



WP

Claus Aagaard

Dion Angelo Valente

Morten Rasmussen

What is CSR?

- a review of different theoretical perspectives
and case studies of Cheminova and Systematic

Department of Management

CREDO

What is CSR?

– a review of different theoretical perspectives
and case studies of Cheminova and Systematic

Claus Aagaard
Dion Angelo Valente
Morten Rasmussen

2007

~~~~~  
© Written in the course: *Business Ethics and Corporate Social Responsibility* at Aarhus School of Business

Claus Aagaard, stud.merc in Strategy, Organisation and Leadership  
Dion Angelo Valente, stud.merc in Accounting and Control  
Morten Rasmussen, stud.merc in Strategy, Organisation and Leadership

Verner C. Petersen, docent, cand.scient. et dr. phil.  
CREDO/ Department of Management  
Aarhus School of Business, Aarhus University  
Haslegaardsvej 10, DK-8210 Aarhus V, Denmark  
phone + 45 8948 6688 • direct +45 8948 6458 • fax +45 8948 6125  
vcp@asb.dk  
www.credo.asb.dk  
~~~~~

Table of Content

The relevance of investigating CSR.....	1
What is CSR in practice	3
Tools of CSR.....	5
The Stakeholder Approach.....	11
Ethics in CSR	17
Case: Cheminova A/S	20
Ashridge in relation to Cheminova.....	21
Tools of CSR in relation to Cheminova	24
Stakeholder Approach in relation to Cheminova	27
Ethics and CSR in relation to Cheminova.....	28
Case: Systematic Software Engineering A/S	32
Ashridge in relation to Systematic.....	33
Tools of CSR in relation to Systematic	36
Stakeholder Approach in relation to Systematic	38
Ethics and CSR in relation to Systematic	40
Conclusion.....	43
References	46

The relevance of investigating CSR

As the title of this paper states the main objective of this paper is to answer the broad question: What is CSR? When thinking about what CSR is, one thing that comes to mind is that some corporations use CSR as a marketing tool in its broadest sense, and are mostly concerned with their profits and not the underlying social value based on ethical considerations. Other corporations do however conduct their business in a manner that reflects ethical concern.

When attempting to attain an understanding of Corporate Social Responsibility (CSR) it becomes clear that such a task is not easy. First of all it must be clear even without being an anthropologist or a sociologist that culture would be a large part of the understanding of CSR especially if one tries to investigate differences in the understanding of CSR. Therefore this paper shall stay within the Danish or Scandinavian culture. Going through articles on the issue one finds out that the concept of CSR is a topic that has many different interpretations, which could subsequently lead to the question “What are corporations? Your answer may determine what you think about corporate social responsibility” (Klonoski 1991, p. 9). In short, what Klonoski is doing is describing that in one end of the CSR theories is a group of authors that think that corporations have no social responsibility or that this responsibility is reduced to profit maximisation and in the other end is another group believing that corporations are more like social institutions.

When looking at different definitions of CSR that have appeared since the middle of the last century one among many potential perspectives emerges. This is the perspective of the responsibility towards society, namely how far does the responsibility of the corporation towards society reach.

In the preliminary literature research a continuum of different social responsibilities of the corporations has emerged. In one end are actions made on Friedmann’s famous responsibility of the shareholders, namely “There is one, and only one, social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game which is to say, engage in open and free competition without deception or fraud” (Friedman 1962). This

way of thinking have been very typical since the beginning of the industrialization and is to a large extent incorporated in the Western culture. The question “does it pay of?” is very common in our society and is characteristic for the market-based way of thinking. In corporations this perspective of responsibility has a narrowed focus on the bottom line, which also means that every decision will be based on profit maximisation. Using such an approach would result in CSR as being a tool of seeking market opportunities. The tool based approach to CSR is the topic of chapter 0 *Tools of CSR*.

Somewhere in the middle is found an approach, which does not only take into account the maximising of the shareholder’s profit, but also the interests of other stakeholders. Freeman’s stakeholder is found in Bloom and Gundlach’s definition “CSR is the obligation of the firm to its stakeholders – people and groups – who can affect or who are affected by corporate policies and practices. These obligations go beyond legal requirements and the companies duties to its shareholders. The fulfilment of these obligations is intended to minimise any harm and maximise the long-run beneficial impact of the firm on society.” (Bloom et al. 2000). The stakeholder approach is interesting in connection to CSR as it puts forward as an approach to manage the stakeholders and thereby including more than just profit to the shareholders. Theory could suggest that the stakeholder approach could be seen as a token for an ethical way of doing business, but in practice it seems that it could also just be a way of being responsive to stakeholders in order to maximise profit. This question will be investigated in chapter 0 *The Stakeholder Approach*.

In the other end is the kind of actions that are not directed by profits, but by a more wide responsibility towards society or simply a responsibility to do what is right, that is actions driven by ethics. When Bowen stated that, “[CSR] refers to the obligations of business to pursue those policies, to make those decisions or to follow those lines of action which are desirable in terms of the objectives and values of our society” (Bowen 1953) he was advocating a wide interpretation of the social responsibility of the corporations. By having an approach that not only takes specific stakeholders into account but society as a whole, it seems to be a possibility, that one will act more according to ethics and less with adherence to profit maximisation. As one tries to encompass and concretise the subject of being responsible towards society it seems that it is only possible to describe elements and not the whole - just like trying

to catch a soap bubble, when you finally catch it and look in your hands you will only find the particulars and not the bubble itself. So in order to grasp social responsibility towards society one must try not to act according to the particulars in society, but according to the “greater picture” of society. Also it seems that in order to live up to a social responsibility one must have and be influenced by tacit values, that is the moral fabric of our society (Petersen 2002).

To sum up this paper intends to examine the different elements and motives of CSR, with a special focus on the corporate interpretation of CSR in Denmark. During this examination it will be attempted to illustrate the underlying elements of the different CSR interpretations with the hypothesis that the motives will be different in each of the three interpretations above, namely *CSR as a tool*, *CSR from a stakeholder approach*, and *Ethics in CSR*. In order to relate the theory to practise two Danish companies have been selected who concern themselves with CSR. These companies will be interviewed and analysed with the intention of discovering their motives for conducting CSR. To investigate these cases the three chosen CSR interpretations will be related to the company interviews and elements from the different theories will be coupled with the two cases.

What is CSR in practice

The Ashridge Centre of Business and Society has together with the Danish Commerce & Companies Agency (Erhvervs- & selskabsstyrelsen) conducted an investigation into different types of CSR activities in Denmark for SMEs¹. Their investigation creates a very broad overview of the different CSR, and this overview is so broad that many of the activities seem like normal rational behaviour. It is reasonable to argue that business ethics goes much further than the activities of this investigation, and will be founded on values, but all this will be addressed later on in the section of *Ethics in CSR*.

¹ Small-Medium sized Enterprise

Figure: The Ashridge partition of CSR



Source: Ashridge Centre of Business and Society – *Catalogue of CSR Activities* (2005)

All the groups are more or less interrelated and overlap does occur and the following description is not exhaustive.

A – CSR leadership, vision and values is about integrated CSR into the written strategy, and about having a code of conduct the company lives by, and if the company uses value-based leadership founded on ethical values. Furthermore this category describes the importance of refraining from exploiting legal grey zones and refraining from employing covert lobbyists.

B – CSR marketplace activities addresses the CSR aspects of fair competition in contrast to monopoly, responsible advertising with true transparent information for consumers, responsible products without damaging effects and correct labelling of products. Furthermore it is ensuring fair prices for consumers, fair trade with suppliers and supplier countries and green products and production, it is making the product available for the customers in terminal need of the products, e.g. AIDS medicine in Africa,

C – CSR workforce activities facilitate a sound employee environment. It includes activities such as making space for disabled and minorities, humane redundancy programs and fair remuneration for work throughout organisation. It includes the practice of non-discrimination, securing employees' work-life-balance and safe working facilities.

D – CSR supply chain activities are social responsible if suppliers are treated fairly with sustainable prices and faced with stable forecast of your company's demand. Furthermore it is important to screen suppliers to secure that they behave in a responsible and ethical manor.

E – CSR stakeholder engagement is mapping the respective stakeholders, and investigating their requirements and needs. It is transparent reporting and listening to stakeholders' opinions.

F – CSR community activities are concerned with the community in the broadest sense. It is donation of money to charity organisations, it is sponsorship of schools, sports teams and volunteer societies, it is providing paid time for employees to engage in community charity, and support for the social events of the community.

G – CSR environmental activities are regarded socially responsible if the company minimises its resources usage and recycles, and if it uses sustainable materials and reduce its pollution to a minimum.

Tools of CSR

The International Organisation for Standardisation (ISO) has attempted to create a standard for CSR. After one and a half year of research the project was abandoned due to difficulties of standardisation on a subject of this kind (*Technical Management Board Resolution L/2004 Social responsibility*)². However it is still possible to find management literature guiding a company in the process of becoming more CSR-minded. It is likely that the aim of management literature and ISO differs considerably. From a sceptical point of view, one could think that the aim of ISO was to promote ethics in corporate values, and the aim of management literature is to provide the company with a tool to generate more money.

The following will bring a description of the various tools to become more CSR minded, and concluding will be an evaluation of the viability of this prescriptive approach. Phillip Kotler, the guru of modern marketing, has written a book on tools of CSR (Kotler, Lee 2005). The tools are stated as categories of CSR and are listed below.

- Cause Promotions
- Cause-Related Marketing
- Corporate Social Marketing
- Corporate Philanthropy
- Community Volunteering
- Socially Responsible Business Practices

² http://www.iisd.org/pdf/2004/standards_tmb_resolution_2004.pdf

In Cause Promotion companies select a cause that they find important and socially responsible, and then try to heighten public awareness of the cause. The choice of cause should reflect the values of the company, and should be beneficial to the company in ways of promoting the company. The company should attempt to make a long term commitment, and refrain from making the commitment a new marketing stunt. To achieve a heightened public awareness the company should support fundraising for the cause and use their channels of communication to enlighten the public to a problematic issue and the influence should increase public donations to the cause. Normally the corporations do not find their own causes, but are approached by NGO's who support a certain cause. The company then evaluates whether this is appropriate for the company, and then decides to support this cause through donations to the NGO. One example of this kind of CSR-effort is British Airways supporting "Children in need around the world" partnered by UNICEF. British Airways provided envelopes for collecting change for the cause, and promoted the cause on their flights and on their web page.

Cause-Related marketing is when the company donates a certain percentage of sales of a product to a specific cause. Usually there is a limited period for this donation and there is a mutual understanding between the company and the NGO supporting the cause that this arrangement will result in increased sales for the company. Therefore it is important to select a cause which is related to the brand or product of the company to realise this synergy effect. One example is OK Benzin who contributes with a percentage of gasoline sales to the local sports societies. This seems very beneficial to both the local sports societies and OK Benzin. Some of the downfalls of this CSR-tool is that some costumers become sceptical of the motive behind the campaign and some costumers will even switch products due to unwillingness to support the selected cause.

