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*Corporate Social Responsibility (CSR) in the context of the European Union - Is an Ethics of Responsibility adequate?*

1. Introduction

»Corporate Social Responsibility« (CSR) has become a buzz word in business ethics. However, the idea of CSR that corporations and companies are not only responsible for their economic success but also for social and environmental issues inside and outside of their institution, »comprising all social and environmental stakeholders that influence, or are influenced by, the activities of the corporate entity«<sup>1</sup> has not only become a relevant concept for the discussion of ethical issues in the business context. Also in the political arena CSR is of some importance for programs which deal with the role of corporations in public life. In the European Union a discourse has been initiated by the European Commission on Corporate Social Responsibility which shows that there is a need for a broader discussion how to define the tasks of business and corporations for their societies.<sup>2</sup> This stands in relation to a European Union where the divergent concepts of economic pluralism on the one hand and an all-invasive idea of market economy on the other hand show two realities which need to be connected. The focus of this paper lays therefore on the relation of a macro level of society with the meso level of corporations in the European Union and the question if the concept of »responsibility« in the CSR-initiative of the European Union needs an ethics of responsibility as a guiding ethics. But first let us have a look on society and here especially at the homogenization and at the pluralistic elements of economy in the European Union:

2. Reflections on the Process of Europeanization - Economic Pluralism or One Market?

With the enlargement of the European Union in May 2004 ten new member states joined the main political system in Europe. More states like Romania and Bulgaria are waiting to join the European Union in the near fu-

<sup>1</sup> FREEMANTLE, Andy/ ROCKEY, Nick (ed.): *The good Corporate Citizen - pursuing*

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ture. The ten states that joined 2004 have not only entered the political union but by joining the EU they also became members of the Common Market. Eight countries of the ten countries, - namely the Eastern Europe ones - have gone through a thorough economic and political transformation process during the last ten years. They had to fulfill the Copenhagen-Criteria developed as the main points for admission. One of the Copenhagen Criteria is that the economic system of a member of the EU must be a working market economy. Therefore, the enlargement might be also interpreted as a recognition of the »old« EU that the former socialist Eastern European states managed the transformation process to a market economy with its characteristics of competition and private ownership<sup>3</sup> and they managed to join the homogenization process of the EU concerning certain economic and administrative standards required by the EU. It seems clear that the economic system of the European Union is a market economy. But then, what is diverse and pluralistic in the economic realm in Europe?

There are different levels where diversity plays a role in the economic realm:

On a systemic level there are different sorts of market economies in the EU - we can see this when we look at the relation of the economy and the state: the Scandinavian welfare system is different than the British or the French etc.

The characteristics of a market economy like »competition« presupposes diversity and the possibility to develop diversification concerning products, production but also working conditions etc. And here pluralism increased due to the risen opportunities of globalisation and - economically speaking the opening up of new markets.

There are also different levels of economic activities when we look at the different key indicators of economic growth and success like the GNP, prices, debts etc. or at a more corporate level at the prices of shares etc. These are only examples of how pluralistic structures and homogenization tendencies are interwoven in the European Union. But the main point here is: that as soon as you look on the economic realm intensively and in relation to the society and political sector, you can see that pluralistic structures are present. The European Union in this context seems to be a good exam-

ple of how Europeanization does not only mean homogenization but also pluralisation. Due to a European Union which mingles between homogenization, extending one Common Market, and pluralistic structures, there have developed new governance structures which pay tribute to the point that pluralism needs to be organized in a different way than homogenous and hierarchical structures. We can understand governance as being »societal, with public as well as private ›governors‹ participating«<sup>4</sup>.

### 3. Governance-Structures in Europe

Europeanization can be interpreted as an evolution at the European level of distinct governance structures and the development of a new set of political structures and processes at the national and regional level which interacts with the established ones.<sup>5</sup> At this point I do not want to discuss the different theoretical approaches concerning European integration theory where one of the main questions is what effects the changes on European level have on the institutions of the member states.<sup>6</sup> I want to focus rather on the discussion on new governance structures in the European Union and want to show that the discussion around CSR stands in the context of this development.

