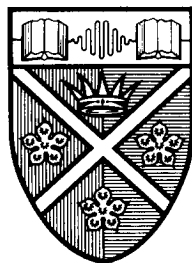# STRATHCLYDE PAPERS ON GOVERNMENT AND POLITICS

BUSINESS AND SOCIETY IN BRITAIN:
THE POLITICS AND PRACTICE
OF CORPORATE RESPONSIBILITY

C. Moore
and J. J. Richardson

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OF CORPORATE RESPONSIBILITY

by

C. Moore, University of Strathclyde

and

J. J. Richardson, University of Strathclyde

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Corporate Responsibility*

Introduction

The corporate social responsibility phenomenon has long been
familiar in the United States and seems, through British eyes, an
accepted feature of American corporate behaviour (PRESTON, 1986,
p17-22). The developments in Britain, discussed in this article, have
not yet quite matched the US trends in the 1960s and 19070s which saw
".....a reexamination of the relations between business and society,
the emergence of a new awareness of the breadth of positive and
negative social impacts of business activities, and a reformulation of
the concept of corporate interests and responsibitities" (DIERKES and
ANTAL 1986, p106). Neither can one find statements from peak
associations quite so bold as that from the Council on Trends and
Perspectives of the Chamber of Commerce of the United States which
stated, "If business corporations are to adjust to continually
changing demands for social as well as economic performance, they must
do something more fundamental than respond to the proposals of others.
Business must restructure its perspectives so that social goals are
on a par with economic goals (DIERKES and ANTAL, 1986, p107). Yet
Britain has seen a significant growth of corporate social
responsibility amongst major UK based business enterprises, shifting
from a traditional concern with charitable donations or progressive
internal management and work practices, to an investment in

socio-economic orientated projects. In particular, private resources are being increasingly directed at helping to solve the two most pressing social problems facing Britain today, namely mass unemployment and urban decay. There are a myriad of local initiatives based on the principle of partnership between public and private sectors, backed by Government incentives and by new national business based organisations like Business in the Community.

The developing sense of corporate responsibility in Britain is of course set in the context of a system of business/government relations in which there has traditionally been a close relationship between the public and private domains. As Antal suggests, we need to understand the sociopolitical environment, as well as the organisational culture of particular businesses, in order to understand the way that corporate social responsibility is shaped. Thus the sociopolitical environment both influences the agenda of issues and problems, and influences what business is expected to do (ANTAL, 1985, p232). Vogel notes that British businessmen exhibit a set of values and beliefs which may make them less suspicious of government and state than their US counterparts might be. He argues that "ironically, while the ideology of corporate social responsibility is far more widespread in the United States than it is in Great Britain, the practices of British business actually appear to conform much more closely to its ideals." (VOGEL, 1986, p250). The norms under which business operates in Britain make it ".....more susceptible to social pressure from both government officials and other firms to behave 'responsibly'". (VOGEL, 1986, p250). It seems reasonable to suggest that the very values which observers such as Weiner see as inhibiting the competitive drive

of British business ought to make it susceptible to notions of corporate responsibility in the wider community interest.(WEINER, 1981).

There are certainly now developing pressures for British business to become more systematic in developing its corporate social responsibility more actively. For example, Prince Charles (who is President of Business in the Community) has argued that "it is necessary to try and achieve a more enthusiastic response from the private sector towards the needs of each local community and the community in which each company business is located" (B.I.C., 1986, p4). Similarly, Mr Robin Leigh-Pemberton, Governor of the Bank of England, has called for a major initiative by companies to reverse the "misery and alienation" within Britain's inner cities. Echoing Prince Charles' call for more involvement, he argued that it was "....perfectly appropriate that commercial companies should develop a definite policy in respect of their social responsibility in the areas in which they operate" (B.I.C. 1986, p5). The collective peer group pressure, to which Vogel refers, is evidenced by the behaviour of peak organistions such as the Confederation of British Industry (CBI), which, for example, has set up a Community Task Force, following an approach from the Government in early 1985, designed to increase the awareness of the Government's Community Programme (for the long-term unemployed), and to encourage experimentation and greater involvement by industry. The Task Force has made specific proposals to the Government for an improvement in operation of this Community Programme and has been given permission to set up 20 experimental projects. Thus, in some respects at least, the CBI has reached stage two of

Ackerman's model of the development of social responsiveness i.e. it has passed through stage one - the establishment of a commitment to respond to an issue, and stage two - the acquisition of specialised knowledge or skills to deal with it, and is now in stage three - the implementation of the response and its intregration into standard operating procedures (ACKERMAN, 1975).

Thus, there are sufficient indicators of change to suggest that British business may belatedly be moving in the same direction as that in which American business moved in the 1960s and 1970s. The main aim of this article is to discuss the real significance of this movemenent as a political phenomenon, raising questions about its underlying ideology and objectives, by drawing on the lessons of business involvement in current urban policy and responses to the unemployment issue. Our article then analyses competing explanations for this involvement. The dominant mode of analysis has been based on liberal pluralistic and structural functionalist views of society, and we contrast this with an alternative concept rooted in more radical views of power. Finally we place the corporate responsibility movement in a wider context, suggesting that it is as much a political phenomenon as an economic or social phenomenon, and that the political dimension may be more significant in gaining an insight into the issue of why companies are becoming more actively concerned with these social issues.