Corporate Social Marketing is about changing the public behaviour. This tool is a strategic marketing tool to improve on issues such as public health, safety, the environment or community well-being. There is usually a need to use educational tools and always a need to increase public awareness. Examples can be voting, prevention of sexual transmitted diseases, "not to litter"-campaigns and "wearing sealtbelts"-campaigns. A corporation should supply funds for raising awareness through commercials, volunteer employees into the cause, provide access

to communication channels of the company and use the company network to get the message out. One example of this CSR-approach is Dole, a food company, who facilitated the campaign “5 pieces of fruit per day”. They did this in association with the *National Institute of Health and Produce for Better Health Foundation*. The activities of Dole were that of infomercial campaigns, information on Web site, providing Parents and teachers with cook books and CD-ROMs. A problem with this approach is that consumers may be sceptical of the motivation of the company, fearing that they don’t really care about the cause, but only increased sales.

Corporate Philanthropy is a form of philanthropic giving that is supposed to enhance the reputation of the company. It is commonly done by donation of money to causes, providing scholarships, monetary support for NGOs or local community sponsorships. The choice of cause should be one related to the company, so that the goal of the cause benefits the company. One example is General Motors’ support of highway safety, where GM provided funds and inspection vehicles for highway inspections and educational material for the *National SAFE Kids campaign* and *Mothers against drunk driving*. This provides the company with the benefit that consumers associate the product of the company with some of the beneficial attributes of the cause. In the case with General Motors the aim was to have consumer associate GM cars with safety.

Community Volunteering is by many consumers considered as the most sincere form of CSR effort. Community Volunteering is the corporation encouraging its employees to support a certain cause, by supplying funds and paid time to employees to participate in the actions needed to better a cause. An example is allowing and paying employees to go to schools and educational institution to teach for free, it is paying for employees participate in garbage collection campaigns and employing employees to help repair or construct facilities of disabled or minority groups. These kinds of CSR activities help build goodwill in the community and focus on the personal relation in contrast to the impersonal donation of money. Another benefit is the morale of employees who feel more satisfied being able to do charity work in their working hours, thus building internal commitment between employees and external commitment with customers and the community. An example of the use of this CSR-tool is Shell who volunteered its

employees to collect garbage in coastal regions and facilitating programs to study the coastal environment; especially coastal birds. The potential risk is that the company loses control of the CSR-effort as it is driven by employees, and there is a risk that the real impact is minimized due to lack of coordination and lack of professionalism in certain areas of expertise; e.g. building houses, studying marine life, etc. Furthermore there is the dilemma of the company being the entity driving the employee into corporate social responsibility. Is this merely an easy way for the employee and the company to satisfy their consciences and for the employee an opportunity to gain more variation in the working environment?

Socially Responsible Business Practices are a more broad perspective on CSR. It is arguable whether this can be considered as a tool, as it is more a focussed mindset than suggestions on CSR initiatives. It is a CSR approach in a selected broad area as for example the environment, human rights, employee treatment, political issues and so forth. It is not an all encompassing approach as it is an active choice which area the company wants to concentrate on. To practice this form of CSR the company has to select a beneficial area of focus wherein process improvements should be facilitated. This approach can lead to cost savings as it can lead to less material usage if recycling is the chosen area of focus, grants by foundations and national subsidies to better employment for disabled, better working conditions in developing countries rising customer awareness of the company product. The benefit to the company is more goodwill and cost savings, but there is a risk of media scrutiny to reveal hypocrisy and a lessening of public acceptance of slight conduct of the company. This approach is not value-based which is shown in the fact that the company only does the right thing within the area selected. One example is Kraft Foods who have reengineered their processes to lessen the obesity problems caused by their food products. They have tried to reduce these problems through smaller container size of products, better labelling and supplying education on nutrition. The amount of fat in their product has not been addressed.

Kotler is not the only author providing descriptions on how to use CSR as a tool. Beth Kytle, Senior Consultant of Booz Allen Hamilton and Harvard University professor John Gerard Ruggie have written a

paper on CSR as risk management³. Here it is described that CSR can be used as a tool to create transparency in the organisation and place attention on the unethical aspects of the business, notably those presently having the attention of society and stakeholders. Thereby the company gains the possibility to reduce a small part of the uncertainty of their business environment. By having a CSR focus, the company can stay one step ahead of the political consumer, in finding problematic issues regarding the operation of the company and by that find effective means to respond to them. Having established a CSR reporting system the company can develop control and countermeasure procedures to tackle situations when problems arise or to contribute to a shorter recovery process. This type of CSR tool is largely focused on setting up information channels to gather intelligence in regards to what the social risks on the market are and how or if they impose a threat to the company, and then insuring that these risks are addressed and corrected. From an ethical point of view the consequence is that the company is operated in a more correct way, but the motive is purely cost-benefit analysis. The company has realised that it is vulnerable, and that public exposure of internal vulnerability will be more expensive, than actually correcting the issues and running a CSR reporting system. CSR related to corporate risk management thus implies a more effective way of “managing stakeholder relationships”. By partnering with other social actors, including civil society organisations, companies can also work to improve contextual conditions that pose emergent social risks to. Many companies today are thus creating a bigger social capacity to respond to crises in society such as poverty, diseases, etc., because the social risk can potentially affect cost, marketability, public reputation and perception, and operations and supply, and it needs to be elevated to a level of strategic importance (Kytle & Ruggie 2005). Ironically, a social risk may arise from what appears to be a sound business decision, i.e. finding cheaper labour to reduce costs and sustain competitive advantages, but it could result in public criticism of practices, and this is what CSR related risk management is meant to counter. The method of CSR as risk management is clearly very calculative and ethical

³ (Kytle & Ruggie, 2005, Corporate Social Responsibility as Risk Management – A model for multinationals, Harvard University) - http://www.ksg.harvard.edu/m-rcbg/CSRI/publications/workingpaper_10_kytle_ruggie.pdf

considerations and values are not included, which shows the motive is that of profit maximisation.

Are these tools ethical? The reader should by now realise that most the described tools are founded on shades of marketing principles. This should not be a surprise when the author of first six tools is the great marketing guru Philip Kotler and it is difficult to believe that the companies employing these tools do not have their main focus on the bottom line. What is lacking are the ethical values ruling the decisions, and the lack of will to go forth with CSR if it does not improve the profit of the company. As an example one could ask: How much good does it do to reduce the size of the packaging and improving the label of a product, if one does not try to correct the underlying problem of an unhealthy nutritional composition of the food product? Likewise how sincere is it of BP that they in 1997 say that it is necessary that business face the reality of Global warming, while at the same time trying to ignore the fact that their pipelines are ruining the Alaskan nature due to neglect and in spite of whistle blowers forcing the corporation's attention on the issue?⁴ Both issues relate to the protection of the environment, but obviously only the hype of Global Warming is interesting enough to address publicly. It is clear that most companies use CSR as a marketing tool, and the public scepticism of the motives of business CSR activities is certainly warranted. Companies are often displaying their double morale when they pursue CSR. Especially in the case of the environment, it is most often society who bears the cost of the profits of the company, since the amount of resources spent on CSR is rarely anywhere near to balancing the amount of damage the company causes.

In relation to the Ashridge partition of CSR, it is clear that some of the issues in CSR have not been addressed by the tools proposed by Kotler. There is an overweight of activities in B, F and G, which are issues easier to commercialise and gain public attention. This goes to show, that efforts suggested by Kotler are without foundation in a true ethical basis, since it is a segmented effort with an external view and change in behaviours is only done to generate profit, not to pursue the correct ethical course of action. It is not strange that this behaviour is prevalent. From the logic of the market you can deduce that a corporation's directors cannot engage in any activity that would reduce profits. This causes a problem because of

⁴ <http://news.bbc.co.uk/1/hi/business/5057954.stm> and <http://dieoff.org/page106.htm>

the prevalent public opinion that CSR is conducted at the cost of the bottom line. This is usually true if the perspective is the short term, and making a profit is not the foremost motive. In the long term however, it could be a profitable business to pursue a sincere CSR strategy, but our markets do not respond to long term “maybes”. Short term performance is almost the only parameter in deciding the stock price in the market, and hence directors feel forced to refrain from sincere CSR activities. The only option left is to engage in CSR activities that provide profit in the short term, and that is usually activities related to marketing and increasing sales based on topics that presently have the public’s attention.

The Stakeholder Approach

Most people will concur that one of the purposes of a company is to generate a profit. In relation to this many people also believe that the managers of publicly held firms are required to maximise profits for the shareholders, but this is not legally true. Traditionally managers have an obligation to the corporation, which is then interpreted as an obligation to shareholder interests. But during the 1980s there was a shift that allowed managers to take into consideration the needs of other stakeholders (Beauchamp & Bowie 2004). Taking social responsibility a step further in regards to the Friedmanite view, Bloom and Gundlach explain that “CSR is the obligation of the firm to its stakeholders – people and groups – who can affect or who are affected by corporate policies and practices. These obligations go beyond legal requirements and the companies duties to its shareholders. The fulfilment of these obligations is intended to minimise any harm and maximise the long-run beneficial impact of the firm on society”. Here the concept of stakeholders is introduced in connection with CSR and obligations beyond that of the law exist. Social responsibility becomes interconnected with the various groups of people, or stakeholders, it takes into account more than just profit maximisation and shows the breadth of consideration in relation to acting socially responsible. This means that stakeholder theory potentially contains many elements of CSR which is why this becomes an interesting perspective to investigate.

Stakeholders are defined as “any group or individual who is affected by or can affect the achievement of an organisation’s objectives” (Freeman & McVea 2001) and the stakeholder concept tries to

incorporate the interest of all those who are influenced by the actions of a company. The general purpose of stakeholder management is thus to devise methods to manage myriad groups and relationships strategically. It is argued that managers need to understand the concerns of shareholders, employees, suppliers, banks and society, in order to develop objectives that stakeholders would support; support that is needed for long term success. Therefore, management should actively explore relationships with all stakeholders in order to develop business strategies. But who are the stakeholders and how are they influenced by the different decisions and actions in the company? It is not hard to envision the difficulties to somehow find a common stand among the stakeholders. It might also be impractical to involve more than a few stakeholders and even so it might be hard to reconcile their views on any important topic (Petersen 2000, p. 36). Moreover public interest group and individual consumers can exert pressure through their behaviour and attitudes, i.e. we have Greenpeace that made a public outcry over the oil storage buoy Brent Spar that Shell wanted to sink in the Atlantic Ocean. Without regards for the motives behind the stakeholder theory, it becomes evident that it can be profitable, or cost reducing, to listen to and accommodate these groups that could potentially disaster for the company.

