



ICA Americas XVI Regional Conference 22-25 July 2008, San José (Costa Rica)

“Convenience and scope of social responsibility as public policy”

Iain Macdonald, ICA Director-General

Corporate social responsibility or CSR is the new religion in business. Investor-owned companies are now rushing to compete with each other on the basis of who is more socially responsible. Of course very few of them may actually believe in the concept but with more and more governments insisting that companies become more socially responsible often because of public demand, they are having to comply. And it is becoming commercially sensible so to do as a result of these pressures.

Once again the danger to the cooperative movement is obvious. What was once the sole preserve of cooperative enterprise is now being threatened and eclipsed by capitalist business. Stealing our clothes once again and even doing it better - but without those essential set of values to which we adhere.

We even argue over the terminology. The phrase we should use is of course, *cooperative* social responsibility not *corporate* social responsibility! We invented it, we should use our words! My definition would be that corporate social responsibility is something which companies are obliged to carry out often against their better judgment, whereas cooperative social responsibility is a voluntary and natural function of all cooperatives emanating from our values and principles.

Some of the best examples of CSR performance are to be found among our Global300 cooperatives and mutuals. However our preliminary research shows that cooperatives are not reporting their activities in a consistent way. If anything many are simply following the normal reporting approach of their investor competitors. This has led us to develop a draft measure which incorporates the best aspects of mainstream CSR reporting while taking account of the cooperative difference. We have drawn on the CSR experience of leading cooperatives while also taking a note of other standards such as the Global Reporting Initiative. I will expand on this later.

So is public policy a threat to us or not? The German foundation, Bertelsmann Stiftung, say growth, prosperity, political stability, justice, equal opportunity - shaping a fair and balanced process of globalization - is a challenge and a necessity. That's how some governments see this process but disagree about how it can best be done. Responsibility means understanding obligation as a voluntary action. It is about what people choose to take into account - because they feel strongly about certain issues, or because they feel their actions or nonactions might

have an impact that will affect them too. According to the European Commission, for traditional companies this means they integrate social and environmental concerns in their business operations and then their interaction with their stakeholders on a voluntary basis.

Many companies, however reluctantly, have begun to understand the interdependence that connects them to society at large and have thus launched programs focusing on CSR. More and more NGOs are becoming aware that it is possible to reach sustainable solutions through partnerships with such corporations. But this is far enough?

Questions such as who is responsible for what, who shapes expectations, who will exercise control and which goals are to be reached are constantly being negotiated in all parts of the world. CSR in essence addresses the reconfiguration of the balance between institutions that together make up society. Some say that only through sharing responsibilities, cooperating and competing, do societies have a chance to come up with better, more stable and more widely accepted solutions than those provided by society's individual sectors. Undoubtedly this approach influences governments, but where is the democracy? That's where we come in and why we are different – to that later.

Jane Nelson of Harvard University in a paper on CSR and Public Policy, argues that one of the least researched but strategically important areas is the relationship between CSR and public policy frameworks or governance context within which companies are operating – locally, nationally and globally. She feels this interface is likely to come under growing scrutiny in the coming years by both the supporters and critics of business, and by companies and public policymakers themselves. As in other aspects of corporate responsibility, compliance with the law and efforts to be accountable and transparent should be the starting point for leading companies. At the same time, as the public problems faced by individual nations and by the international community become increasingly complex and intractable, and pose ever greater risks and opportunities for business, there will be a growing need not only for product and process innovation on the part of companies, but also for institutional and policy innovation on the part of governments, nongovernmental organizations and the private sector.

In discharging their responsibilities to their owners, business leaders will increasingly have to concern themselves with the public good -at least those public goods and issues that influence their business risks and opportunities and are likely to affect the success, security and sustainability of the countries and communities in which their companies operate. The ability to identify and prioritize these public goods and issues, and then determine the best strategies for addressing them, either individually or collectively, will be an increasingly important mark of good business leadership in the years ahead -not replacing, but complementing the ability to remain competitive, productive and profitable. She says that CSR can be defined as the way a company manages its overall impacts on and contributions to society through three areas of corporate influence, namely core business operations and investments, strategic philanthropy and community investment and public policy dialogue, advocacy and institution building.