Before considering the two policy seas of urban decay and unemployment, and the main implications of business involvement however, we attempt to define the concept of corporate responsibility, especially as perceived from a British perspective.

Corporate responsibility as a Concept

Corporate responsibility is fundamentally about the relationship between business and society, and in particular between big business and society. The classical school of liberal economic theory based on the 'free market' philosophy as represented by Miton Friedman sees the company as an economic agent. In this conception the corporation meets its social responsibitities by maximising profits and operating efficiently in responding to the market. The whole idea of corporate responsibitlity is contrary to the principles of a free society and quite contrary to the interests of shareholders and employees.

This view is criticised by those who see the corporation as a social organisation. They argue that the liberal market approach ignores key developments in the modern business corporation, which exercise considerable influence over the working of the market. Firms are as interested in goals of steady growth and stability as in profit maximisation and risk. These interests lead to an interdependency with government intervention in the economy, and to the gradual involvement of business in community affairs which have no apparent direct link with business profits. Yet, in essence, this involvement is often defended in terms of self-interest. As Lord Carr (Chairman of the Prudential Assurance Society and Chairman of Business in the Community) put it, "....the commercial success of business organisations is affected by the health and prosperity of society, and especially by the health and prosperity of the communities where they produce or sell their goods and services". (B.I.C., 1986, p8). This

conception raises questions about the political and social powers and role of the modern corporation. Dahl has referred to the corporation as a 'social enterprise' whose legitimacy is based on serving some public or social purpose (DAHL, 1972). Indeed, some companies have, of their own choosing, institutionalised the achievement of social goals in their decision-making processes. For example, the studies of Migros Genossenschaftsbund AG of Switzerland, by Dierkes, document that company's far reaching experiment in social reporting and the long standing commitment to cultural and social issues guaranteed in the statutes of the corporation (DIERKES, 1986). Other observers have linked the market responsiveness and commercial operation of business with a capacity of the corporation to meet social objectives. For example, Drucker has referred to the 'third' or 'mixed' sector comprising non-governmental institutions serving public policy goals. This sector could include the business corporation either acting directly, or in partnership with other organisations, to deliver social programmes as defined by Government and with some public funding (DRUCKER, 1984).

Discussing the provision of social welfare benefits, Rein argues that the conventional dichotomy between the public and private sector is misleading (REIN, 1982). He suggests that the established category of the 'Welfare State', meaning essentially government or public services and transfer payments, does not adequately reflect the extent of social provision in modern industrial economies and the complex intermeshing of public and private contributions. In his view it is more accurate to talk of the 'Welfare Economy' which takes into account the variety of institutional forms by which society carries

out the welfare function. The growth of fringe benefits has been marked in all Western economies and Rein suggests that the more recent general governmental strategies of cutting public expenditure and reducing the role of the State will lead to even greater emphasis on the private sector, as the institutional mechanism of social welfare delivery. There is plenty of evidence of this trend in Britain.

The growth of 'indirect government' in the USA and Britain has led to similar arguments by students of public administration. The old boundaries between the public and private sectors have become increasingly blurred. Greater public intervention in the economy and society has generated new interdependencies between Government and other social interests, and led to new institutional arrangements to handle complex policy issues. Smith talks of the 'New Political Economy' and the 'Contract State' in the USA, whilst in Britain the emphasis has been on the growth of quasi-governmental and non-governmental bodies (SMITH, 1975). The present Conservative Government has sought to reduce this form of indirect administration as much as more direct forms of State intervention, but in practice, the same issues which gave rise to the Quango phenomenon are now being handled by new instruments of public-private partnership. Some Quangos have been replaced by 'leverage' and public 'pump-priming' as an ideologically acceptable form of public-private interdependency in meeting societal policy objectives. In other areas, new Quangos have been created, eg the Office of Telecommunications following the privatization of British Telecom.

At a more theoretical or philosophical level, some writers on public-private interaction view the development of corporate

responsibility in meeting social objectives as increasingly important and desirable. Kempner et al. talk of a 'paradigm shift' in the mode of interaction between the business corporation and society (KEMPNER et al. 1974). The competitive liberal economic tradition which identified the pursuit of corporate profit maximisation with the interests of the wider community, as mediated through the market, has become increasingly at varience with the reality of economic organisation and structures based on collectivism and professional management. More particularly, changes in social values have placed less emphasis on competition, economic self-interest and profit as indicators of progress, and more on collective community welfare. These shifts, it is argued, will lead to increasing pressure on the traditions of corporate enterprise, but as yet the reorientation of business objectives and values to fit the new social aspirations has lacked an appropriate theory to guide managers.

Kempner at al. argue the need for a new social consensus which will integrate private action and public goods, without centralising social decision making. They talk of a fusion of consensus and competition which will preserve the basic values of a pluralist liberal society, although they do not specify in any detail how this fusion might be achieved (KEMPNER et al. 1974). The introduction of mandatory social reporting might be one means of achieving this fusion. For example, Dierkes and Antol argue that we now have enough experience of social reporting for it to be ".....a useful tool for integrating social consideration into decision-making by business and its constituencies" (DIERKES and ANTAL, 1986, p119).

