

# Lecture Three: Shareholder vs Stakeholder Perspectives and Corporate Responsibility

## Week Two Recap

Spheres of human activity → could use for newspaper at a high level

- Economic sphere
- Social sphere
- Political sphere
- Ecological sphere

## Systems thinking

- A view of the world comprising of network of inter-related and interdependent parts (natural or man-made)
- As compared to analysis, which breaks

## What is sustainability

- Humanity has the ability to make development sustainable – to ensure that it meets the needs of the present without compromising the ability of future generations to meet their own needs

## Week Three Notes

### The Role of business in society

- Many corporations have more power than small developing nations
- Largest economic entities in the world (corporations)
- Increasing difficult to regulate the corporations, and have far greater effect on labour, social norms,
- the sustainability imperative
  - increasing scarcity of natural resources
  - shifting centres of economic activities
  - global interconnectivity and supply chains
  - environmental pressures are increasing business' liabilities
  - governments are introducing greater levels of new regulation
  - businesses failure to financially account for the true environmental costs of its operations and the real price of its products

### Stakeholders Perspectives

- suppliers → firms → customers, investors → firms, resources → firms
- understanding stakeholders
  - stakeholders are those who can affect or be affected by an organisation's decisions, policies or practices
  - may be past, present or future-oriented
- Ed Freeman states the businesses are just about creating profits, ultimately there to serve a purpose
  - Identifies misconception that businesses and ethics cant go hand in hand

- How embedded businesses are in society
- The ripple effect
  - Companies have always had an influential (good and bad) role in the development of society, especially over the last two hundred years
  - What has changed however is that the increased scope and extent of their ripple effect has meant an increased focus on their responsibility to society
  - The bigger the company the bigger the effect
- Why stakeholders? Ethical and normative case
  - They may be affected by your decisions
  - Consumer multiple perspectives and systems thinking
  - What are the duties/responsibilities of firms?
- Organisation  $\leftrightarrow$  affected stakeholders (normative relationship)
- Organisation  $\leftrightarrow$  influential stakeholders (instrumental relationship)
- Failing to acknowledge stakeholder concerns can lead to loss of reputation, trust and legitimacy and even the right to operate
- Stakeholder view of business
  - Alternative to the narrow (shareholder/stockholder) views of firms which

#### Corporate responsibility

- Corporate responsibility is a strategic approach to management that understands the centrality of stakeholders to the long-term success of the firm and builds on that understanding
- Carroll's simple model of CSR
  - Philanthropic responsibilities – be a good corporate citizen (top layer)
  - Ethical responsibilities – be ethical
  - Legal responsibilities – obey the law
  - Economical responsibilities – be profitable, the foundation upon which all others rest (bottom layer)
- Forms of duty/responsibility
  - Duty to respond to situations or conditions to which company's actions have contributed e.g. dangerous working conditions, environmental damage
  - Duty when an organisation benefits from but does not cause, conditions which are unjust or harmful
  - Duty of beneficence – to aid others when in a position to do some, even if the organisation is not directly responsible for the hardship or harm experienced
- Perspectives on CSR
  - Narrow vs broad
    - Narrow – being philanthropic
  - Moral/ethical vs strategic
  - Shareholder value vs shared value
  - Genuine vs public affairs/ 'greenwash'
- Political CSR: the corporation as a political actor
  - Not just about adhering to the law, how do corporations shape the law? Corporations are not "neutral" or "apolitical" institutions
  - Introduces democratic deliberations e.g. how are stakeholders impacted by actions and decisions and are they involved in decision making
  - Lobbying and campaign contributions

- The commoditisation of personal information e.g. Facebook has had large political ramifications e.g. customer data used to undermine several democratic elections