In 2001 the European Commission issued a White Paper on European Governance.<sup>7</sup> This White Paper was aimed at starting a discussion process on different ways of governance and government in the European Union. It was a reaction of the Commission to the multidimensional legitimacy problem of the EU. The Commission tried to react to the notion of many Euro-

<sup>4</sup> KOOIMAN, Jan: Societal Governance, in: KATENHUSEN, Ines/ LAMPING, Wolfram (ed.): Demokratie in Europa. Der Einfluss der europäischen Integration auf Institutionenwandel und neue Konturen des demokratischen Verfassungsstaats, Opladen 2003 (Leske und Budrich), p. 229-250, p. 229.

<sup>5</sup> BÖRZEL, Tanja: States and Regions in the European Union. Institutional Adaptation in Germany and Spain, Cambridge 2002, p. 6.

<sup>6</sup> Cf. e.g. BIELING, Hans-Jürgen/ STEINHILBER, Jochen (ed.): Die Konfiguration

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peans who see European policy as ineffective or excessively detailed and have lost confidence in the European idea as well in its bureaucracy.<sup>8</sup>

In the paper the Commission proposes »principles of good governance« like openness, participation, accountability, effectiveness and coherence as criteria for the changes they propose. One main focus of the paper is the strengthening of the participation of »civil society« in order to strengthen »democratic governance«. By emphasizing the word »governance« the European Commission talks about regulatory systems of collective action and bargaining and the ways individuals, private and public institutions may cooperate in dealing with common issues. It understands »governance« as a continuing process which is a form of self-organization, based on interorganisational network, standing in relation to political collective action which transgresses traditional political structures, supported by a system of rules set up by the participants and oriented towards collectively agreed results.<sup>9</sup>

4. The initiative of Corporate Social Responsibility in the EU

In this context the Commission of the European Community set a call for a dialogue on »corporate social responsibility« in June of 2001 by issuing a Green Paper »Promoting a European Framework for Corporate Social Responsibility«<sup>10</sup>. In this paper the Commission defined corporate social responsibility as »essentially a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment« (CEC 2001, 4). The common focus of the CSR initiatives in the EU is the strategic goals defined at the Lisbon summit 2000 and reaffirmed in 2001 in Gothenburg: that the EU shall be the most competitive and dynamic knowledge-based economy in the world fostering social integration and sustainable develop-

<sup>8</sup> Cf. a critical comment on the White paper in HÖRETH, Marcus: The European Commission's White Paper on Governance: A ›Tool-kit‹ for closing the legitimacy gap of EU policy-making?, ZEI Discussion Paper C 94, Bonn 2001.

<sup>9</sup> Cf. FÜRST, Dietrich: Regional Governance zwischen Wohlfahrtsstaat und neo-liberaler Marktwirtschaft, in: KATENHUSEN, Ines/ LAMPING, Wolfram (ed.): Demokratie in Europa. Der Einfluss der europäischen Integration auf Institutionenwandel und neue Konturen des demokratischen Verfassungsstaats, Opladen 2003, p. 251-268, p. 252.

ment. A great variety of issues appear under the name of CSR: actions like improving working conditions, setting certain environmental standards for production, helping a youth initiative to renovate rooms etc. - these are all cases of CSR. In order to get an overview of the different CSR-concepts and to promote an open dialog on CSR-issues the European Commission initiated a Multistakeholder Forum in 2002. The aim of this forum has been to promote CSR and enable a dialog between different groups like the business community, trade unions, civil society organizations and other stakeholders. In June 2004 the Multistakeholder Forum issued its final report where the results of different round tables sessions and ideas for the future of CSR are presented.<sup>11</sup> In this report the emphasis is made on different subjects:

CSR is seen in relation to other international and European agreed principles, standards and conventions like the UN Declaration on Human Rights or the OECD Guidelines for Multinational corporations etc. The capacities for an exchange among different stakeholders on CSR should be enhanced. The voluntary character of CSR should remain. The Commission's idea to promote a dialogue on CSR can be interpreted as an exercise in Governance because it managed to involve »the public« by implementing an open dialogue on the issue in the Internet and by initiating a round table with representatives from different networks and actors in the European Multistakeholder Forum on CSR. It is also important to note that the CSR initiative is seen by officials from Brussels as »a key instrument of the European Social policy agenda«<sup>12</sup> which complements legislation, social dialog and other instruments of social policy.