Beesley and Evans also analyse this problem of coping with social

change whilst preserving the framework of social stability and liberal pluralism, echoeing Smith's call for the new partnership institutions of societal administration to generate public confidence in order to avoid 'drastic swings in policy and eruption of destructive ideological conflicts' (BEESLEY and EVANS, 1978). They argue that there are limits to the capacity of the market system and the 'public choice' system (by which they mean the political process), to regulate and handle emerging social needs. This suggests that a third system, which had been relegated to a lesser role in the past, will become increasingly signifibant in the future. They call this system 'societal self-regulation' and see corporate responsibility as one major component of this third way. It would require changes of attitude not only within management but also in government, with new organisational networks emerging based on mutual dependency and dual legitimacy. For the corporation, social responsibility becomes an issue of how far it is able to incorporate external concerns into its own decision making processes and to participate in creating new organisational coalitions or cooperative institutions.

Given these general pressures on the role of the corporation in society, how can we characterise the response of business? We might well expect variations in corporate philosophy on social responsibiliy. As Antol argues, a key factor in the development and institutionalisation of corporate responsiveness is the particular corporate culture i.e. ".....the values and beliefs of a company play a major role in determining its perception of the pressures and changes in the social, economic, and political environment, and its ability to respond to them" (ANTAL, 1985, p230). As these

organisational cultures show enormous variations, then so will there be enormous variations in the way in which corporations respond to their socio-political environment.

In Britain, Grant, in an analysis of the political strategies of business, identified three basic orientations towards political involvement and lobbying: the tripartite firm which was active in associational networks and recognised Government intervention as reasonable in certain circumstances; the capitalist aggressive firm which regarded close relations with Government as a constraint on operational efficiency and saw its societal relations as being essentially defined by the market, and was therefore not active in business groups; and the pragmatic firm which lacked a corporate political philosophy but reacted to the immediate environment in order to protect its interests (GRANT, 1983).

American writers have also identified different levels of corporate social involvement revolving around key organisational or managerial variables like personal commitment, motivation, scale of activities and strategic coherence. For example, Vogel and Bradshaw analyse corporate responsibility in terms of three levels of response which they term: 'philanthropy' – which is essentially an individualistic charitable act, (this mode of corporate responsibility has a long history in the UK stretching back at least to the Victorian industrialists like Cadbury and Rowntree); 'responsibility' - where the corporation sees its duty in terms of 'good citizenship', emphasising the conduct of the organisation as an economic enterprise within a social environment and seeking to minimise negative impacts arising from its operations; and 'policy' - which is a strategic

articulation and statement of the corporate attitude on policy issues, leading to an organisationally sophisticated response and management commitment to adopting a proactive response (VOGEL and BRADSHAW, 1980). (This latter stage probably corresponds to Ackerman's stage three referred to earlier).

Beesley and Evans also conceive of a spectrum of corporate social responsibility, but along two variables - (1) internalization, that is the extent to which the corporation incorporates external issues into its own structures and processes, and (2) external relationships, that is the nature of responsiveness to the outside world. At one end of the spectrum are companies characterised by 'passive adoption' responding simply to the demands of the law, political force or social custom, and where there is no engagement in external negotiation to change these parameters (BEESLEY and EVANS, 1978). For example, in a case study of corporate responsibility in UK firms, Harvey et al. saw this kind of response as one where companies regarded the outside world 'like the weather', something that one had to react to but could do nothing to change (HARVEY et al. 1984). The next point in Beesley and Evans' spectrum is where companies are aware of external concerns and show a commitment to legitimise corporate activities in relation to these concerns. This approach is still a highly reactive response, but can lead on to a point where companies begin to negotiate and bargain with their environment rather than simply internalise concerns without trying to influence them. The final point of the spectrum is thus where firms engage in external negotiation and also internal adaptation, incorporating external concerns into their own decision making systems. At this point, the corporation actively searches for

appropriate responses and does not view outside forces simply as an operational constraint (BEESLEY and EVANS, 1978). This spectrum of activity is similar to Sethi's three level model of evaluating corporate social performance. Firstly, there is a "social obligation" on a firm to meet the legal and economic demands placed upon it. The second level is based upon the notion of "good citizenship" and is characterised by a reactive style of response to a firm's environment and is termed "social responsibility". The third level - "social responsiveness" involves the development of a policy response leading to the setting up of non-economic or non-market criteria of performance measurement (SETHI, 1975).

As we turn to a discussion of British responses to urban decay and to unemployment, we can note that few if any British-based companies (as opposed to some of their representative associations like the CBI and Business in the Community), appear to be at Sethi's third level, or Ackerman's stage three or Vogel and Bradshaw's proactive response style of management. There are however a number of developments which suggest that there is a clear enough movement towards greater involvement, albeit still in a generally unplanned and ad hoc manner.

<u>Corporate Responsibility in Practice: the Case of Urban Regeneration</u>
<u>and Unemployment in the UK</u>

The present Conservative Government emphasises the role of the private sector as the engine of economic growth and employment, but also sees business as a partner with the public sector in solving the major social problems of urban decline and unemployment. A whole series of initiatives designed to encourage business involvement in urban projects and policy formulation have been introduced since 1979, including Urban Development Grants, Inner City Task Forces, Enterprise Trusts and the Financial Institutions Group. The response of the UK corporate community can be examined at the level of individual companies and at the level of concerted national movements designed to encourage more firms to participate, and to establish more local collaborative projects like enterprise trusts.

