

ELEMENTS OF REFLEXION ON THE FRENCH PERCEPTION OF CORPORATE SOCIAL RESPONSIBILITY

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There are two kinds of people in life : people who see the world as it is and wonder why.

People who imagine the world as it should be and wonder: why not ?

George-Bernard SHAW.

Introduction

The conjunction - some people would rather say the shock - of social and economic concerns raises thoughts on the importance of individual or collective ethical choices. We can notice the growing power of shareholders and lobbies in the business decisions on matters that are likely to have a social impact. Sometimes, these actors succeed in influencing the decisions of the managers or of the Board of Directors. The awareness of the labour conditions of children in some developing countries is one recent example. Firms have been triggered to reconsider their business decisions or their relations with suppliers.

The concept of Corporate Social Responsibility (CSR), that we could define as being the relations that a firm has with all its stakeholders (employees, clients, providers, shareholders, communities...), is knowing today a strong and increasing popularity.

Recurrent theme in the thoughts concerning globalization, the CSR is ordinarily considered as an Anglo-Saxon concept, far from French concerns, as well private as public.

The CSR seems to be more and more a stake in international relations: a major protagonist of globalization, the enterprise, and more particularly, the multinational firm, is invited to respect standards that are created.

The Socially Responsible Investment has now a sensible role on the financial markets. This phenomenon has triggered the growth of a new sector, that of firms offering advice or products bound to SRI.

Owing to the place taken by the CSR and the SRI, which role will play the government in its interventions in the private sector and in its own activities?

1. Framework

Definitions

It's necessary to set up common basis which will facilitate exchanges, owing to the fact that interlocutors will share a common language for a same reality.

One of the best definition of CSR is:

the CSR is the relations that an enterprise maintains with all its stakeholders: customers, employees, communities, shareholders, governments, suppliers and competitors. Elements of social responsibility include investment in community, relations with employees, creation and sustainability of the job, environmental concerns and financial results.

In the Green Paper entitled 'promoting a European framework for CSR', the European Commission mentions that 'the CSR concept means essentially that the enterprises decide of their own initiative to contribute to improve society and environmental conditions'.

The SRI could be define as follows:

it is a commitment to take part in the society progress through investments. The social investor takes into account a double bottom-line: the financial performance of the enterprise and its social one.

The link between CSR and SRI is direct and obvious. On one hand, investors, which are looking for managing their funds in function of certain values call directly on CSR. On the other hand, the assessment of enterprises, concerning social or environmental responsibility, is often used as an information basis for the application of ethical criteria in investment.

The financial, social and environmental assessment is one of the tools allowing to assess how enterprises assume their social responsibility. The idea of a larger

assessment than the only financial report is directly linked to the concept of sustainable development. To measure correctly the impacts of the activity of a firm on a short- and long-term, we must consider 3 aspects (economic, environmental and social) and propose for each indicators of performance.

The entrepreneurial culture is variable from one country to another.

3 dimensions are generally highlighted: the internal organization of the enterprise and its relations with its partners (quality and transparency of the management and of the relation with shareholders and with clients), the environment, the social relations. The Green Paper of the European Union on this subject proposes as a definition: 'the voluntary integration of social and ecological concerns from the enterprises to their commercial activities and to their relations with all the internal and external stakeholders (shareholders, staff, customers, suppliers and partners, human communities...), in order to satisfy the legal obligations and to invest in the human capital and in the environment.'

Conceptual differences appear: some are due to semantic questions: the word 'social' has a much larger sense in English than in French, 'sociétal' (societal) will be a more appropriate translation in French. But the fact that 'Corporate Social Responsibility' is translated by 'responsabilité sociale des entreprises' (social responsibility of the enterprises) is at the origin of a strong reserve in the francophone world: the trade-union world refuses the idea that unilateral private standards govern the social dimension of the enterprise, the employer's world fears to let itself be led by new obligations in this field which it finds already very constraining.