A stakeholder approach emphasises *active* management of the business environment, relationships and the promotion of shared interests (Freeman & McVea 2001). These interests must be integrated into the very purpose of the firm to govern the relationships with the key stakeholders in a coherent and strategic fashion. In relation to CSR it is especially important to build relationships with previously estranged groups. However this could also result in CSR as being seen as either an “add-on” luxury that can only be afforded by the most successful businesses, or as a risk management tool as discussed earlier, rather than a core input to the corporate strategy that promotes the company’s own values rather than tending to stakeholders interest without deeper considerations. Good stakeholder management develops strategies that are viable for stakeholders over the long run so that while individual stakeholders may loose out on some individual decisions, all stakeholders (customers, suppliers etc.) should remain supporters of the firm.

The stakeholder approach is intended to be flexible enough to deal with shifts in the business environment without requiring managers to regularly adopt new strategic paradigms, meaning that the company

values should be embedded deep in the organisation and ought to coincide with the values that society appreciates. It is a strategic management process that actively plots a new direction for the firm and considers how the firm can affect the environment and vice versa. From an ethical stakeholder approach, it would indicate that the survival of the firm is dependent on good relations with and the acceptance of stakeholders (Petersen 2000, p. 35). It is questionable though if the stakeholder approach is founded on congruence between the organisation's objectives and the goals of society and thus the companies actions ends up as a way of being responsive to stakeholder interests in order to maximise profits. The stakeholder approach also encourages management to develop strategies by looking out from the firm and identifying, and investing in, all the relationships that will ensure long term success, and from this perspective it becomes clear that there is a critical role for values and "*value-based-management*". The downside is that there are clear elements of profit maximisation in the thoughts of "investing" in relationships, which is why it further strengthens the speculations that the stakeholder approach is just a tool to reduce risks and increase company profits as previously mentioned.

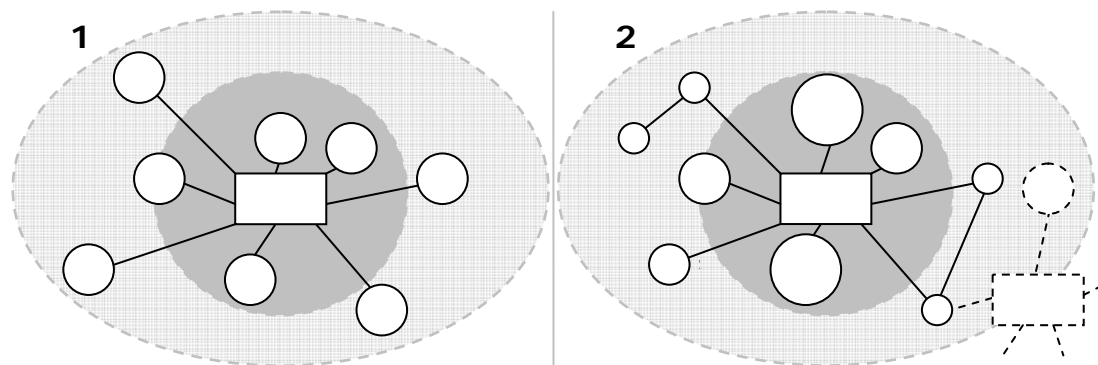
Stakeholder management is built on a partnering mentality that involves communicating, negotiating, contracting, managing relationships and motivating. These different aspects of stakeholder management are held together by the enterprise strategy which defines what the firm stands for. Ethics should be part of these processes, first, because unethical behaviour can have high costs due to reputation degrading and second, because codes of ethics provide the consistency and trust required for profitable cooperation. According to Freeman successful transactions with stakeholders require an understanding of the legitimacy of the various stakeholders and processes enabling stakeholders to routinely surface their concerns. Studies also indicate that firms that practice stakeholder management would out perform firms that do not although there is no obvious causality between the corporate social performance and the financial gain though, and the most that can be demonstrated by the data from the studies is that bad social performance hurts a firm financially (Freeman & McVea 2001).

Freeman argues that the impact of a stakeholder approach on management practice is difficult to establish. Mainly because the contemporary debate is trapped in the rhetoric of a "stakeholder versus

shareholder” discussion and this contributes to the stakeholder theory being mischaracterized as anti-capitalist, anti-profit, and anti-business efficient. As a result of this the words “*stakeholder management*” have been relegated to descriptions of a small number of businesses that are managed differently from mainstream corporations, i.e. Body Shop and Ben and Jerry’s. This is rather controversial since it has been established that the stakeholder approach contains clear elements of profit maximisation, which isn’t what people normally associate with these mentioned companies. These companies are normally associated with strong sets of values that permeate the organisations but is this merely a way to obtain financial success or can it be seen as collaboration with stakeholders, communicating clear business goals, and maintaining stakeholder support even when the outcome is not in their favour. It is clear that stakeholder management is much alike with shareholder management than as an opposite, if it is interpreted cynically and thought to be motivated by profit maximisation and risk minimising. Furthermore shareholders will also be one of the more influential stakeholders, and it is inevitable that the company will be more considerate to the most influential stakeholders, and thereby under represent the interests of the less influential stakeholders.

Criticisms of the stakeholder approach are many. The stakeholder approach does not sufficiently address the dynamics which link the firm to the stakeholders which are identified. It may be correct to suggest that the survival of the firm is linked to external others, the motivating description of the linkage needs to be more clearly addressed. Freeman suggests that a particular value such as profit and efficiency explains firm behaviour within society, and thus in turn explains its relationship to stakeholders. However, other motivating principles might be at work such as legitimacy or social performance or another underlying logic that links the firm to internal or external others. Freeman does discuss the concept of congruent values between the firm and the stakeholders but in the context of identifying alliances versus conflicts, not as a way of elucidating the process involved in the stakeholder/firm relationships (Key 1999, p. 320-323). The stakeholder approach presents an incomplete linkage between actors, and between internalities and externalities, as it is illustrated in the first model in the figure below.

Figure 2: Freeman's stakeholder approach map (1) and fully linked stakeholder map (2)



Source: Key (1999) with modifications

Freeman's model, which suggests that stakeholders can clearly be identified as separable entities, misses the complexity of the real linkage as is suggested in the second model in the figure above. Furthermore, this second model illustrates how the firm to some extent acts more considerate to, i.e. the banks, shareholders, and present customers (as represented by the circles inside the *close partners* circle). In other words, the firm only tends to the groups that they depend on to generate a profit and this is one of the pitfalls under the *stakeholder approach* and it should be scrutinized. The firm is or might be aware of the more remote partners but as long as there are no immediate issues or problems with these groups there is no need to show much consideration for them and their interests. Obviously it is not possible to be considerate to each and every stakeholder on the market and the idea seems rather ludicrous and impossible to implement in praxis, especially due to the transnational and global business that dominates the economy today, and there are bound to be some stakeholders that you act more considerate to than others, but that should not let the firm act less responsible when there is no profit to be made. Furthermore it is not likely that all stakeholders of a transnational company know they are in fact stakeholders, due to the vast quantity of companies. Although much of the *stakeholder approach* can be viewed as common sense it is hard to disregard the idea that it is based on public policy and being responsive to public opinion and the only reason why companies act sensible is due to public regulations.

This presents another debatable issue in relation to the stakeholder approach whether corporate decisions are based solely on ethical and social considerations and applied truly hereafter or if there are another

economical ulterior motives. Is stakeholder management based on an ethical foundation applied with sincere intentions to do what is best for society or do firms act socially responsible only to create attention to their company and products as another competitive parameter? What are the ethical and social considerations behind establishing the Ronald McDonald House? Could this be seen as a marketing gimmick to draw attention away from the fact that they are producing and selling fatty foods in their restaurants, which is posing as a major healthcare issue, should it be seen as good customer support, or do they sincerely want to help and improve the well-being of children? This give rise to the belief that the stakeholder approaches, much as CSR itself, is based on self-interests and lets the firm achieve commercial benefits and increase the public awareness through unethical behaviour in their core activities and then “fixing” the damage through high profile CSR projects.

In relation to the Ashridge partition presented earlier in this paper it is apparent that the stakeholder approach includes many of the CSR activities if applied properly. Some of the activities are more characteristic to the stakeholder approach than others though and with its external view put a lot of doubt to the sincerity of internal activities such as leadership, vision, and values. Workforce activities could also become very superficial in situations where unemployment is high, since they cease to be an influential stakeholder. The environmental aspect is slightly in the periphery and is highly dependent on the company and its activities.

The discussion above relates to companies with seemingly good intentions but reflects a different reality, and the aspects that the *stakeholder approach* presents, although containing an ethical basis that takes stakeholder interests to heart, is a method to generate profit by pursuing the “*correct*” ethical course of action. The reasons for being considerate to stakeholder interests are their direct impact on the bottom line and the motives are then clearly not founded on ethics or responsible behaviour, but are seen as decisions based on cost-benefit analysis and profit maximisation. This could be a firm reducing its amount of toxic waste because the environmental activists are causing a fuss in the media not because it is the most responsible thing to do, but because it will keep it out of the media’s spotlight. Or maybe it is a firm donating money to charity not because it is in correlation with the company’s values to

support the charitable event, but because it will expose the firm positively to the public. From an ethical view CSR in relation to the *stakeholder approach* is to be conducted without a strict and narrow focus on the bottom line but ultimately this doesn't seem to be the case as it was also described earlier under Tools of CSR and again the ulterior motives of short and long term profit maximisation surfaces.

Ethics in CSR

As it has come forth in the two preceding chapters, different approaches to CSR can be segregated by their width of responsibility towards society. It was also stated that some approaches to CSR are based more on cost-benefit or profit maximisation, than actually doing what is right and thereby accepting or taking on the social responsibility of the corporation. Depending on the view it can be stated that while some corporations are doing ethical CSR others are using CSR as a tool to maximise profit. The focus of this chapter is corporations doing ethical CSR.

Our starting point of talking ethical CSR is Bowen, “[CSR] refers to the obligations of business to pursue those policies, to make those decisions or to follow those lines of action which are desirable in terms of the objectives and values of our society” (Bowen 1952). Bowen is talking about a corporate obligation to society to do what is the best not only for the corporation, but for society as a whole. This concerns the very purpose of business which no longer is only to maximise wealth for the shareholder as neoclassic theory would suggest, but to maximise wealth for society. When taking one step deeper into Bowen one can take a normative view in order to understand the “values of our society”. The mentioning of the values of our society implies that CSR is concerned about the making ethical judgement and thereby CSR is about corporations doing good.

When talking about doing the right or judging what is right and wrong Petersen “show the plausibility and importance of tacit and ineffable foundation of our value judgements” (Petersen 2002, p. 153). This is also the reason why ethical theory itself cannot help us to judge and thereby doing right and that we have to look elsewhere to find the values of our society (Petersen 2002, p. 148). When describing the values in our society Petersen puts out “The layers of the moral fabric” (Petersen 2002,

p. 187) and here it necessary to conceive the metaphor of a fabric consisting of tufts on the surface layer and strands on the deeper level, used to describe the indescribable, our tacit values. When talking about tacit values it is important to understand, that it is not possible to write down these values which also means that it is not possible to prescribe these values and turn them into rules, conducts or other kinds of regulation. To sum up sincere CSR is about doing the right thing and not because it is the most favourable, but because it's a part of our nature, it's a virtue or what could be called the habits of the heart (Petersen 2002, p. 152 and Werhane et al. 1998, p. 53).