### 5. Responsibility in CSR-concepts

The concept of responsibility in CSR - in the conception of the final results and recommendations of the Multistakeholder Forum (MSF) on CSR of the EU - is a very broad one. The Multistakeholder Forum picked up the definition of the European Commission: »CSR is the voluntary integration of environmental and social considerations into business operations, over and above legal requirements and contractual obligations. CSR is about

<sup>11</sup> EUROPEAN MULTISTAKEHOLDER FORUM ON CORPORATE SOCIAL

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going beyond these, not replacing or avoiding them«. <sup>13</sup> In the center of CSR concepts stand their voluntary character. Concerning the »kind of responsibility« of the CSR-initiative we must say that the initiative itself is a very open concept because the companies can choose it or not. There is no obligation to fulfill this concept of CSR. Therefore it stand in relation with a liberal conception of the economy and the market as well as with the governance structures of the EU with its idea of self-organization. Although the application of the concept is voluntary, the basic idea of CSR is that corporations can be and are responsible for their actions internally and externally. We can interpret it as a multi-level responsibility. Let us have a look on the different »subjects« of responsibility. With »subjects« I mean who or what is responsible: is it the corporation as a whole or the managers etc. After that we will have a look on the objects of responsibility.

Concerning the subject of responsibility we have in the texts of MSF the typical questions in relation to responsibility of collective actors: how can a corporation as whole be responsible? <sup>14</sup> There is a division of work and labor, there are strategic decisions which lead to competitive actions which stand in relation to the structures of the markets, there is a supplier and a production chain - so who is the subject of responsibility in CSR-concepts? Since CSR-concepts are different and there are many approaches, the subjects of responsibility and of moral responsibility can be divers. Responsibility can be related to the corporation as such, as well as the management or individual members of the corporation or workers. The important focus of CSR is that it is a stakeholder approach which tries to shed the responsibility among not only the direct members of the corporation but also on the stakeholders - all who stand in relation with the company. The subject of responsibility stands in close relation to the object of responsibility which deals with questions like: what is a corporation, the management, the workers responsible for when we are talking about CSR? CSR thereby tries to combine different objects of responsibility. Concerning CSR we can distinguish two different sorts of objects of responsibility: The first »object« has to do with the original task of the corporation: The corporation is responsible for its products, the process of production and its finances and financing. The second »object« of responsibility goes beyond the main and origi-

nal task of a corporation and refers to the situation of the well-being of the society. CSR is about both objects of responsibility.

The first object of responsibility: product- and production- responsibility and financing: Taking Corporate Social Responsibility seriously then there are not only the criteria that the product and its production must be efficient, but also that it must stand in relation towards certain social and environmental standards. The product should consist of elements which are socially acceptable and environmentally not harming. The production line with the working conditions, environmental conditions and external effects is also part of this responsibility. The same relation to socially and environmentally issues can be drawn in the case of financial decisions.

The second object of responsibility is the society. This is an interesting point in the discussions of the MSF on CRS: CSR presupposes that corporations are responsible for the well-being of society although there might be no direct connection between the product and production and the financial side of the corporation. An ethics of responsibility might say that the responsibility refers to the effects and results of the actions of the corporations which stand in relation with their products and financing.<sup>15</sup> But in CSR the responsibility of corporations can be also related to the deficits of a society. Therefore I would argue that CSR also presupposes a certain idea of a »common good« or a certain idea of how a society should be organized and which values are important for the society. When we ask the question »to whom« shall corporations be responsible - especially when we look at the second form of responsibility: it is not the consciousness of the individual, or the law but it is the judgment of the others and of society.

To sum up, the responsibility of CSR is a broad concept. It does not only stand in relation to the production, financing and internal relations of a corporation but to the larger society where it functions. It is related to a stakeholder oriented view. The concepts of CSR often go beyond the economic conception of corporations. On a metalevel, CSR seems to pervade the internal logic of the market. The interplay between the demand side and supply side in relation to products and prices is opened up towards the environment and the society. They become relevant because they influence the setting of the interplay. Therefore CSR is an example of how the economic

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and the political sphere are intertwined. As in the political concept of governance the subjects vary and are many and more than usual. On the side of the objects of responsibility, the questions arises, who is for what responsible and how? Traditional fields of responsibility interact and start to influence each other. The areas between public and private spheres of society seem to merge closer together. The question of the »common goods«, the ideas and notions which influence a pluralistic society and which make a society »one« society seem to be fluid. Which ethical approach do we need in this context?