In 1983, a survey of UK corporate involvement in social responsibility activities, based on a sample of 90 firms, found that only 25% had developed any formal policy statement or implemented coherent plans on this issue, although all companies were said to be 'acutely aware' of their responsibilities to be 'good citizens'. Once prompted into thinking about their involvement, this tended to produce a more positive respone, with some 60% seeing their involvement in social issues as developing further, especially within their geographical locations of operation. The general impression was of a highly reactive stance, of firms waiting to be approached, and the survey concluded by arguing the need for maximum external direction and prompting in order to stimulate what was seen as the untapped

potential of British business to support public policy initiatives like the Youth Training Scheme (YTS) (DICHLIAN, 1983).

The research echoed earlier work by Shenfield in the late 1960s, who in a survey of some 25 major UK based corporations had found a marked lack of rationality or coherent justification for their charitable donations, beyond a vague generalised enlightened self-interest. Unlike other areas of corporate investment there was no attempt to measure the benefits to corporate objectives of such giving (SHENFIELD, 1971).

Our own research on local public-private responses to unemployment in the UK also looked at the wider issue of the involvement of British business in social responsibility, and specifically at whether corporations were addressing the issue of local economic development and job creation. We chose this policy area, as it is a major plank of current Government policy, and at a national level is recognised by peak business organisations like the CBI as a legitimate concern of business (RICHARDSON et al., 1985). We contacted over 100 major UK-based corporations in manufacturing and service sectors, including financial institutions, in order to gain information about their general attitudes to corporate responsibility and about their specific activities (if any) in the field of economic regeneration and employment creation. The responses confirmed that although many companies were aware of some kind of duty to go beyond their commercial acitivities in order to meet their obligations to society, the specific mode of response still tended to be ad hoc and reactive. In many major corporations, corporate responsibility was highly decentralised, with no centralised policy or organisational

unit responsible for social involvement. There was broad support for local plant and operating division involvent in community projects. Equally, a number of companies were in the process of developing their responses. That more companies are developing a social responsibility role is in part a reflection of the absence of any signs of a decline in unemployment (the national average is approximately 13% but localised levels can reach 40% or more), a continued deterioration in the problems facig inner cities, and peer group pressure from representative business organisations and the more active firms. Nevertheless, a good proportion had no significant involvement, although this was for a variety of reasons. For some it was the case that their own operational environment and economic position was considered so pressing that they could not devote financial or managerial resources to wider initiatives. For others there was a more traditional conception of corporate responsibility, based on their economic contribution to society through employment, investment and production of goods or services. In so far as companies had a wider view of their responsibilities, it was equated with good internal practices on issues like health and conditions of work, and with acting as a 'good citizen' in conforming to necessary legal requirements laid down by Government.

At the other end of the scale of involvenent were those companies which not only had a high level of project activity either at local or corporate level, but also had clear policy statements outlining their objectives and criteria for involvement. This was usually backed by some organisational commitment through special departments or units and management staff with defined budgets, although not necessarily

devoted   exclusively   to   economic   development   and   employment
initiatives.   Thus   there   was   at   least   some evidence, in the most
active firms, of the institutionalisation of social responsiveness   as
indicated in Ackerman's model.

It   is   those   companies that have adopted the most proactive and
strategic responses which, not surprisingly, assumed the leadership of
the   national   corporate   responsibility   movement.   The   CBI's   own
pronouncements   on   unemployment   indicate a growing concern with this
issue,   but   also   a   dilemma   in   constructing   a   clear   response
(RICHARDSON,   1983).   On   the one hand, business leaders believe that
the only viable long-term solution for   unemployment   is   to   increase
Britain's   industrial   efficiency and profitability.   This strategy is
acknowledged in the short-term as being more likely than not   to   lead
to   more   job   losses   due   to   corporate   rationalisation   and   the
introduction of new technologies.   On the other hand are the political
and social pressures for a short-term   response.   The   CBI's   Special
Programmes   Unit   (SPU),   set   up in 1979, provided an outlet for this
corporate   responsibility,   linking   up   with   the   Manpower   Services
Commission's   (MSC)   promotion   of   youth training and with easing the
transition from the old Youth Opportunities Programme to the new Youth
Training Scheme, which was based   on   the   assumption   of   significant
private   sector   involvement.   The   SPU   provided   the   mechanism for
stimulating corporate involvement in training and also influencing the
output of public policy.   However, the Unit then moved beyond this one
specific area towards an attempt to address the issue of what could be
done to actually generate long-term jobs in   unemployment   blackspots.
This   led   to   a   series   of   'Community Action Programmes', involving

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individual town studies and subsequent local initiatives to support
enterprise development. SPU subsequently (October 1984), merged with
another national business organisation - Business in the Community
(BIC). BIC, formed in 1981, is now the main national business
organisation specifically set up to encourage business involvement in
attempts to solve the unemployment crisis and to improve the situation
in the inner cities. With a membership of 153 companies (including
the Bank of England), BIC is the umbrella organisation for the growing
number of local enterprise agencies (over 250 at September 1986) in
which businesses are now involved. Business support for these
agencies was approximately £21.5 million in 1985 (having risen from
£12.5 million in 1984), with a target of £30 million for 1986. It has
also, like the CBI, become involved in the inner cities problem,
having set up a BIC task group following the inner city riots. In
June 1986, BIC launched a three point plan of action. The initiative
included:- 1. A continuing series of seminars to attract new
companies. 2. A series of up to eight demonstration 'Community
Economic Development Partnerships' focussing on small inner city
neighbourhoods. 3. An "orchestrated" attempt by BIC to encourage
leading companies to "adopt" areas for investment in major economic
initiatives. It is also setting up an Inner City Partnership Unit to
co-ordinate its inner city programme (B.I.C. 1986, p10). There are now
moves from leading members of the BIC Governing Council to establish
an agreed 'norm' whereby companies aim to contribute an identified and
growing percentage of pre-tax profit to community involvement. These
moves received a boost in December 1986 when the "Per Cent Club" was
launched by the Prince of Wales at a reception hosted by the Prime

Minister at 10 Downing Street.   The objective of   the   Club is   to
persuade leading companies to donate half a per cent of their pre-tax
profits to benefit the community.