When talking about tacit values, one must consider where the tacit values could be found in a company and if or how corporations can learn tacit values. One could argue that sensing public opinion and being responsive would be a part of adapting to the values of the society. So in order to make responsible decisions the decision maker should allow public opinion to be a part of the decision making process. While being responsive to stakeholders could be a part of an ethical behaviour in a stakeholder approach, it is more likely that responsiveness of corporations will lead motives towards a profit-orientation. Another argument could be that the actions of a corporation are only an aggregate of the actions of an individual and responsible actions should be guided by the values of the corporation which again are embedded in the employees. In line with the second wave of knowledge management (Mouritsen 2005), where it is proposed that intellectual capital of the firm is embedded in the relations more than in the specific human resources, it is apparent that the tacit values lies not solely within the individual, but in the relation between the employees and also in the learning and development of tacit values. Also it seems apparent that most of our tacit values are learnt in our raising as children and thereby passed on from earlier generations and therefore are not easily changed (Petersen 2002, ch. 6). But of course we are changing and refining our values through most of our lives, especially when we are put in new environments with people we do not know. Perhaps a good example of changing one's values would be the employment in the corporation Maersk A/S, which is known to have very strong tacit values⁵.

With all the talk about values above it is interesting or one might even say expected to see a rather different movement in the field of CSR

⁵ <http://about.maersk.com/en/WhoWeAre/Values.htm>

focused on telling the rest of the world what you are doing. Examples of this trend are books as “*Strategic CSR Communication*” (Morsing et. al, 2006) and “*Corporate Social Responsibility – Doing the Most Good for Your Company and Your Cause*” (Kotler et. al, 2005). First of all a corporation telling the rest of the world what it is doing isn’t bad in itself as long as what the corporation is doing is done for the right reasons. In fact a corporation could create an awareness of important issues in the society by telling others what they are doing. But this is only the case when there is a need for increased awareness. Unfortunately it seems that most companies pursuing CSR strategies are doing it, not because it is desirable in terms of the objectives of our society, but because it would be maximising the corporation’s profit. The assertion that corporations doing ethical CSR do not talk about it could be a part of the Danish culture, perhaps because of the “jantelov” (you should never think that you are better than others). This can be seen in findings that only one third of the Danish corporations working with CSR are communicating it and that the firms actually think that CSR is an internal matter⁶.

In the extension of the description of the importance and the relation of values and ethical CSR, but also the emergence of corporations pursuing CSR strategies to increase profit it is now possible to go back to the work of Ashridge. When describing the range of CSR activities, Ashridge might as well be describing both ethical CSR founded on values, but also more cost-benefit-like CSR focusing on profits. But something more important and central is that describing activities only the outcomes and not the motives of the actions carried out by the corporations are emerging. Somehow talking about all these different kinds of CSR activities seems to be taking a backwards approach to CSR. In stead of talking about what to do, we would tend to be more focused on the outcome, when talking about activities like Ashridge. So in the end we can conclude that although Ashridge could be describing the activities of corporations using CSR in an ethical manner, their results could very easily be more appealing to the profit part of the managers minds, and therefore in the end might result in CSR as becoming a tool and not a decent way of doing business as would be preferred.

So now one can only raise the question: How do we make sure that corporations actually do take into account the tacit values in their

⁶ <http://www.kommunikationsforening.dk/Menu/Viden+og+v%c3%a6rkt%c3%b8jer/Kommu+nikat%c3%b8ren/Nr.+3+-+2007/Det+er+ok+at+fort%c3%a6lle+om+dite+CSR-projekt!>

decisions? Answering this question is not done in an instant and would take more space than available in this paper. The reason for ending this chapter with a small discussion of the answer is therefore not to come out with a final answer, but rather to give insight in the depth of the topic. The answer to the question above that springs to mind could be to make some kind of governmental and perhaps international regulation. This has proven the one solution, but regulation only works to some extent. So what can we do? The answer could be described in the way most people raise their children. A parent would normally set out some rules, which would regulate and work as boundaries of appropriate behaviour, but most of the upbringing rest on the learning of tacit values, which will guide the child in making the right decisions in situation in which the child has no prior experience. The point is that one could not hand a child a list of right decisions and thereby ensure that the child would be able to handle every possible situation correctly, simply because one could not make such a list exhaustive. In the same way it is not possible to make exhaustive regulations that make all corporations act socially responsible.

Case: Cheminova A/S

Cheminova A/S is a Danish manufacturer of chemicals, with its main business area within plant protection products. The company develops in-house and markets its products globally through subsidiaries in 16 key countries and through distribution partners in most other countries. Their products are helping farmers to increase their field output by as much as 50% but in the same time, the products are deadly toxic.

Cheminova is owned by Auriga A/S which is owned by the Research foundation of the University of Aarhus, and the dividends go to finance various types of research. Auriga is very much aware of the dilemma of the product of Cheminova, and this lead to a decision in 2006 to phase out the most poisonous products as soon as Cheminova is able to manufacture a proper substitute. The issue is still very much discussed today, and some shareholders want Cheminova to act more responsible than the here outlined course of action.⁷ Throughout all of their existence Cheminova has been considered a politically incorrect company and also

⁷ <http://www.au.dk/da/rektor/taler/auriga2007>

in 2006 Cheminova decided to implement CSR reporting to communicate to the society how they conduct their business.

Due to the high public awareness about Cheminova, it is possible to find a lot of information about their activities. In combination with the conducted interview, this makes it possible to conduct an evaluation of their employment of CSR and the underlying motives. These are the reasons for choosing Cheminova as a case in regards to CSR.

Ashridge in relation to Cheminova

During this investigation of Cheminova, much of the evidence will be based on the company web page and the interview with the information officer of Cheminova. The interview can be found summarized with quotes in appendix 1. This very one-side information has the potential to provide a very biased view of Cheminova, as there is no counter view to that of Cheminova's own. Therefore it is necessary to remain slightly sceptical and search for counter evidence through news databases and the internet. In the following it will be attempted to characterize the activities of Cheminova to provide material for a discussion on the underlying motives.

Starting with the CSR implementation into the leadership of Cheminova, they have chosen to integrate CSR into their strategy, thus stating ethical mission and values in relation to the environment and the communities they interact with. They have a code of conduct and they have published a CSR report of 38 pages with stated goal for improvements in regards to almost all facets of their company.⁸

The interview with the information officer explains that "In big strategic decisions we look to our written values, but for the most part, the everyday things are decided using gut feeling." This would indicate that their values are guiding the company through decisions, but mostly so at a top level. It is hard to classify "...gut feeling" whether it is embedded values of Cheminova or if it is individual cultural "...gut feeling", but this leaves space for some doubt as to whether Cheminova is value-driven in their decision making. One thing that is certain is that they *have* created a framework with somewhat ethical values, the question remains: Is this enough?

⁸ (Cheminova web page/CSR Report 2006)
http://www.cheminova.com/en/csr_report/csr_report_2006/csr_report_2007.htm

In regards to marketplace activities Cheminova has a stated goal to provide safe information and education in the use of their products. They display a very Danish mentality of openness in regards to the level of information available on their web site, and they trade with third world countries, which would indicate fair prices in regards to the people in need of their product. The main issue is their product. Their product is a toxic and the potential harmful effects are very big and people can die from it. Cheminova tries to minimize the danger by training the farmers in the use of the product, so in this sense they display a very responsible behaviour. The dilemma of their product is illustrated in this comment of the information officer “We make a product that helps provide food and joy and improve the farming conditions around the world. At the same time we make a product that is poisonous and kills, and that is hard to understand in Denmark.”

Cheminova have several CSR activities in regards to their workforce. The information officer says that “[We have] taken on special social consideration in regards to employees and their families, but also in regards to the culture and sports activities in our community. [We’ve] helped elderly and ill employees by providing bonuses, welfare and surplus sharing and part time jobs for them.” From this comment it seems that most of Cheminova’s workforce activities are of monetary character. In regards to their workforce in outside Denmark the information officer says “Danish welfare focus on employees – some of that we would like to transfer to our colleagues out in the world, so that the level isn’t just good, but almost at the Danish level.” Furthermore their values forbid the use of forced or child labour⁹, which together with the quote would indicate social responsibility.

Supply chain activities of Cheminova are described in their values as “It is important to Cheminova that its business relations and partners comply with ethical standards, and the company will endeavour to ensure such compliance both when entering into agreements and in the ongoing cooperation.”¹⁰ It has not been possible to find material to contradict that Cheminova conducts themselves in an ethical manor in regards to their suppliers, which leads to believe that Cheminova adhere to this statement.

⁹ (Cheminova web page)

http://www.cheminova.com/en/csr_report/global_challenges_cheminova_and_csr/global_challenges_cheminova_and_csr_02.htm

¹⁰ (Cheminova web page)

http://www.cheminova.com/en/csr_report/global_challenges_cheminova_and_csr/

In regards to stakeholder engagement the information officer explains that “A company should in all regards act with great responsibility – the responsibility is not just to act responsible, but also communicate and explain why what you do is responsible. It is also necessary to be open to dialogue and criticism and constructively use the interest of the stakeholders.” This statement in essence says that considerations of Cheminova transcend that of their own interests. It has not been possible to find any indications of any mapping of the shareholder interests, but the quote goes to show that Cheminova is aware of stakeholder interest.

An earlier quote by the information officer explained that Cheminova support the immediate community around them, especially the culture and sports activities of their employees. The information officer further explains their activities in India as “There [India] we support the [local] health system, the school and working environment, so that the standards are approaching the levels found in Denmark...”

What is brought forth is the community in immediate closeness to Cheminova. They seem to have CSR activities in this area, but it does not expand further into community in general. This is also illustrated through this quote of the information officer “[We] don’t do in philanthropy and we deselect a lot of sponsor projects due to our responsibility to our own economy, but if there is a relation to our employees or our business partners, we pay a lot of attention. If it’s further out in society, we decline.”

