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Responsibility, sustainability and solidarity. What is CSR about?

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ABSTRACT

If corporate social responsibility (CSR) policies of companies are observed, the concepts of social responsibility, sustainability and solidarity usually appear. And it can also be observed that, often, these three ideas appear somewhat confused. There are initiatives that are mentioned as acts of responsibility which, in fact, they are acts of solidarity; or initiatives that are included under acts of solidarity which are rather acts of responsibility or sustainability. However, social responsibility, sustainability or solidarity are not the same; they are different ways of exercising responsibility, which are distinguished because they refer to ways of considering and evaluating the consequences of our actions. In fact, there may be actions of responsibility that are not very sustainable, of solidarity that are not very responsible or of sustainability which are not very solidary. This article aims to clarify the concepts of responsibility, sustainability and solidarity so that companies can design and implement their social responsibility policies more coherently.

JEL Classification: M14, M21, M40

KEYWORDS

Corporate social responsibility, sustainability, responsibility, solidarity.

RESUM

Si s'observen les polítiques de responsabilitat social corporativa (RSC) de les empreses, solen aparèixer els conceptes de responsabilitat social, sostenibilitat i la solidaritat. I també es pot observar que, sovint, aquestes tres idees apareixen una mica confuses. S'esmenten com a accions de responsabilitat iniciatives que, en realitat, són de solidaritat; o s'inclouen dins de les iniciatives de solidaritat accions que són més aviat de responsabilitat o de sostenibilitat. No obstant això, la responsabilitat social, la sostenibilitat o la solidaritat no són el mateix; són formes diferents d'exercir la responsabilitat, que es distingeixen perquè fan referència a maneres de considerar i valorar les conseqüències de les nostres actuacions. De fet, pot haver-hi, accions de responsabilitat poc sostenibles, de solidaritat poc responsables o de sostenibilitat poc solidàries. En aquest article, es pretén aclarir els conceptes de responsabilitat, de sostenibilitat i el de solidaritat perquè les empreses puguin dissenyar amb més coherència el disseny i la posada en pràctica de les seves polítiques de responsabilitat social.

Classificació JEL: M14, M21, M40

PARAULES CLAU

Responsabilitat social corporativa, sostenibilitat, responsabilitat, solidaritat.

Introduction

When making decisions, we always value the consequences, but we encounter different types of consequences of the decisions made, in the face of which different attitudes and strategies can be adopted. In order to proper-

ly discriminate between the ways in which responsibility is assumed in companies, it is necessary to differentiate between these types of consequences. The results of our decisions can be classified according to three criteria: the *agency* (who provokes them), their *predictability* and their degree of *voluntariness* (see Figure 1). According to this, three different ways of exercising responsibility can be identified: a) *limited responsibility*, b) *expanded responsibility (sustainability)* and c) the *adopted responsibility (solidarity).*

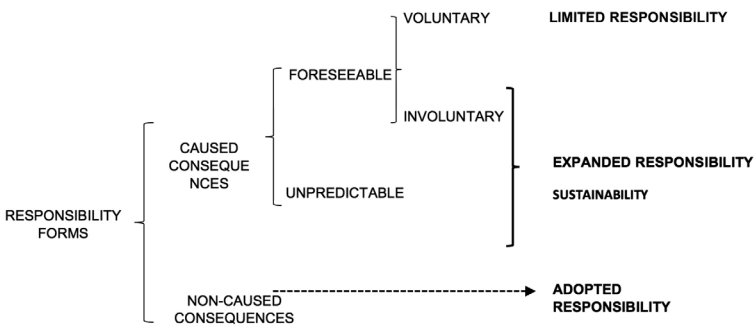

Figure 1. Types of effects of the action and forms of responsibility.

1. Limited responsibility

All the decisions made by companies (and by individuals), from the simplest to the most complex, trigger a long series of effects or consequences, some unpredictable and others foreseeable. Within the foreseeable consequences, two types can be distinguished: the effects that we seek directly (voluntary) and those that will occur equally, although perhaps we did not seek them intentionally (involuntary). We take the car to work and to support the family, but at the same time – without wanting to – we pollute the air in the cities. We are interested in modernizing the company to be more competitive, but – without wanting it directly – we leave some people out of work. Our actions cause the consequences that we intend and can foresee; and they also produce unintended and unforeseen effects. Each of these types of consequences generates a different type of responsibility.

