant today. With the rising influence multinationals have on today's societies, "Corporate Social Responsibility" is a fairly new concept that is gaining more and more importance. Should, however, companies really be responsible for social equity? Should not the state be the main actor in such issues? Should states impose certain laws regarding CSR on multinationals? In the following, I will discuss these questions using different authors', and finally my own, opinion.

Some would argue that it is mainly the state's responsibility to deal with and find ways to combat social stability. One of the reasons speaking against the concept of giving too much responsibility to enterprises is the idea that businesses main aim is of economic nature, they want to make money and they will do what they are allowed to do. In his article "Milton Friedman Was Right", Henry G. Manne wonders when the transformation from private to public responsibility takes place. He argues that "multinationals are only a group of individuals" and that "the origins of this transformation lie in the minds of people who do not like or appreciate the genius of capitalist success stories, including politicians, he will generally make any argument in order to more private wealth".

However, who is in favour of the importance of CSR might argue that CSR business practices should complement rather than substitute state actions promoting social and environmental development. Furthermore, Governments often seem incapable to achieve co-operative solutions, so it is tempting to look towards multinationals to take a lead in creating solutions. The point is not that multinationals should have full responsibility. Rather, the question is whether there should be certain rules or laws imposed on businesses, and if they should be expected to be socially responsible.

Another argument by CSR sceptics may be that businesses are owned by shareholders; any money they spend on so-called social responsibility is effectively theft from those shareholders who can, after all, decide for themselves if they want to give money to charity. With this argument it becomes clear that the relevance of CSR clearly depends on the type of social responsibility: is it about giving money to charity or do the activities of the company have a direct impact on population and/or environment? Either way, CSR is, more than often, a tactical action to build relationships with costumers and the company's reputation and, finally, make more money.

When trying to answer the question of whether governments should provide the legal framework for CSR and impose laws on multinationals, a distinction has to be made between multinationals and small- and medium-sized companies. In fact, introducing CSR to small and medium-sized companies may have, in some cases, negative effects. For example, small firms that are suppliers for multinationals may have to pay the costs for carrying out CSR, in which cases the multinationals may not share the costs even if they

clearly benefit from it. CSR may also reinforce the growing power of larger firms by squeezing small firms in the supply chain and concentrating production in larger firms. However, if CSR is only imposed on multinationals and not on small firms, employees of small firms might end up working in worse conditions than the ones employed by multinationals, even if working in the same city and state. This is likely to be particularly the case in developing countries, where the state does not exercise much power on companies and where laws protecting employees are virtually non-existent.

The solution to this problem could be more cooperation within governments on a transnational level and, for example, stronger guidelines by the United Nations. Yet, cooperation between governments is difficult to achieve as each country has a different history, different needs and problems and a different mentality regarding the role of business companies. An example are those Eastern European countries which are strongly influenced by a socialist mentality, in which companies have to serve the population. As author Peinado-Vara puts it, "there is a need to improve the institutional capacity of governments and the investment climate, and also to adapt the CSR agenda to the specific characteristics of each country. In one of their publications, Robert Crown and Piotr Mazurkiewicz suggest that "governments can apply the specific experience of the state to their CSR policy, considering three questions as guidelines:

- In which areas are actions likely to do most to serve the public interest?
- What type of policy instrument would best promote such actions?
- Where should policy be targeted?

In a survey carried out by the authors in Bulgaria, Croatia and Romania, most firms agree that there is a social role for businesses, but this role is limited to being ethical, being transparent and caring about the well-being of workers rather than participating in correcting social inequities. Yet, the authors argue that the companies' contribution should be stronger and have a bigger impact.

Furthermore, they talk about 5 areas of potential benefit governments should consider when encouraging companies to be socially responsible:

- Economic: Ensure employment and retirement security, employee safety and protection, respect for labor standards, protection of human resource development concerns, fairness and transparency in contracting and supply chain management, and protection of intellectual property rights.
- Environmental: Improve environmental safety in production, distribution, product design, and service delivery; conduct ex ante environmental assessment Opportunities and Options for Governments to Promote Corporate Social Responsibility and incorporate risk management and investment; and conduct environmental monitoring, inspection, and management of remedial actions.
- Social: Protect human and employee rights; reduce violence and manage conflict; conduct ex ante assessment of the social impacts of business decisions and follow-up risk management; harmonize corporate and community needs and perceptions; encourage and manage charitable giving and social investment; and conduct social monitoring and reporting.
- Governance: Protect the rights of corporate shareholders and investors, establish codes of conduct for business, reduce corporate and government corruption, and maintain transparency and accountability in corporate management decision making.

The authors list a number of types of governmental actions that can be used to make enterprises act more socially responsible:

- Mandating performance in the form of law and regulation, providing for inspection and control and penalties for noncompliance.
- Facilitating the adoption of corporate social responsibility practices by offering cash and tax incentives, technical assistance, non binding guidance, and codes; stimulating dialogue between business and civil society; and raising public and corporate awareness.
- Partnering with business by combining public and business resources to achieve economies of scale, leverage resource commitments to adopt corporate social

responsibility practices, cross-fertilize ideas, and develop and disseminate best practices.

- Endorse corporate social responsibility practices with political and public recognition, support, publicity, praise, awards, and encouraging leadership by example.

It is indeed difficult to find an answer to these questions. Social Responsibility poses a complex problem and has to be put into context in order to be understood. We have to consider the sector the company belongs to, the CSR criteria and the state/country in question, with its people and mentality. Of course, in a way we are all responsible for our surroundings, for acting in an ethically "right" way. Governments, enterprises and individuals. But probably something needs to happen in legal, 'official' terms so that a change can take place. And actions need to start taking place somewhere. In my opinion, there should be specific laws preventing companies acting unethically in each country. The real "problem", however, is that multinationals are often more powerful than governments. Especially in developing countries, the state often relies on investments by multinationals and is therefore economically dependent on them. Thus, international cooperation is important, actions on a supranational level. Maybe, we should stop giving the term "corporate social responsibility" too much importance and start talking about the state's responsibility too, and stress the importance of the cooperation between both. In today's world, the tasks and interests of governments are not very different to those of multinationals. Money, of course, plays a big role. Yet, I hope that a cooperation to achieve other goals is possible.

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