        National level responses are of course only the vehicle for
stimulating individual company involvement and awareness of corporate
responsibility.   The operational emphais is   on   local   project-based
partnerships.   Our   own   study   of   local responses to the problem of
unemployment shows that there are different models of partnership   in
the   urban regeneration and employment creation policy field.   We have
written of an   'unemployment   industry'   network   where   the   business
conmunity   is   an   increasingly important actor in the formulation and
delivery of public policies, like training schemes   (MOON   and
RICHARDSON,   1984).   Essentially   this   involves   an <u>administrative</u>
<u>management</u>-based relationship at the   local   level,   where   companies
agree   to   deliver   schemes within a policy framework laid down by the
M.S.C. At the same time, organised business had a policy input
through   the   multipartite   decision   making structures of the agency,
along with organised labour, local   authorities   and   educational   and
voluntary bodies.   This allows inputs for all these bodies at the <u>area</u>
as well as the <u>national</u> level.
        Two   other   models   of partnership have emerged.   One is a <u>market</u>
<u>contract</u> model represented by the Urban Development Grant,   which   was
imported   from   American   experience through the work of the Financial

Institutions Group in 1982. The Group consisted of representatives of private financial institutions and was set up by the Secretary of State for the Environment in the wake of the Brixton riots, in order to give practical advice to government and to assist in the mobilisation of private sector funding for inner city problems (HORNSBY, 1982). This scheme is based on the concept of 'leverage', whereby public subsidies at the margins provide the necessary incentive for commercial investment in various inner-city development projects (BOYLE, 1985). This extends corporate economic activities with broadly commercial criteria and objectives to projects or locations with a higher element of risk than would be acceptable in the absence of the public sector contribution. It is a contract between commercial interests and public goals of urban regeneration working through a modified market mechanism.

A second model of partnership can be described as a public policy model, best illustrated by the enterprise agency movement, where private resources in the form of management secondments and funding are brought into new organisational arrangements with the public sector in order to formulate and manage projects designed to stimulate local economic regeneration. Enterprise agencies might be seen as one of the new institutions of social self-regulation proposed by Kempner et al. as a consensus based vehicle for bringing together public and private sectors and applying their resources in the common project of managing social change and preserving stability (KEMPNER et al. 1974). The private sector is helping to define the problems and implement the solutions, but outside the market system for there is no direct commercial criteria or interest in this commitment.

It would be misleading to view this type of partnership as simply another variant of 'privatisation'. It is more about mobilising private sector resources to perform tasks or solve public policy issues. Critically, the impact of enterprise trusts as agents of economic change is based on a mix of public and private resources, not on the replacement of one by the other. Certainly, the peer group pressure on firms to participate in enterprise trusts seems far removed from any notions of privatisation. The image is more of businessmen being sucked into helping to solve public policy problems and of a government keen to spread responsibility, than of any straightforward notion of privatisation. Thus the process is as much "contracting in" as of the "contracting out" which is normally associated with privatisation.

The normative values accepted by most British businessmen, and referred to earlier, are important in understanding how this "contracting in" can be achieved. In the UK there has been a general societal acceptance of State intervention, especially in social policy. As Harvey et al. argue, post-Victorian business interests recognised that corporate paternalism was inadequate to cope with the rising social needs and legacy of industrialism, and that the costs of provision should not be carried by individual enterprises but collectively through State welfare (HARVEY et al. 1984). Not only was this seen as a more effective and efficient means of attaining social welfare goals, but it could serve the interests of business by producing a better educated or more healthy workforce. At the same time, the advance of welfarism reflected the pressures of organised labour and provided a means of accommodating this interest within the

capitalist system.

Similarly, UK urban policy has hitherto been dominated by the ideology of public intervention and public investment designed to facilitate private growth or to mitigate the adverse impacts of industrialism, and this fits in well with the social welfare tradition of British capitalism. The 1977 White Paper on urban policy emphasised the importance of private investment and economic development in the inner cities, but also saw local authorities as the 'natural agencies' for renewal (Cmnd 6845). Local government was given enhanced powers and the inner city partnerships were established as <u>partnerships between different tiers of the public sector</u>. Thus, British businessmen have long been used to close state involvement in society and have often seen state intervention as central in furthering the long-term interests of capital (VOGEL, 1986). Having become familiar with, and to some degree relaxed about state involvement, it was not difficult for senior business leaders to accept a closer working relationship with the state, following a change in urban policy post-1979. Now the whole concept of urban partnership has changed to one based on public-private interaction at a policy formulation and project implementation level. As the CBI itself has argued, "urban areas will only be regenerated if both private and public sectors work together in partnership" (CBI, 1986, p8).

