

Corporate Citizenship in perspective

A bit of history goes a long way

Responsible business — whether labelled CSR, ESG or purpose — is neither woke nor even new. Consider it as a complete concept. Call that corporate citizenship. Then its lineage becomes clear.

Citizenship is classic

Ever since Antiquity, people know how to distinguish a good citizen from a bad citizen. In an epoch when citizenship was for the few, Aristotle defined citizenship as the ability ‘to rule and to be ruled well’, in other words: the capacity to exercise authority and to display responsibility. Cicero considered citizenship to be participation in a partnership with other members of society.

Corporate responsibility started long ago

Paternalism and philanthropy by company founders date at least from the beginnings of the industrial revolution with the advent of model villages and with the charitable donations throughout the centuries of, for example, Andrew Carnegie, the Cadburys, Lord Leverhulme and the Rowntrees, alongside many others across Europe and America.

The postwar movement towards corporate citizenship arguably began with the publication in 1953 of Howard R. Bowen’s *The Social Responsibilities of the Businessman*. During the same decade, in 1955, Sloan Wilson published his novel *The Man in the Gray Flannel Suit*: its theme was finding purpose in a society of business materialism. The following year, William H. Whyte’s *The Organization Man* became a bestseller: it describes stifling corporate conformity in the business world of the time. In 1962, *The Silent Spring* by Rachel Carson condemned the use of pesticides as well as corporate and government conduct that actively perpetrated environmental damage. Ralph Nader, in 1965, in his book *Unsafe at Any Speed*, similarly took the automobile industry to task for irresponsible corporate behaviour.

Davos man

One of the most persuasive and prescient articulations of corporate citizenship came in the form of the Davos manifesto issued in 1973 by Klaus Schwab, as a ‘code of ethics for business leaders’. Its first sentence reads: ‘The purpose of professional management is to serve clients, shareholders, workers and employees, as well as societies, and to harmonize the different interests of the stakeholders.’ Professor Schwab later returned to this theme: ‘[A] new imperative for business, best described as “global corporate citizenship,” must be recognized. It expresses the conviction that companies not only must be engaged with their stakeholders but are themselves stakeholders alongside governments and civil society.’

Momentum gathers

Governments, business groups and civil society organisations began to join the conversation.

- In October 2005, the term ESG was first used by the United Nations Environment Programme Initiative in the Freshfields Report. This then developed into the UNPRI, the United Nations-sponsored network of investors adopting the Principles for Responsible Investment.
- The 2006 UK Companies Act article 172 included this language: ‘A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole’.

- In May 2019, the French Loi Pacte changed the definition of corporate purpose in the French Civil Code to include environmental and societal issues and to permit companies to include their mission (*raison d'être*) in their bye-laws.
- In August 2019, the Business Roundtable in Washington DC released a new 'Statement on the Purpose of a Corporation' signed by more than 180 CEOs.
- In November 2019, the British Academy published 'Principles for Purposeful Business'.
- At the end of November 2019, the chairman of the Regierungskommission Deutscher Corporate Governance Kodex stated: 'enterprises that do not live up to their social responsibility will find it increasingly difficult to operate successfully in the market'.
- In January 2020, the theme of the World Economic Forum Annual Meeting at Davos was 'Stakeholders for a Cohesive and Sustainable World'.

Covid cometh, then Larry dares

From the spring of 2020 until the spring of 2022 the world was challenged to deal with the Covid-19 pandemic, which showed forcibly the need for social solidarity, civic behaviour and for companies and governments to work together in a combined, coordinated pursuit of the public good.

As Covid ebbed, Larry Fink, chairman and CEO of BlackRock, in his letter to CEOs for 2022 entitled 'The Power of Capitalism', wrote: 'In today's globally interconnected world, a company must create value for and be valued by its full range of stakeholders in order to deliver long-term value for its shareholders.' BlackRock has since become a political target accused of 'woke capitalism'. When corporate citizenship becomes a political football, history is on the march.

360° Corporate Citizenship Is On The March