The State doesn't admit that the historical principles set up to govern the social relations in the enterprise, which combine the intervention of the public law and collective negotiations, are in the balance. So a French conception and practice have emerged.

One question has been raised: is the respect of the Human Rights in general, as defined in the Universal Declaration of the Human Rights and the two pacts that give it a legal power a part of the basis of the CSR?

The Sub-commission of protection and promotion of Human Rights of the United Nations proposed in August 2003 a unit of principles on the responsibility of the multinational firms and other enterprises concerning the Human Rights.

The international debates around the CSR represent important stakes at least at 3 levels: politic (the promotion of a model of society, which can be what we can call 'the European social model'), legal (nature of the standards to set up, role of the public law and of voluntary commitments - 'guiding principles', 'moral codes' - responsibility of the States and of private protagonists) and economic (image of the enterprises as a competitiveness factor, cost of application of the rules, markets of certification, delocalizations,...). It's a great matter of international negotiations.

The history of the Socially Responsible Investment:

In the past enterprises have wanted to assume a certain social responsibility, based rather on social aspects.

The current trend is to take into account not only the social field but also the environmental concern. This phenomenon is also true in numerous countries. The tools for the practice of the CSR are very developed. The firm must not only behave itself as a good corporate citizen, it's to say to respect laws and rules in application, but also to assume its responsibilities towards society and environment.

The phenomenon of the CSR emerged in the U.S.A. at the beginning of the seventies. The major environmental accidents (Bhopal, Exxon Valdez...) or the big ecological problems (global warming, destruction of the ozone layer, deforestation,...) supports the progression of the SRI.

We can notice an evolution in the ethical funds. The funds of first generation were based on selection's criteria in function of the social object of the enterprise. The financial managers excluded the investments in certain fields regarding to moral judgements (tobacco, alcohol, arms...). Now polluting sectors, as petroleum industry, are not systematically excluded, but the most competitive enterprises are chosen according to criteria of social responsibility (expenditures in environment protection, investment in renewable energies).

Current trends

The International Standards Organization (ISO) has recently launched a work team open to stakeholders, among them developing countries and N.G.O., in order to define an international standard giving guiding lines on social responsibility.

The social responsibility is not only the contribution of managers concerned by social and environmental impacts of their business activities. It is part of the global strategy of the enterprise. Economic and politic concerns are at the core of the movement. The enterprise can benefit from significant advantages of the social responsibility concept.

The image or the reputation of the firm is considered as an asset that must be protected and emphasized. This image can bring an advantage face to the competitors. Sometimes, the enterprises haven't the choice to apply the concept of social responsibility. They are subjected to pressure or to a strengthening of the regulations.

Several factors explain the interest that is carried to the CSR:

- The new concerns and expectations of citizens, consumers, authorities and investors in the framework of globalization and industrial changes,
- The social criteria which influence more and more the investment of individuals or institutions, as investors or consumers,
- The growing concerns raised by the deterioration of the environment
- The impact of the New Information and Communication Technologies on transparency and circulation of information concerning the activities of the enterprises

However, the monitoring of the application of these codes represents a critical element. A high proportion of enterprises affirm to take into account ethical concerns in the management of the risks, but in fact a weak percentage of them carry out a methodical and regular evaluation of their performance. One of the reason of this paradox lies on the difficulty to measure the social responsibility.

The enterprises and social responsibility

At the question of knowing if enterprises should apply the social responsibility, there are two opposite visions: some say that there is a primacy of the shareholders, but there is a major stream in the public opinion: the enterprises must aim at the creation of profits but their responsibility is not limited at the maximization the yield for the shareholders. They must open themselves to the interests of other groups of society. To whom enterprises must explain themselves and how?

What are the advantages for the enterprise to apply the social responsibility principles? In addition, is there any risk?

Several experts have proved that businesses that applied the concept of social responsibility improve their financial health. Taking into account the interests of stakeholders would have a positive impact on long-term image, work relationships, access to credit, loyalty towards customers and suppliers.