The Impact of Developing Corporate Responsibility

Evaluating the significance of local initiatives and the

increasingly high public profile of corporate responsibility in the UK involves two levels of analysis. Firstly, the explicit publicly stated aims of corporate involvement are to achieve desirable socio-economic goals, including employment, urban renewal and new enterprise formation. Behind this lies a second level of analysis involving implicit political and ideological objectives which are significant but subject to far less critical scrutiny by writers on corporate responsibility.

If one looks at the more overt public objectives, we have already argued that the actual strength of corporate responsibility in the UK is variable. Only a few major companies make a sophisticated and systematic institutionalised response to the issue in terms of developing policy strategies and an organisational commitment and, even in these cases, it is important to place the level of this activity in perspective. In terms of bending corporate resources to support public policy goals in the field of unemployment for example, the commitment is marginal and is often offset by the continued process of corporate rationalisation and restructuring which reduces employment opportunities. Indeed, corporate restructuring is often the critical factor in influencing companies to become involved in local initiatives in response to local pressures and in order to preserve local legitimacy. For example, Pilkington, in St. Helens, has reduced its local workforce from a peak of 20,000 to a current level of 7,000, and over the last decade has halved its local workforce. It was this scale of rationalisation and the dominance of Pilkington as an employer and local social institution, which

generated the company response to local economic decline through co-sponsorship of the first enterprise trust in the UK in 1977. Currenly Pilkington spends about £0.5 million on supporting economic development initiatives. Against this expenditure, the company has spent some £90 million on cumulative redundancy payments. The process of corporate rationalisation has helped transform the trading position of the company. In 1985, Pilkington made a trading profit before redundancy payments of £13.6 million in the UK, which represented a doubling over the previous year. Group profits before tax rose from £88 million to £116 million, the highest ever pre-tax profit. This improvement in corporate economic welfare has been partly achieved at a cost of closing 12 sites and shedding 7,000 jobs over the last four years in Britain. The company made provision for an accelerated redundancy programme costing an estimated £20 million in 1985-86 in what it hopes will be the final stage of its rationalisation strategy.

All this is not to dismiss Pilkington's response as symbolic or uncaring, but simply to place that response in its wider context of corporate decision making. It is not inconsistent to argue that Pilkington had contributed significantly in terms of UK corporate responsibility whilst at the same time suggesting that, at least in the short to medium term, the impact on the local community may be relatively marginal as the company believes that it has to rationalise in order to stay competitive.

A more recent example of corporate responsibility is British Coal's decision to establish a job creation subsidiary on the model of British Steel (Industry) Limited. British Steel (Industry) Ltd. is a subsidiary of BSC, set up in the mid 1970s as a specific response to

the major restructuring of the industry by the Corporation. It has operated in steel closure areas, providing advice and support for new enterprise includng the provision of managed workshops which have become something of a model for other agencies (TODD, 1984; Centre for Research on European Women 1985). British Coal (Enterprise) during its first year of operation, helped create an estimated total of 2,300 jobs by contributing some £3.3 million towards projects costing a total of £20 million. These jobs represent 10% of those lost by the NCB's rationalisation over the last 18 months.

Two further illustrations will suffice to make this general point. In 1983-84, British Petroleum spent £2.6 million under its community affairs budget. In 1983, the Group's profits were £866 million. As reported in The Financial Times (22/7/86), Marks and Spencer will spend £1.5 billion in the period 1986-90 building new stores compared with a social responsibility budget of between £2m and £3m over the same period.

These cases are cited not to criticise the adequacy or otherwise of individual company responses. Indeed, we recognise that it is extremely difficult to measure the extent of company effort as so much of it is through seconding staff. Thus, purely financial measures are likely to underestimate company involvement. The companies mentioned can be considered to be at the forefront of UK corporate responsibility. It is important however, to place corporate commitment in some kind of context. The companies involved would not claim that their activities are the solution to the problem of local unemployment, only part of a wider response in partnership with public agencies. The contributions are undoubtedly seen as significant by

the companies concerned, and it can be argued that they do make a useful input to the search for more effective policy responses or programme delivery at local levels, without really impinging on the strategic decisions of companies in areas like purchasing and contracting, employment and training, or the development of new products.

Our own study of the Neath Development Partnership illustrates the new perspectives which the private sector, particularly through the input of management expertise (usually via seconded company staff) and attitudes towards the generation of new ideas, can bring to a local project. At the same time, two important lessons of the Neath experiment are firstly, that in terms of resolving the problems of local economic regeneration, and especially unemployment, any impact must be seen as a long term objective. In the short term, helping to create new enterprises and new areas of economic activity do not compensate for continued job loss, although in relative terms the position of Neath vis-a-vis wider spatial trends has improved since 1981. Secondly, the realisation of projects like small factory workshops, environmental improvements and major investments in community facilities is heavily dependent on public resources. One of the essential skills of the Partnership has been what we have called 'policy entrepreneurship': the ability to bring together a package of public resources to facilitate new projects and stimulate private investment. Short term successes in Neath have rested upon the marriage of public funding and private expertise (MOORE et al. 1985; MOORE et al forthcoming).

As Boyle and Rich have argued, to suggest that the withdrawal of

the public sector from urban economic development would create new opportunities for the private sector is to misunderstand the way in which urban policy works, and to assume that the market can find the resources necessary to meet the needs of regeneration (BOYLE and RICH, 1984). Indeed, Business in the Community itself recognises that "the only effective process will be through partnership between public, private, and voluntary sectors, underpinned with public sector resources to lever private investment"(B.I.C. 1986, p10). If it was the case that private investment by itself could resolve the problem, then the original flight of capital and industry out of the urban areas would not have been so pronounced, unless it is believed that there was already so much government intervention, such as planning control and environmental regulations , as to make the inner cities unattractive prospects for investors.