In regards to the environment Cheminova has a record of producing a lot of dangerous waste material. In their CSR report of 2006 they explain their goals for India is “to establish a new incineration plant for chemical waste”, and “contribute to optimising waste-water treatment at the joint waste-water treatment plant for the industrial enterprises”. In Denmark the goals are to achieve the ISO 14001 certification of minimizing environmental impact.¹¹ These are worthwhile goals, but must also be seen against the impact of their production as it is. The factual number display that both the facility in Denmark and in India do produce large amounts of pollution.¹² On top of this their pesticides and herbicides leaves traces of poison in the nature, with-difficult-to-evaluate consequences. It is believed that 95% of all the used chemicals end up in places unintended and that only 5% reach their intended perpetrator

¹¹ http://www.cheminova.com/en/csr_report/csr_targets_for_2007/csr_targets_for_2008.htm

¹² http://www.cheminova.com/en/csr_report/production/production_02.htm

(fungus, insect, etc.) (Miller 2004). The question that remains is: Is there a realistic alternative? Cheminova tries to answer this through the comment of the information officer “It is hurting our economy incredibly hard when out phasing class 1 [most poisonous] product, and the result is that we are replaced with products from China which positions the end user very bad, because they don’t have the same standards in regards to purity and instruction on how to use the products. This means that we have taken on a set of higher Danish ethical standards, which in the short run is bad for Cheminova, but also the end-user; those that we [Danish shareholders] wanted to protect with the high Danish ethics”

It is clear that Cheminova has CSR-activities in multiple areas. What is less clear is their motives for these CSR-activities, and if the activities are conducted voluntarily or are forced upon them from shareholders, stakeholders and regulatory agencies. This will be explored further some of the following sections and especially in *Ethics and CSR in relation to Cheminova*.

Tools of CSR in relation to Cheminova

After the previous overview of the CSR activities of Cheminova, an investigation of which CSR tools are employed by the company will be conducted. First it is necessary to say that the previous overview is not all inclusive, which means that there could be more CSR tool in play than the ones described in the following.

Cheminova does not seem to employ cause promotion, cause-related marketing, corporate social marketing or community volunteering. They do however seem to use corporate philanthropy and to some degree socially responsible business practices. The use of CSR as risk management is also clearly evident.

Ironically the information officer does not feel that Cheminova engages in corporate philanthropy, but this can be due to definitional differences. From his own statements it is clear that Cheminova supports the local community with funds to support the culture, the sports activities and in India support for healthcare and school systems. Further more they are one of the main drivers for establishing a shared wastewater facility in the area. All of these fall into the category of corporate philanthropy, but it does not seem that Cheminova is driven by a wish to use the CSR tools to further their brand or marketing in general. It seems

more to be founded in ethical evaluations, and more founded in “what feels right”. From the viewpoint that Cheminova is cold-hearted cash-driven, one would argue that they only engage in these activities because of the goodwill it will generate and the advantages of better schools and better safety. The information officer contrasts that and explains ”...we have a good West Jutlandish set of ethics; a word is a word, people are trustworthy and we take responsibility in society. It is embedded ethics...” From his point of view their actions are more duty based, founded in their tacit values. If his words are taken at face value it represents Kantian ethics.

Moving on to the CSR-tool of socially responsible business practices it is clear that Cheminova has a large set of written values, and that they have a focus on human rights in regards to their employees in especially India. One could also argue that they have a focus on the environment, but it is rather controversial since it is undeniable that they pollute from both their production facilities and in the use of their products. On the other hand they seem to put great effort into improving their processes, as they try to minimize the pollution from their production through various initiatives as mentioned before. It is difficult to consider socially responsible business practices as a tool, and it does not seem any easier in regards to Cheminova. It does not seem that Cheminova chooses to commit to these practices due to reasons of branding or marketing. As in the case with corporate philanthropy it seems like Cheminova chooses to do these things because it is the right thing to do. It seems that the driver is the “...good West Jutlandish set of ethics...”. Revealing the true motive is very difficult in this case, as decisions rest on a few individuals who are the decision makers of Cheminova. Judging the motives must rest on a holistic evaluation where all activities and procedures of the company are taken into consideration. This will be attempted in the section *Ethics and CSR in relation to Cheminova*.

The last tool in use is CSR as risk management. The use of this tool seems intuitively prevalent, due to the fact that Cheminova has so many risks associated with the running of their company. The fact that they have established CSR-reporting because of unrest among their shareholders, point in the direction that Cheminova has established CSR reporting as risk management tool. The reason for the unrest among shareholders was bad publicity due to the problematic situation in 2006. The information officer describes “Our plans about informing the public

about our CSR-activities were speeded up because of a media crises, where we had heavy media focus and were portrayed as a company who sold products in India causing people be poisoned and develop cancer. The same happened in connection with products sold in Brazil the same year. It was not surprising and not any different than previous years but the sudden media focus had the consequence that the politicians became more focussed on us, and thereby also our shareholders. They are primarily ATP and The University of Aarhus and LD. The Shareholders chose to demand that we become more socially responsible, that we phase our class 1 products and heighten our corporate transparency. We were already in the process of phasing out class 1 products and we were working on products that can be used in stead.” This statement contains several elements. First it shows that CSR-reporting has to a large extent been forced upon the management of Cheminova. Secondly it shows that their motive for doing this is to placate politicians, shareholders and other stakeholders, not because it was the right thing to do. Thirdly it raises the question of whether it is right to do CSR reporting. As mentioned before, Cheminova experience that more dangerous class 1 products from Chinese producer replace Cheminova’s product in the countries where class 1 are being phased out. So this new heightened social responsibility has not in the short term improved anything for the end-user, which then again raises the question of whether it is ethical of shareholders to interfere as done in the case of Cheminova. The one thing that is clear in this case is that Cheminova uses CSR reporting as a risk management tool, used in the sense that it creates transparency through their organisation and their procedures and their products. It has systematised their effort in improving issues in their production and it gives them a shield against further media crises, as it is more likely now that they are focussing on all the areas which stakeholders would consider problematic. Deciding whether the motive is ethics or profit maximisation is not hard, as it is clearly a reaction to a profit loss due to previous problematic issues.

All in all it seems that some tools are being employed, but with different motives. Some because Cheminova considers it their duty, and others because they are forced to by regulations or shareholders, or because they evaluate that it is the most profitable course of action to employ CSR-tools.

Stakeholder Approach in relation to Cheminova

Linking stakeholder theory to Cheminova, it is clear that the company do take considerations beyond that of their immediate sphere of employees, suppliers and customers. Stakeholders further away are being given considerations. Examples of initiatives conducted beyond the inner circle of stakeholders are schools in the local community, shared waste-water treatment and support for the local culture and sports community. In the written strategy of Cheminova, there is a list of stakeholders and descriptions of the considerations they show these are to be considered. The list is quite extensive and concerns itself with both inner and outer stakeholders and Cheminova states that they have been inspired by guidelines from OECD¹³.

In regards to stakeholder theory, one of the points is that the company is supposed to invest in all the relationships facing the company. In the case of Cheminova it seems reasonable to conclude that they have invested in the inner sphere of stakeholders such as employees, shareholders, suppliers and customers. The outer sphere which would be the general public, the second level of suppliers and customers and general philanthropy is not an area of focus for Cheminova. This is a good example of the criticism held against the stakeholder theory, as the criticism says that a company employing the stakeholder theory would be most attentive to the stakeholder with the greatest impact on the financial situation of the company. The comment of the information officer which has been mentioned once before is that “[We] don’t do in philanthropy and we deselect a lot of sponsor projects due to our responsibility to our own economy, but if there is a relation to our employees or our business partners, we pay a lot of attention. If it’s further out in society, we decline.” Based on this, it is fair to say that in regards to the stakeholder theory, consideration is mainly based on the profitability.

In stakeholder theory another important element is communication with stakeholders. In this regard one could argue that Cheminova has set up CSR reporting to facilitate communication with stakeholders, and the level of information on their web page is truly impressive. This however is not the case, as reasoned earlier, as the CSR reporting is due to other circumstances; it is a forced action due to pressure from shareholders.

¹³ http://www.cheminova.com/en/csr_report/global_challenges_cheminova_and_csr/global_challenges_cheminova_and_csr_02.htm

One an ending note regarding the survival of the firm is probably closely related to the opinion of the stakeholder. Cheminova is especially vulnerable due to the fact that they engage in such a controversial field of production, which means that it is inevitable that accidents will happen. Using a stakeholder approach and considering the interest of all parties will to a certain degree lessen the risk to Cheminova, but that only in the sense that the different stakeholders have somewhat congruent goals. This is again one of the criticism of the theory that this is hardly ever the case, and rightly so if seen in relation to Cheminova. End-users would probably prefer to keep the class 1 products of Cheminova in stead of the Chinese substitute, management would prefer not to use time and resources on CSR-reporting, shareholders have conflicting goals in regards to generation of profit versus adherence to ethics and so forth.

All in all it would be fair to say that Cheminova displays a form of stakeholder management that is very practical oriented. It is not all encompassing and it does not follow that of the word of stakeholder theory. However it does resemble that form of stakeholder management that critics say will prevail, and Cheminova is a good case to illustrate these points of criticism. It is also apparent that Cheminova's way of conduct does not rest entirely on ethics but also on a mindset of profit maximisation. This is not to say that Cheminova is void of ethical foundations, for that they are not. The most precise would probably be to say that they have a set of tacit values of conduct of what is acceptable business conduct and what is not. That is what the information officer labels as "good West Jutlandish set of ethics" and this is their lower boundary. Above that profit maximisation is the guideline and for some stakeholders this will seem unethical.

Ethics and CSR in relation to Cheminova

The Cheminova case has now been portrayed from several angles in regards to activities, choice of CSR tools and from a stakeholder approach. This will now be brought together and an evaluation will be conducted as to the ethics of the CSR activities of Cheminova. When business ethics in CSR was describes it was made clear that one of the elements was the range of the responsibility, whether it was only the stakeholders closest to the company or if it was broader and all encompassing considerations. In regards to Cheminova it is clear from

statements previously included that Cheminova is more focussed on the local community around their production facilities, their customers, shareholders and suppliers. This is a clear indication that their focus is relatively narrow. One could speculate whether the interest in the local community was only in connection with the Danish production facilities, but evidence was found that Cheminova also contributes to the local community near their other production facilities, especially in India. The question is how to evaluate these explicit actions, if they are any indicator to the motives of Cheminova. From a black and white stand point it can not be ethical if the range of consideration is not the broadest possible. That, however, is not the world we live in, so it would be fairer to say that the broader the more ethical. The range of Cheminova is not completely narrow since they *do* consider the community near their production facilities and have taken a stand against child labour and been a driver in establishing better environmental facilities in the Indian province where they produce.

Another aspect of the Cheminova case is the aspect of stakeholder communication. As established before, Cheminova has been forced to speed up their process of CSR-reporting by their shareholders. This is a dilemma in regards to evaluating their underlying motive, since they claim they were in the process of doing it themselves, but clearly there is an element of being forced to do it. One thing that does seem clear is that their reporting is minded inwards upon their own activities, and not so much on furthering any ethical causes; a tool suggested by Kotler. It seems that the tool is mostly that of risk management, not because it was the right thing to do. In regards to ethics it was described that communication about CSR can be ethical if done for the right reasons. In the case of Cheminova this has not been found to be the case, but governed by risk management and thereby indirectly profit maximisation.