But *The Economist* has said that 'managers ought not to concern themselves with the public good as they are not competent to do it. They lack the democratic credentials for it, and their day jobs should leave them no time even to think about it! If they merely concentrate on discharging their responsibilities to the owners of their firms, acting ethically as they do so, they will usually serve the public good in any case.'

It says that ‘the proper guardians of the public interest are governments, which are accountable to all citizens. It is the job of elected politicians to set goals for regulators, to deal with externalities, to mediate among different interests, to attend to the demands for social justice, to provide public goods and collect taxes to pay for them, to establish collective priorities where that is necessary and appropriate, and to organize resources accordingly. The proper business of business is business. No apology required!’

This of course assumes a lot on behalf of government and that they can fulfill all these functions effectively, efficiently and legitimately. Again this is where cooperatives can appeal. Even when governments are responsive and accountable for serving the needs of their citizens, there is a growing debate and experimentation on where and how the private sector might be more effective and efficient in the delivery of public goods, and where and how it can play an appropriate role in shaping public policy. However the role of the private sector in influencing the quality of governance -either national or global -is sensitive. Even when companies act through representative trade and industry associations, many question the mandate and legitimacy of business to influence national governance, let alone shape global governance frameworks, norms and standards. There is no doubt however that companies and business associations do exert often considerable influence over political and governance processes -both transparently and behind closed doors, for the common good and for vested self-interest, both positively and negatively, and with all manner of variations between these extremes.

The most effective, appropriate and legitimate response by business will vary depending in part on the industry sector, but also on the type of governance and institutional frameworks that exist in the country or situation in question. The most challenging situations for responsible companies are those where there are serious governance gaps or institutional failures. These can be simply *bad governance* – repressive, unaccountable and corrupt governments; *weak governance* - governments which lack the necessary institutional or administrative capacity; *indifferent governance or lack of political will* - which can apply to developed and developing countries but dominated possibly by special interest groups.

Good governance is one of the essential foundations on which sustained economic growth and poverty reduction are based. As part of the emerging corporate social responsibility agenda, companies and business associations have to play a more proactive and influential role in shaping governance structures and public policies, not only as they relate directly to economic growth and private sector development, but also to support the achievement of broader economic, social and environmental goals.

There is no doubt however, that the major responsibility for avoiding bad governance, strengthening weak governance and aligning political will with public interests, rests with governments themselves at all levels. It is important that companies and business associations are clear in terms of what they can and cannot do when it comes to addressing governance gaps and institutional failures, and that they manage the expectations of their stakeholders in this regard. It is also important to ensure that their engagement on public policy issues is accountable, transparent and consistent with their business strategy and CSR activities and statements.

So where do we fit in - the cooperative movement? In a recent paper from our American colleagues, OCDC, they maintain that cooperatives make an instrumental contribution to

transformational international development via three primary pathways, namely, *economic* - alleviating poverty and stimulating economic growth; *democratic* - providing a framework for democratic participation and, *social* - building social capital and trust, bridging ethnic, religious and political divides, and providing social services. The paper highlights contemporary accomplishments and long-term potential of cooperatives particularly in developing countries where economic, democratic and social transformation is the goal. It therefore shows how cooperative enterprise is fundamental to the successful changes required in society if good governance and social responsibility are key.

The main difference I think and as I implied earlier, is our belief in the cooperative values of democracy, solidarity, self-help self responsibility, equity and equality. This shows that social responsibility is enshrined in the whole being of cooperation. No other form of organization or business has these fundamental values and principles and therefore cooperative social responsibility is unique to us. However it is no good that only we ourselves know this, we must proclaim these values to the world. In doing that however we must ensure that we adhere to them ourselves!