Is there any negative effects to the social responsibility? The Board of Directors, subjected to pressures of lobbies, risk to pay no attention to the shareholders interests. Is the CSR a tempting trend for the enterprises?

Does the accent put on the self responsabilisation of the firms conduct to neglect the necessity of clear and well defined rules? An other consequence will be to impose uniform standards to situations of different nature between developed countries and developing countries.

How to improve the financial balance of the enterprise concerning the exercise of social responsibility

The question of the report of the social performance is raised, as well as transparency of the enterprises and verification of certain affirmations. The « Law on the new economic regulations », adopted in France in 2001, plans that

the enterprises on the stock exchange would have to add an environmental and social part to their annual report.

Some observers argue for incentives measures. What should be the content of a financial report? Without any framework, the reports would probably contain affirmations that are difficult to control. Some breakthroughs have been achieved in order to organize the information on CSR, as the "Global Reporting Initiative".

How to find itself there in the various tools and what is the credibility to give?

There are many tools supporting the evaluation of the CSR, as the 'guiding codes' (can be defined by a group of enterprises, a trade-union, a lobby...). There are also eco-labels or social labels (certification that the product has been manufactured or marketed according to standards).

Which role has played the government in this matter?

Because governments see to it that the legal and regulation framework of private sector, financial markets and institutional investors, is respected, governments can be called to support the taking into account of the ethical, social or environmental criteria by economic actors.

The State must make sure that the use of natural resources respect the principles of sustainable development at the core of social responsibility.

The public sector can play a role in the growth of responsible investment. The financial power of this sector is huge. The public sector can also act as a model for the private sector in the application of principles of social responsibility. The authorities have also the opportunity to promote through their different programmes complementary themes to CSR and SRI.

The key question is to know up to what point the State must intervene in the field of social responsibility. Is its intervention necessary to promote the CSR? Are there fields where the governmental intervention would be more useful? In the consumer goods sector, the role of the government is less necessary

because there is an obvious interest for the enterprises to apply the principles of social responsibility regarding the impact on their image. But has the State a bigger role in the natural resources sector ? Some support the idea that social responsibility can't replace the laws and the regulations. What is the balance to set up between an approach based on voluntary participation and the regulations?

How to promote good practises without imposing a burden to the enterprise?

Which form should take the governmental action? This is an important question in the context of a lightening of the regulation framework of the enterprises. The firm's managers are not against the exercise of social responsibility. But, there are constraints and risks. Some fear the negative effects on business competitiveness. The development of social responsibility must happen with the participation of the firm's managers.

Must policies and governmental programmes contribute to the development of CSR?

By implicating itself in international negotiations, France pays attention to the progressive strengthening of the international public law, 'the guiding principles' and other 'Green Papers' which represent either preliminary stages or opportunities to put in perspective a set of standards.

Would it be relevant for the government to require the application of social responsibility principles from the enterprises with which it handles?

Can the application of social responsibility criteria become a form of protectionism?

One of the reproaches made towards social responsibility is to constitute a shape of protectionism. Environmental standards or labour laws in force in industrialised countries can't be applied in developing countries without any distinction. To enforce identical standards would be a burden for developing countries and would slow down their economic growth. How to manage these differences? Can we oblige firms to respect identical standards when they

invest abroad? Must firms require strict standards to their suppliers in other countries?

The Individual and institutional investors and the CSR:

The investor, either individual or institutional, can take its investment decisions in function of the way enterprises assume their social responsibility. It raised the phenomenon of ethical or social investment. Several questions are raised, some concern the pension funds, other concern more the individual investor.

All this indicates a dynamic vision which presents specificities of CSR in France. In the near future France should take part with a more effective way in the elaboration of international « hard and soft » standards concerning the enterprise.

Resources:

- Michel DOUCIN : Etude sur la Doctrine française de la RSE
- Michel DION : Responsabilité sociale des entreprises et investissement responsable