This raises the question whether Cheminova is governed by homo economics or ethical values. Again this is one of the things that cannot be put as black and white as this. It is reasonable to expect that there will be elements of both. This is quickly made probable, since one of the previous quotes of the information officer was that "...we have a good West Jutlandish set of ethics; a word is a word, people are trustworthy and we take responsibility in society. It is embedded ethics....". This quote does not prove that Cheminova acts according to these principles, but it hasn't been possible to discover any news articles or information

that contradicts this. Equally it was found that Cheminova in other regards act according to their financial situation. The information officer also reasons as previous mentioned that they will not maintain an unreasonable ethical level, and that they have to a responsibility to their own economy. So arguing from the statements of the information officer it seems that one could say that Cheminova is governed by both values and economic concern, which were to be expected.

This conclusion is also supported by the idea that ethics of a company is the aggregate of the collective of employees. Thereby you will have employees with high ethical standards, and others with a high focus on profit maximisation, who have to reconcile there opinions. It would be wrong to say that the ethics of Cheminova is nothing more that the average of the ethics of the individuals, since there are relations, company culture and norm forming between all the employees. Furthermore there is the company code of conduct, which hopefully would raise the standards for the employees most focused on profit maximisation, since it then becomes very blatant if they commit to actions that break the code of conduct. Some would argue that it is naïve to believe that codes of conduct change anything, but if there isn't a general disregard for the codex, then employees are subconsciously aware that there is a lower limit to the morale behaviour. From the perspective of the individual, a pure cost-benefit analysis would then convince the employee not to break the code of conduct, since this would probably cause the employee to lose his or her job.. Motives are probably not changes, but behaviour is changed to some extent. This behaviour should also be influenced by the extensive media focus, making the individual more aware that their actions are under scrutiny. Even though the motives aren't necessarily changed, the media and the open society will act as a corrective and education agent. This is definitely the case with Cheminova since they have experienced a media crisis, and their shareholders and the politicians are especially vigilant in this current period. The consequence is more ethical behaviour, not founded on ethical motives, but because of outside pressure.

Moving on to issue of whether the goal of Cheminova and the goal of society are aligned, the first thing that comes to mind is that Cheminova produce toxic material. Thinking a bit further the reason for producing these products is that they increase the output of fields for farmers and are, in our society today, fundamental to feeding the amount of people

who live on the planet. From a utilitarian point of view these costs and benefits have to be measured against each other, and suddenly it becomes much more complicated. The next step would then be to evaluate if the means and costs could be improved, so that society reaps only the benefits of increased agriculture production. Cheminova themselves say that they have and are developing products less poisonous, but the main problem is that these are more expensive. Therefore Cheminova is pushed away in the markets where they have phased out class 1 products. The dilemma should now be clear but the motives become more and more complicated. On the one hand it seems that profit maximisation is the driver, and the other it seems that they cannot improve because the result would actually be worse than not doing anything. This is the short term situation, and as Cheminova's information officer says, the long term should be different. The hope of Cheminova is that more and more countries will adopt stricter demands, so that the second grade Chinese substitute becomes illegal, thereby giving way for safer products such as those that Cheminova now possess. Concluding on all this it would seem that Cheminova is actually aligned with the goals of society but intertwined with dilemmas and problems of means.

An interesting aspect in the discussion in this chapter is that Cheminova is clearly not maximising shareholder wealth due to their adherence to higher ethical standards of business. Leaving Cheminova's motives out of this argument, it was the will of the shareholders that Cheminova adopted higher ethical standards with the result that Cheminova have had some rough financial years without any dividend for shareholders. This would indicate that Cheminova is maximising the utility of the shareholders but not the wealth as typically seen. This is due to the fact that maximising wealth and maximising utility is not as purely connected as seen in other companies. In this sense shareholders have prioritised that ethics are more important than money, but this argument could also be deconstructed into shareholders realizing that they would be penalized economically if they did not change the course of Cheminova, their investment. If no corrective action was taken, their own share price would go down due to disapproval from other shareholders. In the end, some group of people must have a set of values that dictate proper behaviour and ethical conduct, or this chain reaction would never have foundation to occur, so the conclusion must be that ethics are behind the corrective actions of shareholders.

To end the discussion on the Cheminova case, some kind of conclusion as to the degree of ethics of Cheminova must be made. The previous discussions have hopefully made it clear that evaluating whether Cheminova acts because of profit maximisation or from foundation of ethical values is not black and white. Some elements, like their use of CSR as a risk management tool, and their somewhat narrow social responsibility focus point in the direction of profit maximisation. Their contributions to the local community near their production facilities, their efforts to reduce the pollution and detoxicate their products point to an ethical foundation. In the end it is not possible to answer “ethical” or “unethical”, but at the most compare their holistic actions against society and other companies and answer: “They are less ethical than X” and more ethical than Y”. Even this will be subjective, and the conclusion will also be founded on a subjective evaluation. We the authors think that Cheminova conduct themselves in an acceptable ethical manor, but that they still have room for improvement.

Case: Systematic Software Engineering A/S

Systematic Software Engineering A/S (Systematic) is a Danish software company established in 1985. Systematic develop and implement critical IT solutions for information and communications systems that are aimed primarily for the defence and healthcare sectors as well as major manufacturing and service companies. In regards to their defence products, one of Systematics core compentencies is their Command and Control solutions, also known as C2, used for planning, control and coordinating personnel, equipment, communications and procedures in order to accomplish a mission¹⁴. Their customers include the armed forces in a number of European countries and NATO. In relation to the healthcare sector Systematic provide healthcare information systems locally and internationally. The headquarters of Systematic is in Aarhus, but Systematic also has a branch office in Copenhagen and also subsidiaries in the UK and USA. In August 2007 Systematic was employing 428 employees, of which 50 were in the UK or USA. Among

¹⁴ <http://www.systematic.dk/UK/Defence/> and <http://www.systematic.dk/UK/Products/Product+Overview/default.htm>

the employees 68% of all systems engineers hold an MSc or PhD degree¹⁵.

The Systematic case is interesting in that it poses a potential ethical paradox with regards to their products. On one hand Systematic develops products that helps doctors in the health care sector saving more lives. On the other hand Systematic develops products that helps soldiers in accomplishing their missions, which could involve the killing of both enemies and innocents people. One could ask the question whether there is a difference between making weapons used in war or software used in war.

This case is based on an interview with Michael Holm the Chief Executive Officer (CEO) of Systematic. Besides from the interview information from the corporation's website is also used. One of the interesting things about using Systematic as a case in a paper about CSR is that Systematic is not using the term CSR neither in regards to their strategy, communication or internal in the corporation. Does this mean that Systematic is not taking or accepting a social responsibility as a corporation? This question will be answered in the following case work, and constantly relating the case to the theoretical parts of this paper.

Ashridge in relation to Systematic

In the areas of leadership, vision and values Systematic has many activities, initiatives and general ideas in relation to social responsibility. When talking about CSR or just social responsibility, as Systematic is not pursuing an actual CSR strategy, the CEO tells that corporations in the world today are gaining more and more power. This happens for example through their increased economic size and multi-nationality. Because of this increased power corporations also have a raised responsibility to use this power in the right way an act not only as an isolated element but as a part of society. The CEO also states that it's not only the corporations that affect society, but also the culture in society affects corporations to a great extent.

Something that seems to be general to Systematic is the very foundation of conducting business. Systematic "would never sell something only to make easy money. The soul has to be embedded in what you do. If that is not the case you cannot make your employees

¹⁵ <http://www.systematic.dk/UK/About+Us/Quick+Facts/>

follow you. And when talking about employees it's very important that they feel that they are making a difference in doing their job. In order to achieve that it's necessary to have a goal and a mission – something in which you want to make a difference which is also one of Systematic's six values". Michael also wants his employees to be self-leading, as all the employees "are adults, most with children, that are making a lot of decisions in their every day life. Why shouldn't they be able to do that in the company as well?". As employees get self-leading the need for the middle manager is decreasing accordingly.

Moving on to marketplace activities, Systematic is mostly doing business with governmental institution. This means that acting in a certain manner in order to avoid monopoly or exploiting weak parties in the market is not necessary as it is automatically regulated by the governments themselves in their trading. Systematic's suppliers are few and mostly related to buying paper stationary, office furniture and IT-equipments, not anything for production. In this regards Systematic does not have sufficient incentive to pressure prices, as it is a very small part of their financial composition. This means that in general marketplace activities are not something that Systematic is focused on. That being said it is important to Systematic to have an open and transparent organisation, both internally but also externally.

Systematic are very active in the field of workforce activities. In order to fully understand the activities and ideas that Systematic is working on, it's important to keep the CEO's definition of CSR in mind: "... a company is part of a whole and being part of a whole you also need to take responsibility for a whole". This goes for society, but also for Systematic's employees which in the last end also is a part of society. On a general level two values are stressed in the interview, namely openness and transparency, which implies that there should be "...no hidden agenda.". The desire for this open and transparent organisation is "...the memory of an organisation." which the CEO means is quite long lasting. This memory is exemplified in a situation where a former director in Systematic was put in a lower position in the HR department, because he was not being satisfied with his large amount of responsibility. This was discussed openly in the organisation and instead of firing the director he was placed in a job, in which he could be satisfied. Such things are remembered for a long time in organisations, and therefore it is important to set out good examples, because they will be remembered. Apart from

setting good examples to Systematic “it’s very important to have a corporate culture in which the corporation takes care of its employees”. This means that in Systematic in cases of sickness, stress, life crisis or other personal problems plays an active role of helping the employee in trouble. It’s “a culture where one takes care of each other”. Systematic also offers an insurance that does not only cover the employee, but also covers his or her family. So in all Systematic finds it very important that there is a social relation in the company. This focus Systematic has taken to the extent that it’s currently engaged in a project with Aarhus University about investigating the meaning of work, by asking the question: “Why do we go to work?”

When employing people it is important to Systematic to be a mirror of society and having almost the same distribution of types of employee as seen in society, e.g. in relation to ethnical minorities and disabled persons. Even though Systematic is actively trying to achieve this reflection of society, e.g. by having several disabled employees, “in reality this [having the same demographic distribution] is very hard – close to impossible”. The CEO does not see the social distribution of society transferred to the employee pool of Systematic as a problem. He states that “it the way you look at people”, “It’s about finding out what each person is good at”.

As stated in connection with leadership, vision and values, it is of great concern to Systematic to have an open and transparent organisation, not only inside, but also in accordance with external stakeholders. This is a part of what in the terms of Ashridge would be called stakeholder engagement. One example of this is Systematic’s work with the reporting of knowledge through Intellectual Capital reports. The overall impression of Systematic’s stakeholder engagement is that their employees are seen as Systematic’s most important stakeholder. When looking outside the corporation Systematic is participating in numerous associations and forum in connection to their stakeholders¹⁶.

When looking at supply chain activities in Systematic you will not find many. As previously mentioned, this is due to the fact that they don’t have any major suppliers. The main raw material is the skills and knowledge of Systematic’s employees. Systematic is also not focusing on environmental activities. The CEO says that “maybe we could do something, I mean there’s a lot of power buttons we could switch off, but

¹⁶ <http://www.systematic.dk/UK/Healthcare/References+and+Relationsv>

that is not our focus and I don't know how much it would help". This seems to be an expression for Systematic not thinking that using time and resources on environmental activities would be worth the effort.