One way of exercising responsibility, which has been in force for a long time, both in economic theory and in business practice, is that which limits responsibility to the intended and directly intended effects, the *objectives*, avoiding responsibility for the *results* actually produced, which are considered somewhat marginal, an "externality", which, supposedly, is

"outside" our responsibility. Starting from the real fact that there is a limited capacity to assess all the consequences of a decision, what the Nobel Prize winner in Economics H. Simon (1976) called *Bounded Rationality*, ends up applying a *bounded assessment*, "cutting" the process of analyzing the consequences and limiting it to "some" results: those that interest us. In this approach, responsibility is limited in at least, in two aspects: *what* consequences are taken into account (those foreseen and intended) and *how* they are valued (according to whether they benefit or prejudice me). "Limited rationality" becomes "limited responsibility".

As another Nobel Laureate winner in Economics, S. Ghoshal (2005) later emphasized, the exercise of *limited responsibility* is a typical behavior of the *"economic man"*. A classic exponent is found in Milton Friedman's the well-known article in the *New York Times* (1970) in which he "limits" and "delimits" Corporate Social Responsibility in business, stating that its responsibility must be limited to "increasing profit" (1970). But, in reality, it is the same logic of the bank office manager, for example, who does not think about what can happen by signing a mortgage without sufficient guarantees. He thinks about "his" sales *objectives*, not about the real *results* that this will have for the clients, the Bank, society, etc. And it is also the logic that explains that a company can worry about its market share but has never worried about the effects produced on the waters of a river, which it has polluted to achieve that market share. Such effects are considered "marginal effects" that are not "mine" and do not affect me. We decide voluntarily what consequences I am responsible for and which I am not (even though we cause them).

One might think that this *intentional limitation* of responsibility to primary effects is not a serious problem. And perhaps it would not be a problem if it were not for two reasons: first, because those "other effects", the *secondary* ones, even if they are not considered, are real. And, secondly - and even more importantly - because the secondary effects today are no longer secondary but have become primary.

The productive potential and technological development of today's society have increased the capacity of human activity to impact on the environment (physical and social) but have increased it both to influence directly and to influence indirectly. Years ago, it was unthinkable that we could alter the climate, as it seems we can now. For example, think about the social transformation that information technologies, the development of the Internet or the mobile phone have produced. Such changes have been driven by the search for certain effects, but the truth is that they are also generating other effects, perhaps not sought, but provoked.

But the exercise of *limited responsibility* has generated another problem typical of today's society and companies: ignoring the "other" effects,

makes them more complex to manage. The real problem is that water contamination is not seen as a problem by a company. The financial director who has cut hundreds of jobs to boost the stock market price or the office manager of a bank that has granted irresponsible mortgages does not believe that he has acted incorrectly. As the side effects are not appreciate, they are not assumed to be a problem and, as they are not assumed, they cannot be corrected. It is very difficult to correct an injustice, if one does not perceive that one has acted unfairly. We are in a situation where the application of control models produces more side effects, more lack of control. We can now talk about a real *emergency of side effects.*

This also affects the activity of direction and management of the companies, producing a significant increase in the complexity of the control systems. Far from reducing the complexity of management systems towards simpler and more effective control formulas, we see how the solutions to management problems are more complicated than the problems themselves. Problem-solving leas to bigger problems. Paradoxically, the more we believe we are advancing in control, the more uncontrolled we are. Government actions generate unmanageable situations. Who does not spend a lot of time every day managing problems produced by the application of solutions to other problems?

1.1. The transfer of responsibility to the Market and the State

Limited responsibility (for direct effects) is irresponsible (for indirect effects) and ends up displacing responsibility for these effects on others, which are not really responsible: either the Market or to the State.

a) **The Market.** A first response to the problem, coherent with the most radical economism, defends that it is the Market - in a game between particular interests governed by the laws of a supposedly perfect competition - that corrects the negative effects that limited responsibility generates. Everything must be left in the hands of the rules of the market, which will reward or penalize on its own those who produce negative effects on others.
   Important objections can be, and have been, made to this solution. The first is that it is a way of diverting to a blind force (the market) the responsibility that would correspond to each one. And the second is that, in addition, the market "fails" as an alternative system for evaluating consequences, because it does not always "succeed" in rewarding the positive and penalizing the negative (Arrow, 1974), above all, because it works with prices and it is difficult to put a price on some perverse effects, such as marginalization, air pollution, etc.

b) **The State**. Then comes another argument: from the moment one does not consider oneself responsible for the indirect effects that one's action produces, and the market "fails" by correcting them, the responsibility that each one rejects, and the market cannot assume, must be assumed by the State. It is the State that must assume responsibility for the actions that individuals reject. Thus, it turns out that the more irresponsible one is, the more responsible the State must be. State intervention is a direct consequence of the irresponsibility of individuals.

But this idea, which is at the heart of the *rescue plans* of certain companies proposed by some governments, is indeed debatable. It leaves the impression that we *all* have to take responsibility for the irresponsibility of *some*. Moreover, if this approach is accepted, it perpetuates the exercise of *limited responsibility*, because whatever we do (some), it will always be fixed by the State (all).