6. An ethics of responsibility

Let us look at a theological approach of an ethics of responsibility. H. Richard Niebuhr developed an ethics of responsibility in his work of 1963 »The Responsible Self«. <sup>16</sup> In the context of CSR, I will evaluate this ethics of responsibility on two level: first I will talk about the concept of reality of this ethics and second I will have a look on its understanding of responsibility.

Niebuhr's approach is a relational view of reality. His concept of society can be described by his emphasis on the relational self: Human beings are responsive beings, we act upon ourselves, and we act toward an end and are purposive. Human beings are engaged in dialogue and stand in relation to a triadic form of life: I-thou-third (society/nature). <sup>17</sup> The third reality has a double character: personal and a reference to something that transfers it. Having a relational concept of reality, we can say that also Niebuhr's concept of responsibility is relational: Niebuhr's idea of responsibility is that an agent's action is a response to an action upon him or her. The agent's action is in accordance with his or her interpretation of the latter action and with his or her expectation of response to the responsive action, and all of this is seen in a community of agents. This theory of responsibility has four dimensions: The responsible action is a response to an action. It presupposes an interpretation of the situation - we interpret always with help of images, meanings, shapes and symbols what happens. The action must anticipate answers to its response - Niebuhr calls this accountability. And a responsi-

<sup>16</sup> H. RICHARD NIEBUHR, *The Responsible Self*, New York: Harper & Row, 1963.

ble self stands in relation to its social context and in relation to a certain continuity of interpretation. Niebuhr calls this social solidarity.

This »cathekontic ethics« is looking for the fitting action which is defined as the action which stands in relation with its context. It tries to answer the question what is happening and tries to fulfill the situation in advance. The individual and its responsibility is related to some form of universal responsibility which can be seen in a continuum of community and a continuous community of interpretation: »We find ourselves led to the notion of universal responsibility, that is, of a life of responses to actions which is always qualified by our interpretation of this action as taking place in a universe and ... that there will be a response to our actions by representatives of the universal community.«<sup>18</sup> Action stands in relation with society. The theological side of this ethics of responsibility comes in when Niebuhr refers to the question for whom does one have responsibility: at this point the world as the creation of God or the »One« comes into the view: »I am in the presence of the One beyond all the many. And my response to every particular action takes the form of response also to the One that is active in it.«<sup>19</sup> It is this scheme of reference to some »center of value« that his notion of responsibility stands for. Also from his theological perspective Niebuhr emphasizes that it is the question of the fitting and not of absolute laws which is also in the Bible the important point: »Israel is the people that is to see and understand the action of God in everything that happens and to make a fitting reply.«<sup>20</sup>

Evaluation: Although Niebuhr's ethics is a relational ethics, it is very much oriented towards the actual situation and towards human beings as individuals in society and not so much towards corporations. While the relational aspect enables one to take the social side of human beings serious, one gets the impression that societal structures and processes as well as institutional structures are not the main point of Niebuhr's approach. Therefore at least this kind of ethics of responsibility does not seem to be adequate enough in relation to a CSR-concept. Therefore let us have a look if process theology might be an approach which we can combine with CSR and if it helps with the question how responsibility is linked to society. I

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would argue that we need an ethics of corporate social responsibility which has elements of an ethics of responsibility but which also takes into account an analysis of societal structures and its value systems in relation with corporations with a critical eye.