As I indicated earlier, using our Global300 project, we have drawn from the database detailed case studies of current practice across the various CSR streams. This work is still being developed and is not exhaustive by any means but it does immediately show the special nature of cooperative enterprise and could eventually be used as a tool to develop a *Cooperative Standard*. In one stroke we could show to the world the real cooperative difference and how cooperatives offer a superior form of business model and one that has the potential of responding positively to many of the world's most intractable problems.

In my examination of the developmental stage of public policy in social responsibility earlier, it was apparent that there is not yet a clear and common position within government of what is required of them other than broad philosophical statements.

As it is with the cooperative movement it is not enough to occupy the higher ground without exploring specific detail and so our objective has been to design a framework in which reliable CSR data, that is publicly available in both quantitative and qualitative format, can be used to highlight best practice and comprehensively cover the broad realm of CSR in cooperative enterprise.

The concept of CSR has been used to rank and demonstrate best practice since the early 1990s. There is a wealth of publicly available data from a wide range of respected sources such as Sustainability, Business in the Community, The Global Reporting Initiative, OECD Guidelines, UN Global Compact, AccountAbility Assurance Standards etc.. Once our criteria had been designed the focus shifted to collating CSR data in reviewing common themes. Research was conducted into non-cooperative companies to compare CSR reports and identify where cooperatives stood in terms of reporting and identifying the cooperative difference. This has been the first time cooperatives have been analyzed on their CSR initiatives and strategies. It has become clear that following a traditional CSR reporting structure would not highlight our cooperative differences and therefore seven CSR streams were identified and used as the main criteria headings for data collection.

The seven CSR streams define cooperative social responsibility for the Global300 initiative. They are based around the colours of the ICA rainbow logo and designed to identify the main areas that highlight the cooperative difference around democracy - that very fundamental

cooperative value. CSR is a broad subject with no clear definition and the streams focus the audience onto the areas that matter.

The **People** stakeholder groups are customers and employees and include such aspects as health and safety, training and development, diversity, compensation, volunteering, satisfaction, absenteeism, feedback and access to services.

Products represent the organizations' products and services, marketing and labeling, the supply chain and interaction with suppliers around codes of conduct and sustainability.

Principles represent the underpinning values and principles, as well as the targets, monitoring and day to day implementation of CSR throughout the organization and externally. It attempts to identify organizations that have truly integrated CSR into their strategy and working culture.

Environment represents all environmental or green initiatives and data such as renewable energy, waste, transport, energy usage, climate change, paper, animal welfare and biodiversity. Processes, accreditations and targets are also included along with research and green marketing.

Community represents local and national initiatives ranging from youth, health care, education, employment, working with governments and NGOs to culture and sponsorship.

Democracy is fundamental to highlighting the cooperative difference and represents members and governance. Criterion includes democratic participation, education, training, diversity, elected representation, dividends and satisfaction.

Development focuses more on international initiatives, support and collaboration with other cooperatives, philanthropy, sharing expertise, worked with NGOs and governments, disaster relief and favorable access to products.

So far we have looked at cooperatives from Japan, Korea, Switzerland, the UK, Spain, the Netherlands, France, New Zealand, Canada, Sweden, Italy, Costa Rica, Ghana and Malaysia. Much remains to be done and we are not yet at a stage of making serious judgments and evaluations, however it is clear though we are heading in that direction and the continuing support of the Cooperative Group in the UK will ensure that this work will continue and develop. Indeed some cooperatives may not enjoy our findings! Nevertheless we are heading towards developing a common and consistent methodology at a global level to measure cooperative difference and CSR performance, and perhaps the development of a *Co-operative Standard*.

Comparing the two, I do not think that public policy is as far advanced as cooperative policy. Ours is a natural development, theirs is more contrived. Governments and investor owned business have much to learn from us and that is their challenge as well as ours.