2. Expanded responsibility

We reduce costs to guarantee the future of a company, even though we know that this will create unemployment and cause suffering. It was involuntary or it was unpredictable, but we caused it. In a way, it can be said that every action is a double-effect action: by intentionally seeking some effects, we always cause others unintentionally. And this is a typical characteristic of human action: causing what is not intended. Seeking good, evil has been provoked.

Due to the appearance of so many secondary effects generated and the increase in complexity in the management systems produced by the exercise of limited responsibility, companies, like many other social agents, have been widening the scope of their responsibility, including, when evaluating the consequences of their decisions, not only those foreseen and intended (the *objectives*), but also the consequences unintentionally produced (for example, by employment regulations) and the unforeseen ones (for example, by climate change). This extension of responsibility has led to the development of corporate social responsibility (CSR) policies.

Today, most companies exercise *expanded responsibility* and set up work systems that facilitate family reconciliation, offer *outplacement* to employees who have lost their jobs, invest resources in water treatment, etc. That is an exercise in (*expanded*) responsibility. However, it is not, in itself, sustainability or solidarity. It simply assumes its (indirect) responsibility for the consequences (unforeseen or involuntary) produced on those affected *(stakeholders)* by its activity, employees, clients, *shareholders*, community, etc.

2.1. Sustainability: the responsible development of the mission

But the scope of corporate responsibility has been expanding and practically all CSR policies include, or have become, sustainability strategies. What does sustainability add to responsibility?

Sustainability is also a way of exercising corporate responsibility that includes in decision-making – such as CSR – not only the intended *objectives*, but also the *results* produced. But, in addition, sustainability extends responsibility even further and rectifies *limited responsibility* in its two limitations. In the consequences it considers, it includes those caused for future generations; and in the way of evaluating them, it looks not only at whether they benefit or harm us, but also the impact on the well-being of others.

The idea of sustainability reflects a concern in society about the effects of our actions on the physical and social environment. This concern has also been extended to many companies, which, due to the growth of their potential impact on social development and the gradual recognition of their responsibility, are incorporating sustainability into the definition of their mission and objectives (Morrish *et al.*, 2011; Baral and Pokharel, 2016). *Corporate Sustainability* is a common term in management, both in academic research and in the daily practical activity of companies (Porter and Derry, 2012).

Sustainability is now a widely used concept in business management, but with a poorly defined meaning. There is a lot of literature describing the practices of many companies to reduce the environmental and social impacts of their activity, but it remains unclear what it meant by "sustainability". And especially how to effectively apply and develop it in companies; or how sustainability relates to social responsibility, which is also expected of companies.

Some companies have opted for "departmentalization" in the implementation of the idea of sustainability, assigning it to the Corporate Development, CSR, HR, or even Communication department. Whether it is to meet growing social demands, or for reasons of image and reputation, many organizations create "a department" (or "Sub-departments"), which are responsible for promoting certain action *programs*. In many cases, the result of this process has been a set of actions without a consistent strategy, not aligned with each other or with the company's mission.

However, in many other cases the incorporation of sustainability in corporate strategy has led many companies, such as General Electric, Unilever or IBM or Aigües de Barcelona, for example, to a profound redefinition of their mission and the exercise of social responsibility (Mirvis *et al.*, 2010). Many companies have realized that sustainability is not just a plan of action or a "tactic", but a new "way of management" companies, a strategy that must therefore be integrated with the company's mission. When this

happens, sustainability and corporate social responsibility are integrated. Sustainability appears as a natural "evolution" of CSR policies and it is logical that, as seen in many companies, CSR policies are integrated within the corporate "sustainability strategy".

But the connection between sustainability, responsibility and the mission does not only respond to an evolution in the practical exercise of corporate responsibility. There is also a logical connection, in view of the most widely accepted definition of sustainability, proposed in 1987 by *the World Commission on Environment and Development* (known as the *Brundtland Report*), according to which "sustainable" is "*development that meets the needs of the present without compromising the ability of future generations to meet their own needs"*.

From the outset, it is already clear that sustainability involves companies, insofar as all of them - with their product or service - aim to satisfy certain needs (normally expressed in their *mission*). It can also be noted, as has been done by the Nobel Laureate in Economics Amartya Sen (2011), that the *World Commission's* definition of sustainability offers a "negative" version of it. Sustainability would consist of meeting present needs "without harming" other generations. But, as Sen warns, sustainability can –and should- have a more positive meaning. Sustainable development is not just about "not damaging" other generations' possibilities, but rather about "improving" their possibilities. This is precisely what progress and sustainable development is all about. Thus, sustainability should be defined more as "*development that meets the needs of the present by 'improving' the ability of future generations to meet their needs*".