In order to contribute to society, which is one of Systematic's values¹⁷, Systematic is very active in regards to community activities. Systematic does give a yearly donation to The Danish Cancer Society (Kræftens bekæmpelse), World Wide Fund for Nature (WWF Verdensnaturfonden) and Danish Red Cross (Dansk Røde Kors). Furthermore they give their employees two days a year where they are free to work for some good cause in society, while Systematic pays their salaries. This specific activity is also called corporate volunteering as a tool and will be elaborated further in the next section. Another activity is that Systematic this year takes their employee's company Christmas presents and doubles its worth and makes a group of employee's responsible of giving the money to good causes. The intention behind this initiative is to raise a discussion amongst the employees about giving to society. As Michael states "it's not important what the company is doing, but what you are doing".

Tools of CSR in relation to Systematic

When talking about tools of CSR, Systematic uses several of the tools discussed previously in this paper, although three of the more superficial tools are not used. That is *cause promotion*, *cause-related marketing* and *corporate social marketing*, or *CSR as a risk management tool*. The reason that Systematic doesn't use these tools could be many, but it is likely that using such tools simply doesn't fit with Systematic's values and way of doing business. Of course it should be remembered that the list of CSR tools is not a list of actions that corporations actively decide whether to use or not; some of the tools simply aren't relevant to all companies.

With regards to corporate philanthropy Systematic gives, as previously mentioned, a yearly donation to The Danish Cancer Society, the World Wide Fund for Nature and Danish Red Cross. Systematic also donates its old computers to hospitals while the employees donate their old computer games. One would then argue that this is just to placate a big customer, the health care sector, but Systematic has been doing this

¹⁷ <http://www.systematic.dk/UK/About+Us/Vision+and+Values/>

kind of philanthropy many years before they made a customer out of hospitals. One thing that is quite interesting is that Systematic only donates to “society” and not something that is related to either the employees or other business associates. This is interesting in the sense that the corporate philanthropy is not done with specific stakeholders in mind, but more as a support to society in general. This suggests that Systematic engages in corporate philanthropy not because it’s would pay off in connection to some specific stakeholder or that donating would result in an increased goodwill, but because by donating money or other resources is Systematic’s duty due to their position in society.

Corporate philanthropy is not the only way Systematic tries to contribute to society, as they are also engaging in corporate volunteering, as previously mentioned, in the way that they let their employees work two days a year for a good cause, e.g. Danish Red Cross, while paying their salary. One of Systematic’s points in doing corporate volunteering could be to have more satisfied employees that feel that their job matters. It seems that Systematic is doing this without regard for the bottom line, because they think it’s important to make a difference as mentioned in the value statements.

The last of Kotler’s tools is socially responsible business practices, which also at least to some extent apply to Systematic mostly in relation to the preceding topic, namely the focus on the employees. One could argue that Systematic’s motive for this focus is purely to have better and more motivated employees who achieve a higher quality and work more efficient. This seems hard to align with the fact that the Christmas gifts are taken away from the employees this year to prompt a discussion on the issue of giving. From this fact it seems more likely that Systematic is engaged in socially responsible business practices because they think it is right.

To sum up on the tools of CSR, it is imbued in the interview with the CEO that talking about CSR as a tool, is very far away from the mindset in Systematic. The explanation of this should be found in the motives behind using CSR as a tool and motives behind being a social responsible corporation. This difference is profit maximisation in the case of Kotler and ethical behaviour or in general just values in the case of Systematic. This difference in motives will be explored more thoroughly in the two subsequent chapters.

Stakeholder Approach in relation to Systematic

When comparing the stakeholder theory to Systematic it becomes apparent that they do take into consideration the interests of society beyond that of their immediate sphere of customers, suppliers, etc. They consider stakeholders not directly linked to the company or directly linked to their primary stakeholders. Examples are donations of used hardware to the healthcare sector and contributions to the Danish division of the World Wide Fund for Nature, Red Cross, and the Danish Cancer Society. This coincides with three of the company's written values; making a difference, people centric, and contributing to society, for as the CEO of Systematic says "We have a [global]culture where big companies are pulling the strings and need to take responsibility accordingly ... this responsibility is something that needs to be transparent in the entire lifecycle of the company". From the interview it is reasonable to conclude that Systematic has a high regard for one of their main stakeholders, namely their employees, and wants to promote a higher meaning with the job. Systematic finds that it is not so important what the company in itself does but what the individual employee does to make a difference either on the workplace or in society and thus the act of being responsible becomes a very core value-founded concept in the company.

Looking at the inner sphere of stakeholders such as employees, shareholders, suppliers, and customers, it is obvious that Systematic's main focus is the employees and by having an open and transparent organisation the social responsibility is made prominent to the stakeholders on the market through the internal activities in the company and this is why the concept "meaning with the job" is so important and as the CEO says "You need to pour your heart and soul into it else you will not get people to work with it".

In regards to their supply chain, the CEO says that they do not scrutinize their suppliers since the fundamental assumption is that they are dealing with decent companies, and he says that "...on some level we are a self-producing organisation and the few suppliers that we have are either Danish or located in Europe. We are not some kind of lumber merchant dependent on raw material – our resources are our minds and wits." This he says while referring to one of their six values concerning to freedom with responsibility. In relation to their customers Systematic does not see them caught in an ethical dilemma when dealing with the

healthcare sector as well as the army and NATO. They conceptualise the army as a governmental tool that is sometimes required to kill someone, but that is just the way it is. They develop planning-software, not weapons and as the CEO says “we also check the export regulations with the Ministry of Foreign Affairs to see what is legal and who it is legal to deal with ... In our case working with the army and NATO, and we see this as working with something that might contribute to create the peace”.

The outer sphere which is the general public is also something that Systematic is conscious about. Beyond the monetary contributions to charitable events the company also gives the employees the opportunity to do corporate voluntary work as a contribution to society and charitable causes. In relation to this the CEO’s plan to donate the money meant for the employees’ Christmas presents to a good cause is not only intended as a social contribution to society but also aimed at creating a debate internally to strengthen the awareness of the meaning with the job and what you do to help society.

From all these examples it is obvious that Systematic does not employ the stakeholder theory in the way that they are more attentive to the stakeholders that potentially have the greatest influence on the financial gain of the company. They seem to treat all their stakeholders well, and without regard for their impact on the financial situation of Systematic. One could argue and say that this could be due to the fact that Systematic has relatively few stakeholders, and therefore has an easier time to fit the thought of the stakeholder theory.

Trying to identify the motive of Systematic’s stakeholder management, it becomes a bit difficult. Are they cold-hearted calculating on gaining goodwill or are they doing it from an ethical founded value-based approach? The CEO says that “There is no hidden agenda in Systematic. We see ourselves as a transparent company – open and socially committed. We would never enter into a compromise when the decision making involves people and we would never sell something just to gain a profit. Never! We want to build or develop something that makes a difference. Obviously we need to carry on a business, but you should not do something just because there is good money to be made. You need to pour your heart and soul into it else you will not get people to work with it. There needs to be a goal and a mission – something you need or want to make a difference to. You could keep a profit-based view on the business in the short run if the engine is on fire, but beyond that it

doesn't work." Obviously this statement is rather one-sided and clearly the view of Systematic, but taken the statement for the truth it is clear that the stakeholder theory is not something that Systematic holds close to heart as a practical tool. The CEO further elaborates that "Systematic does not really have an interest in drawing up an elaborate CSR report ... We would rather have a social consciousness internally ... The most important thing for us is that you can reflect yourself in the company and identify yourself with the core values that we have".

Again one could argue that the statements are easy for Systematic to make, since the survival of the firm seems not to be tied the opinion of the stakeholders, mainly because there are relatively few stakeholders and only of low impact to their financial situation. This argument does not hold, since the employees will always be a significant group of stakeholders with significant impact on the financial situation in companies dealing with service intensive products who employ highly educated people

Having tested Systematic against the stakeholder theory, it seems that their focus is very broad and that they consider themselves at part of the whole society. It seems that their motive for doing so is founded on their internal values, and not from a profit maximising motive. Having said this it seems that Systematic does not really employ the stakeholder theory and one could guess that this is really because they have very high ethical standards and would find it unethical to employ a mindset like that of the stakeholder management.

Ethics and CSR in relation to Systematic

To finish the work with the case of Systematic, the case shall in the subsequent be put into perspective in connection to business ethics. The starting point for this will be finding the perspective of the responsibility towards society. At this point there should be no doubt that Systematic perceives its responsibility not towards the shareholder, not towards the stakeholders, but as a wide responsibility towards society as a whole. As shall be made more explicit below this way of perceiving responsibility is closely connected to the core of describing Systematic in relation to social responsibility and CSR.

The best way of describing the width of how Systematic perceive its responsibility is citing the CEO: "... a company is part of a whole and

being part of a whole you also need to take responsibility for a whole”. In order to understand what the impact of perceiving responsibility this widely is, one must take a look at what is driving the way of perceiving. This could be described by the conflict between homo economicus and the man driven by values. When looking at the homo economicus, there is evidence in the statement that Systematic “... would never sell something only to make easy money” that Systematic is not solely driven by profit maximisation. When looking to the value-driven, it seems to be an in practice impossible way of acting to a full extent. The argument for this is that no matter how hard one tries, one could always do better, so acting virtuous to a full extent would be the same as being a saint. That being said, there is no doubt that Systematic is acting according to some values, not just written on their website, but stems genuinely from ethical values.

An example of this in relation to the Systematic case is the wish to employ a range of employees that mirrors the society. This wish is not based on an assumption that it would be more profitable to employ in this way, but rather because the CEO has a belief that this is right. On the one hand they are succeeding, at least to some extent, by employing disabled people and using people with autistic characteristics to test software. But there are also examples when this wish when this way of employing have not succeeded. Systematic tried to employ more non-ethnic Danes, but did not succeed both because people applying didn't speak either Danish or English, but also simply because not enough people were applying. Since Systematic did not achieve the goal it could be argued that from an ethical point of view they're not entirely ethical, because they without a doubt could have used more resources and energy in order to achieve the goal. Now this seems to be the case in what ever corporations do, or even what ever we do as persons, but does this mean that we are not driven by values and what we conceive as being the right things to do?

The answer to this seems to need nothing more than a little bit a rational thought in order to make sense to the extent needed here. As a company, a person or any other deciding entity we are always more or less conscious making a selection of which area to focus on, as it is simply impossible to focus on everything in once. We need to focus our attention and actions in a direction needed for that particular moment or situation. When this choice obviously cannot be consciously at all times, we are left to rely on our tacit foundation, with for example guides us via

our feeling, guts or somatic markers (Petersen, 2002, p. 153). When moving back to the case of Systematic several things are substantiating the use of values. The CEO stresses that the employees “are adults, most with children, that are making a lot of decisions in their every day life. Why shouldn’t they be able to do that in the company as well”. Having trust in one’s employee in being able to solve problems and challenging task on their own is maybe not so unnatural to the field of work Systematic is operating in. Mostly solutions have to be founded on the basis on the creativity and innovation of the employees.