Economic explanations for what is happening are only partial explanations. One must also seek to understand the politics of corporate responsibility. This leads us to consider the underlying motivation for this phenomenon, and at this level of analysis we can observe two fundamental theoretical perspectives.

The ideology of corporate responsibility

The dominant analytical perspective on corporate responsibility is locked into certain basic assumptions about society. These assumptions can be broadly characterised as based on liberal democratic political theory, emphasising in particular pluralism,

where the corporation is seen as one amongst a galaxy of social
institutions influencing the political process. The issue of
corporate management becomes one of how to respond to this 'negotiated
invironment' both as an issue of functional necessity and to preserve
the legitimacy of the corporation within the social system (THOMAS,
1976). Writers on corporate responsibility have been influenced by
managerialist theories which argue that the separation of ownership
and control in the modern corporation is a potentially important force
in extending managerial autonomy and the capacity of the organisation
to take a wider view of its responsibilities within society (NICOLS,
1969).

Unlike economic liberals, these writers recognise that simply
looking to the market as a mechanism for structuring the relationship
between the corporation and society is inadequate given the complex
interaction of social forces generated by the growth of government,
emergence of new pressure groups and the changing structure of
business itself. The function of the corporation is still primarily
an economic one based on the market, but this inevitably leads to a
host of 'secondary' relationships and impacts which cannot be handled
through the market (PRESTON and POST, 1975).

The literature of this dominant perspective then sets out to
examine the responsiveness of the corporation to its socio-economic
environment. Some writers may explicitly recognise the broader
ideological motives behind this responsiveness. For example Preston
has observed:

'The great bulk of corporate philanthropic activities have no

connection whatsoever with profit seeking behaviour or any other conventional business management goal. It does, however, have a great deal to do with the preservation of the social system within which the corporation operates.' (PRESTON, 198l)

On the other hand the response of corporations can seemingly be divorced from any ideological context and reduced to the level of technical organisational analysis. For example Ackerman argues:

'... the problems posed by society's quest for socially responsive corporations are most useful interpreted as managerial in nature rather than ethical or ideological.' (ACKERMAN, 1975).

Writers from this liberal managerialist school of analysis can become highly prescriptive, urging corporations to respond to environmental pressures in order to preserve the pluralistic liberal social system or more basically to preserve the legitimacy of the corporation (BEESLEY and EVANS, 1978; KEMPNER et al. 1974). Both the more philosophical liberal values approach and the managerialist functionalist school (CLUTTERBUCK, 1981) of corporate responsibility share a common belief in the liberal democratic political system and the 'mixed' capitalist economy. For example, in outlining its new approach to inner cities' problems, Business in the Community has argued that the private sector has to recognise not only the incentives to be involved, but also the high price of neglect in terms of social breakdown or withdrawal of social consent to business.

(B.I.C. 1986, p10). The concern with preserving established

social structures, and ensuring the continuation of corporate
legitimacy and managerial autonomy, is clearly apparent in the public
pronouncements made by the captains of British industry in explaining
the need for companies to become more socially responsible and
responsive. The driving force behind Business in the Community
reflects the conception of 'enlightened self-interest' expressed by
Lord Carr and referred to earlier. This may involve specific
participation in emerging public policies like the Youth Training
Scheme, to render these more 'relevant' to industry's needs. For
example, the CBI's Special Programme Unit proclaimed that active
involvement by companies in the YTS would:

   'Help to produce a Government policy that is founded on the
   realities of the mid 1980s workplace and make sure that it will
   facilitate what we believe will be the position towards the end
   of the century'. (CBI, 1983).

   There is also a strong belief emerging, that the private sector
must become involved in issues such as unemployment and urban unrest,
because the consequences of "doing nothing" are too dangerous. For
instance, it may be that Government increasingly feels impelled to
intervene directly in the economy in ways which run counter to the
business community's perception of its own interests:

   '...companies fear that if they make no attempt to find solutions
   to community problems the government may increasingly take on the
   responsibility itself. This might prove costly both in terms of

new obligations and greater intervention in the labour market. Many companies prefer to be one step ahead of government legislation or intervention, to anticipate social pressure themselves, and hence be able to develop their own policies in response to them.' (CBI, 1982).

Ultimately the future of the private enterprise system may be undermined. As Lord Seiff, Chairman of Marks and Spencer, one of the leading exponents of corporate social responsibility in Britain, has argued:

'If we who manage do not appreciate the value of, and pursue in this day and age with patience and tenacity, a policy of good human relations and constructive involvement in the community, then we must not be surprised if we wake up one morning to find ourselves members of a society that few of us want, where democratic values no longer operate and there is little freedom. Then we should only have ourselves to blame.' (B.I.C. undated).

Policy statements articulated by major corporations like BP and IBM emphasise an interdependency between the corporation and the community (BP 1984; IBM, undated). BP has a long established community involvement programme, but it has significantly shifted its emphasis from charitable and community projects towards economic and social issues because of rising unemployment brought about by economic restructuring and new technology. The company argues that if nothing is done to respond to these societal changes, the result will be

social and economic disruption which could lead to a rejection of existing cultural and social values. BP's policy followed the experience of the 1981 urban disorders, but preceded the latest wave of disturbances. Similarly, IBM sees corporate involvement as a 'function of survival' for the company itself, and more critically 'to society's continued acceptance of the private enterprise system'.