Understanding that a company's mission expresses "the needs of the different groups of interest (*stakeholders*) that the company intends to satisfy (Campbell & Yeung, 1991; Bartkus & Glassman, 2008; Mirvis et al, 2010). Sustainability, then, expresses nothing more than "a way" of realizing the mission; it expresses how those needs will be met: *"without compromising the capacity of future generations to meet theirs"* or (positively) *"by improving the capacity of future generations to satisfy theirs."* It can therefore be said that *sustainability is the (responsible) way to realize the mission of the company.*

Sustainability must be considered as an "extension" of the company's responsibility in the fulfillment of its mission, insofar as it encourages taking into account the needs of the "most" affected *(stakeholders)* by the business activity, including both the natural and social environment, and both those *affected* now and in the future. Sustainability expands *"the way"* of carrying out the mission. Thus, it is possible to better understand what corporate *sustainability* is: *develop one's own mission without damaging the possibilities*

of others (stakeholders) to carry out theirs. In a positive sense corporate sustainability would be *the realization of the company's mission by 'improving' the possibilities of stakeholders (those involved) to realize theirs.*

2.2. Realism and impartiality in company decisions

Sustainability is a way of thinking about the consequences of our actions in the two aspects we have mentioned above*: "what"* consequences of our actions we take into account and "how" we should evaluate them.

In our behavior we cause the effects we intend and also others that we do not pretend. These are also effects of our actions and therefore fall within our responsibility. It can be said that sustainability, understood as "*expanded* responsibility", makes us re-consider not only the objectives that we have interest in, but also what we actually cause (in the environment and in future generations) in pursuit of those objectives.

Secondly, sustainability gives us a criterion to differentiate between what is right and what is wrong. It gives us a criterion for assessing whether an action is (ethically) "good" or "bad", not according to whether it benefits or harms us, but according to whether it actually benefits or harms all those affected. Here a *criterion* is established: *right or wrong depends on whether the results of satisfying one's needs increase or decrease the possibilities of others to achieve their results*, i.e., right or wrong depends on whether we do good or bad to others. In this sense, it can be said that sustainability, understood as an "*expanded* responsibility", adds two qualities to the development of the company's purpose: more *realism* (objectivity) and more *impartiality* (justice). Furthermore, to the extent that the possibilities of action are what shape our future, it can be said that what is *responsible* (right) is what expands the future; what is irresponsible (wrong) is what reduces it.

3. The "adopted" responsibility. Solidarity

We are responsible for what we cause. But we can also take responsibility for what we do not provoke. It is also a way of exercising responsibility. But it is not a real responsibility, neither *limited* nor *expanded*. It is an *adopted responsibility.*

There are (positive or negative) effects of human activity that one causes oneself or one's own organization and there are effects caused by others. Examples of such effects are deforestation, hunger, corruption, violence, etc. On these effects, surely one has no responsibility; however, one can assume it, because feels affected by them. And that is what many people

and organizations, NGOs and also many companies do. This "assumed" responsibility is neither social responsibility nor sustainability. It is *solidarity*, *charity* or *philanthropy*, which are different forms of altruism aimed at alleviating the evils that we have not caused to ourselves. An action of social responsibility aimed at alleviating hunger or illiteracy in Africa is an act of solidarity, not responsibility (direct or indirect) or sustainability. In fact, solidarity can be exercised with the evils that we do not cause by omitting to take responsibility for what we do cause (the pollution of our city).

Responsibility and sustainability should not be confused with solidarity or charity. Solidarity is a different way of exercising responsibility. Responsibility (direct or indirect) and sustainability imply taking responsibility for the effects that we cause; in contrast, solidarity is "taking responsibility" for what we have not caused. It is to assume – out of solidarity with other human beings - responsibility for what we have no responsibility for. It is an "adopted" responsibility.

4. Conclusion

When some companies' or institutions' CSR policies are analyzed, it is often discovered that what is called "Social Responsibility" (CSR) or "sustainable development strategies" mixes responsibility, solidarity and sustainability. This confusion is evident, for example, in the *Millennium Development Goals*. But an action of social responsibility aimed at alleviating evils that one has not caused (for example, hunger or illiteracy) is an act of solidarity, not responsibility, and may not even be sustainable (Bansal, 2014). Many companies are not responsible for social inequalities or illiteracy, to mention some of the Millennium Development Goals; however, they may be responsible for water pollution or unemployment in their community. Those evils could be fought, but in one case it is *charity* and in the other it is a *responsibility*. In any case, they should not be confused under the generic umbrella of a CSR Policy, because that leads to misunderstanding, and bad practice, of both solidarity and responsibility or sustainability.

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