7. Process Thought

The main concept of a process theological approach which focuses on the economic realm and questions of economy is John Cobbs and Herman Dalys »For the Common Good«. <sup>21</sup> In this approach the two authors develop an economics for community in the context of process theology. In their concept, the central criterion for the evaluation of an economic decision is its value for »the community«. If an economic action has positive influence on the community it is good, if it has negative influence on the community it is bad. <sup>22</sup> This approach is based on process theology and the thought originally formed by Alfred North Whitehead and then further enhanced by Cobb and Daly in their works. This approach also has a relational view of the world. In this relational view, past events are called subjects, and they evolve into other events and thereby become objects, and influence the present situation of events. The initial aim which is also influencing this process is understood as an aim given by God for this event. This process of being related is called experience. <sup>23</sup> Here we have some kind of similar phenomenon as with the approach of Niebuhr. Although Cobb and Daly hold on an ontological level a relational view of reality in their concept of an economics for community they leave out institutional and organizational structures of society. But at least in the work of John Cobb we can find one guiding principle which could be interesting for us: This principle is the

<sup>21</sup> COBB, John B./ DALY, Hermann: For the Common Good. Redirecting the Economy Toward Community, the Environment, and a Sustainable Future, 2<sup>nd</sup> ed., Boston 1994.

<sup>22</sup> Ibid., p.391.

<sup>23</sup> Cf. for a thorough understanding of Alfred North Whitehead his central work: Process and Reality. An essay in Cosmology, Gifford Lectures Delivered in the University of Edinburgh During the Session 1927-28, revised edition, New York 1978; for an introduction

criteria of the maximization of the richness of experience.<sup>24</sup> Due to the relatedness of being, the point is that experience should be enhanced. And since the relationality of being is reciprocal, this experience is thought to be a positive experience because the negative effects of a negative experience fall back or influence those who created the negative experience. Compared to the criteria of Niebuhr - that the responsible action should be a fitting action - this criteria of the maximization of the richness of experience is deeper because the relatedness is on a very basic level and concerns each and every entity. Is the idea of the »fitting action« in Niebuhr's concept very much bound to the situation itself and just on a secondary level and more indirectly to a broader view of the societal context of the situation, the idea of the maximization of the richness of experience can be related to a more general concept of reality. In process view the richness of experience and its criteria of maximization can be understood as an orientation for how the common good could be defined. In this form of process thought there is no systemic logic for the different areas of reality like one for the economic realm, or the political sphere but there is this one idea which transgresses the different areas and by which the search for the different common goods of a society might be guided - and this is the maximization of the richness of experience.<sup>25</sup>

## 8. Summary

In the economic realm the European Union follows on the one hand the paradigm of homogenization with putting emphasis on the market economic structures, on the other hand pluralistic tendencies are also present and wanted in order to create competition as a crucial element for a market economy.

Due to these two directions, governance structures evolve which try to develop policies in a non-hierarchical way and try to take diversity serious. CSR is to be seen in relation with this governance-concept. Although CSR refers to corporations, it is understood by EU officials as a new form of social policy. Therefore, an investigation and evaluation is needed how the societal structures of the European Union stand in relation with corpora-

<sup>24</sup> Cf. ULSHÖFFER, Gotlind: *Ökonomie und Theologie. Beiträge zu einer*

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tions. The concept of an ethics of responsibility by H. R. Niebuhr is an interesting concept for a CSR approach, especially, his emphasis on the »fittingness of action« as a responsible action because as in CSR- actions the action of a corporation should »fit« to the actor as well as to the situation which demands this action. However, Niebuhr's approach does not help in evaluating the situation critically. I would argue that this »metalevel« reflection on the situation and society and its relation to corporations and its stakeholders is lacking. Therefore, Niebuhr's ethics of responsibility is problematic and not completely adequate to a CSR related ethics. The criteria of a process theological approach of the maximization of the richness of experience might be developed as a leading idea for an evaluation concerning actions and for an evaluation how a pluralistic society might look like. But it also leaves two questions open: first, from a theological perspective, the question is how to deal with the sinfulness of the world or the brokenness of the world. Second, from an economic perspective, what are the incentives to apply - on a more practical level - the criteria of the richness of experience, especially, when the reciprocal influences of the entities are not directly felt. How can someone be motivated to act with the criteria of the richness of experience when this does not mean that it is the best choice for himself or herself and he or she does not »feel« the influence of the other entities? Where is the incentive? Therefore, for a theological evaluation of CSR, we need not only an ethics of responsibility but also some concept of how to find a way to understand what is important for society. We need an ethics which is adequate to CSR in relation to the need for responsibility and in relation to the discussion and the decisions on the common goods in a pluralistic society. This might be called a European ethics of governance structures.<sup>26</sup>