Corporate enlightened self-interest arguments are often based on a consensus view of society. For example, previous research on corporate responsibility has revealed a predominant attitude amongst business leaders that sees no conflict between corporate objectives and societal goals (HARVEY et al. 1984).

Alternative class-based radical theories of society would criticise this model of interdependence and consensus, focusing instead on concentrations of economic and political power and on contradictory class interests. On this view of society, organisations reflect the wider class based society, and fundamentally the role of corporate social responsibility operates within the constraints of capital (BURRELL and MORGAN, 1979). From this radically different perspective, which emphasises conflicts within the social system, and competing ideological interests, the corporation is regarded as an agency of capital, to develop strategies to control and shape the environment. Corporate social responsibility might then be seen as a new element in the strategy of control which aims to manage new socio-economic conflicts, such as urban riots and rising unemployment, in order to preserve an economic system based on private enterprise.

Whether pluralist/consensus theories or more radical theories provide a more rigorous explanation of the corporate responsibility

movement, the fact is that big business has accepted the need for, and has adapted to, the role of the State in economic planning and in welfare provision, and is also increasingly recognising, at least at peak levels of business leadership, that corporations must play a more proactive role in managing social problems. The issues of unemployment and urban decay are among the biggest issues facing public policy. We have pointed to the relatively successful <u>political</u> management of the unemployment issue by the Conservative Governments since 1979, but the spectre of unemployment remains (MOON and RICHARDSON, 1985). A key political response has been to place faith in the role of the private sector in helping to resolve this social problem. This underlines the view of Harvey at al that:

    'The role in society of business, that is the operation of privately owned firms, or what is often called free enterprise, is a broadly political-ideological issue.' (HARVEY et al. 1984).

    Current Government thinking on the role of private enterprise and corporate responsibility combines technical and ideological assumptions. The technical assumptions concern the respective capacities of public and private sectors to resolve social issues. There is a recognition of the practical limits on what Government can achieve, although where these 'limits' are actually set is also a political and ideological issue. The search for new public-private relationships and for new institutions of policy delivery, is

presented as a technical search compatible with the values of liberal
pluralism.

In practical terms, corporate involvement in anti-unemployment
schemes and in inner city renewal projects, is perhaps a political
alternative to more collectivist strategies favoured by the left.

Conclusion

There may be some marginal direct economic benefits for companies
involved in social responsibility projects, for example producing a
better trained or more adaptable labour force, or encouraging the
development of small firms to perform contract and supply work for big
business. There may also be some indirect benefits through increasing
local purchasing power, and hence increasing the demand in local
economies for goods and services. But in general, these specific
benefits are not significant enough in themselves to explain the
growth of corporate responsibility.

The increased corporate involvement in social issues reflects
several broader developments. Firstly, British businessmen have come
to realise, as have their counterparts in other Western liberal
democracies, that the political and social environment does impinge
directly upon their firms. Thus, the specific phenomenon of corporate
responsibility is but part of a general trend which includes
developing governmental affairs units, and the increasing use of
political consultancy firms. Secondly, there may be some relationship
between a growing general concern with corporate image amongst large
companies, and their increased interest in social responsibility

activities.   Thus, a recent survey of large British companies showed

that "...rather more than half placed corporate image at the top of a

list of 'major issues of growing importance'. Financial performance

only managed to take second place ..." (quoted in <u>The Financial Times</u>

11/7/86, p21).   Thirdly, the concern to maintain social stability -

following urban riots in the early 1980s - has led business leaders to

worry that the very fabric of society was being threatened.   Fourthly,

there has been a political and ideological concern with the need to

stimulate and preserve an 'entrepreneurial culture'.   The present

government quite obviously has an ideological commitment to this,   but

the emphasis on developing small businesses and providing public money

to   encourage almost any entrepreneurial activity, is supported by

virtually all political parties.   In so far as big   business

participates in, say, the setting up of enterprise trusts, it is

helping to re-enforce society's commitment to entrepreneurship as a

solution to our problems.   We suggest therefore, that the development

of corporate responsibility in Britain is to be understood not only in

purely managerialist/functionist terms, but also possibly in broader

ideological and political terms. As Antol suggested (above), company

behaviour in relation to the business environment is influenced by the

traditions and beliefs of the companies (ANTOL, 1985).   That these

internal beliefs lead to corporate social behaviour that is consistent

with a political ideology which supports enterprise and the

preservation of the existing social and political system, is to be

expected.   Equally, the firm cannot insulate itself from external

influences, simply by trying to preserve an existing political and

social system reasonably favourable towards business.   As Preston

notes, "The critical importance of environmental trends and public policy developments for managerial decision-making is now generally recognised; like it or not, the impact of social change in general, and governmental activity in particular, on business, has become too prominent to be ignored" (PRESTON, 1986, 39). This view is echoed by T.G. Marx, who suggests that the task of public affairs offices in the USA is moving from an attempt to mitigate the adverse effects of increased governmental regulation in the 1970s towards a leading role in identifying the broader national interest and in formulating responses within the framework of sound business plans (MARX, 1986, p147). The end result of the trends discussed here should they continue, may produce a society which is more difficult to classify, as the roles of state and business become more difficult to separate.

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