When talking about self-governance, values and business ethics, one must wonder how each employee as an individual and the corporation as a whole are connected and interrelated. When starting with the corporation the CEO has a belief that Systematic has an obligation towards society and a part of this obligation is to act ethical, when conducting business. When looking at the individual employee, the CEO also states that “it’s not important what the company is doing, but what you are doing”, which implies that a lot of acting ethical as a company is about acting ethical as an individual. This suggests that the CEO believes that it’s not just corporations that are being a “...part of a whole”, but also individuals are a part of a whole. But talking about individual and corporate responsibility to act ethically is not the whole story. What makes it interesting to talk about business ethics and corporations is that not only are corporations an aggregate of individuals, they also have tacit elements in the relation between the individuals. This tacit element is sometimes being referred to as the memory of the organisation, the culture of the organisation or the traditions of the organisation. No matter of its name, this tacit foundation is continuously being developed and passes on to new members of the relation, not by the means of conduct and other statements, but simply by acting, good examples from management, and showing how to do. So when stated above that Systematic is driven by values, this seems to make sense in the way that they are actually focusing on setting good examples and not just writing what to do.

Returning to the statement “... a company is part of a whole and being part of a whole you also need to take responsibility for a whole” at the beginning of this chapter and then to the statement of Bowen “[CSR] refers to the obligations of business to pursue those policies, to make those decisions or to follow those lines of action which are desirable in

terms of the objectives and values of our society” one could ask the question: Are the objectives of Systematic aligned with the objectives of society? To answer this question at a general level seems impossible, because even though it would be possible to describe the objectives of Systematic it would not be possible to precisely describe the objectives of society. One could then try to raise the question to a more practical level by questioning how much profit a corporation should forfeit in order to give more to society, but somehow this also seems difficult and rather political to answer. The conclusion of whether Systematic’s objectives are aligned with the objectives of society must be that, even though we cannot put numbers on it, Systematic is actively accepting its social responsibility, which in itself is an alignment to the objectives of society.

Conclusion

This paper started out with the question: What is CSR? To say that this question can now be answered unequivocally would be untrue. This paper has shown that there are many perspectives to CSR, and that depending from which angle one look at CSR, the meaning changes. Through one perspective CSR is an ethical way of conducting business, and through another perspective CSR is a marketing tool to increase profit of the corporation. Describing the different approaches of CSR, an emphasis was placed on whether the foundation was ethical or not. Many interpretations and tools were found to have a motive of profit maximisation, and were not regarded as CSR and it is fair to say that the perspective in this paper has been that CSR should be founded on ethical values.

The first section of the paper provided, through the work of the Ashridge partition, an overview of different types of CSR activities, which made a frame for discussing the following theories systematically. The first theoretical discussion concerned tools of CSR. It was found that these tools were mostly superficial in the sense that the motive was that of marketing and profit maximisation, and thereby not founded in ethics. The tools were focussed on external elements such as public goodwill, and thereby lacked an internal focus. It was discussed if it was any wonder that tools of CSR are motivated by profit maximisation since the logic of the market does not leave much space for ethical consideration if it does not further the profit of the firm. The conclusion regarding tools of

CSR was that if a company regarded CSR as a tool, it could not be founded on ethics.

A different view of CSR was then discussed, namely the Stakeholder Approach. This theory advocated a more broad view of the obligations of the firm than that of the Friedmanite view, including more stakeholders than the immediate sphere. This theory was found unrealistic due to the fact that it seems impossible to align all the interests of the stakeholders and that it would be difficult not to pay more attention to stakeholders with the most influence on the financial situation of the firm. The Stakeholder Approach was found to exist in a practical form as stakeholder management, where the motive was profit maximisation and removed from an ethical foundation.

Ethics in CSR was then discussed and it was found that to be ethical, the company should regard itself as being a part of the whole society, not just focussed on one element at the convenience of the company. Another important element was that to conduct ethical CSR, it was necessary that the goals of the company and the goals of society were aligned. It was found that ethical CSR needed to be founded on values, and that tacit values play an important role in driving ethical corporate behaviour.

The first case discussed was Cheminova, which showed itself to contain several elements and motives of the Stakeholder Approach, but leaning towards stakeholder management, especially due to the fact that they are paying more attention to the stakeholders with the greatest impact on their financial situation. It became clear that Cheminova conducts their business from values and ethics, but sporadically so in some areas. Their main use of tools of CSR was CSR as risk management, but they are also heavily engaged in corporate philanthropy. The main ethical dilemma of the case was that Cheminova seems caught in a situation where they produce a highly toxic product which from a utilitarian view was causing a lot of good for the farmers, but on the other hand causes a significant amount of pollution. A further issue of the dilemma is that Cheminova cannot sell a safer product to the farmers, because Chinese producers with lower safety and purity standards would be far more price competitive. Letting the Chinese take over the market would reduce safety for the farmers, and cause even more pollution. A recent shareholder movement has forced Cheminova to phase out class 1 products with the above mentioned consequences unfolding, and has caused severe economic consequences for the company. This was

interesting in the sense that shareholders decided to not maximise profit and have, from a utilitarian view point, established a worse ethical situation. Through the analysis of Cheminova it was evaluated that the company is operated on some ethical values, but elements of their business leave room for improvement.

The second case was Systematic, which was included because they explicitly do not use CSR activities while they at the same time are having a lot of focus on values and ethics. Systematic's focus on values is inseparable to Systematic seeing their responsibility as their company being a part of a whole. This would sometimes mean putting other stakeholders before e.g. employees as seen in the mentioned situation where the employees are forced to donate their company Christmas presents to good causes, which ultimately excludes stakeholder management. Though not explicitly using the word CSR, Systematic is engaged in activities that in connection to Ashridge would be called CSR activities and also activities that Kotler would call tools, but Systematic's foundation on values was found to reject the possibility of Systematic using any of these CSR activities merely as a tool. This should be seen in connection to the motives behind the activities, which was found to be more based on values and doing what is right, than looking to the bottom line. A characterizing sentence for Systematic is that they do not engage in any activity "...just for the money." This was seen as a strong argument against the possibility that Systematic is behaving ethical from a profit maximisation motive. All in all, Systematic is seen as a very ethical minded company which engage in CSR from purely ethical motives.

Has the title question been answered? The conclusion to this paper is that CSR exist in many forms, and that the answer to what CSR is depends on the choice of approach and the view of the beholder. We the authors believe that the question does not have any simple answer or definition. Too many prepositions have to be in place, for any precision in the answer, and rather than setting these limitations, it is the hope that this paper has provided detail and nuance to the question in stead of simplifying the concept into a few insignificant lines.

References

- Ashridge, Centre for Business and Society (2005): *Catalogue of CSR Activities: A broad overview*,
<http://www.eogs.dk/graphics/publikationer/CSR/AshridgeEnglish.pdf>
- Beauchamp, Tom L. & Bowie, Norman E. (2004): *Ethical Theory and Business*, Prentice Hall
- Bloom, P.N. & Gundlach, G.T. (2000), *Handbook of Marketing and Society*, London: Sage Publications.
- Bowen, H.R. (1952): *Social Responsibility of the Businessman*, New York: Harper and Row.
- Donaldson, T. and Preston, Lee E. (1995): *The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications*, The Academy of Management Review, Vol. 20, No. 1 p. 65-91
- Freeman, E. F. and McVea, R. (2001): *A Stakeholder Approach to Strategic Management*, Darden Business School Working Paper No. 01-02
- Friedman, M. (1962), *Capitalism and Freedom*, Chicago, IL: University of Chicago Press.
- Key, Susan (1999): *Toward a new theory of the firm: a critique of stakeholder "theory"*, Management Decision Journal, Vol. 37 issue 4, MCB University Press Ltd
- Klonoski, Richard J. (1991): *Foundational Considerations in the Corporate Social Responsibility Debate*, Business Horizons, Vol. 34, no. 4, pp. 9-19, Elsevier Science
- Kotler, P. and Lee, N. (2005): *Corporate Social Responsibility – Doing the Most Good for Your Company and Your Cause*, Wiley
- Kyle, Beth and John Gerard Ruggie. (2005). *“Corporate Social Responsibility as Risk Management: A Model for Multinationals.”* Corporate Social Responsibility Initiative Working Paper No. 10. Cambridge, MA: John F. Kennedy

School of Government, Harvard University
http://www.ksg.harvard.edu/m-rcbg/CSRI/publications/workingpaper_10_kyle_ruggie.pdf

- Miller, G. T. (2004): *Sustaining the Earth*, 6th edition, Thompson Learning Inc. Pacific, California chapter 9
- Mouritsen, Jan and Larsen, Heine T. (2005): The 2nd wave of knowledge management: The management control of knowledge resources through intellectual capital, *Management Account Research*, Vol. 16, Iss. 3, pp. 371-394
- Morsing, M. and Beckmann, Suzanna C. (2006): *Strategic CSR Communication*, Djoef Publishing
- Petersen, V. C. (2000): *Containing the Runaway Logic – From voices of concern to responsible entrepreneurship*, Department of Organisation and Management, The Aarhus School of Business
- Petersen, V. C. (2002): *Beyond Rules in Society and Business*, Department of Organisation and Management, The Aarhus School of Business, Edward Elgar Publishing Limited
- Werhane, Patricia H. and Freeman, R. Edward (1998): *The Blackwell encyclopedic dictionary of business ethics*, Blackwell Publishers

Working Papers

CREDO

98-1	Tacit Ethics - Creation and Change	Verner C. Petersen
99-3	The care less society - or the erosion of responsibility	Verner C. Petersen
99-4	Modern scientific management - or the attempt to measure everything that counts	Verner C. Petersen
99-8	A Value- and Integrity-based Strategy to Consolidate Organisation, Marketing, and Communication - the Case of Jyske Bank	Poul Bonde Jensen
99-9	Moral Decay in Business Attitudes, mechanisms, and ambiguities	Verner C. Petersen
99-10	Thinking with our hands - the importance of tacit, non- algorithmic knowledge	Verner C. Petersen
99-12	Judging with our guts - the importance of an ineffable social grammar	Verner C. Petersen
99-13	Weaving the moral fabric - Emergence, transmission and change of social values and norms	Verner C. Petersen
2000-2	Containing the runaway logic - from voices of concern to responsible entrepreneurship	Verner C. Petersen
2000-5	Making the leap of faith part 1 From hierarchy to self-organisation	Verner C. Petersen
2000-7	Making the leap of faith part 2 From modern management to spirited, value-based leadership	Verner C. Petersen
2002-1	PHD-afhandling Fra afhængighed til individualitet og differentiering - om værdibaseret ledelse af bankvirksomhed	Poul Bonde Jensen
2003-1	Praktiske øvelser med udgangspunkt i fangernes dilemma	Poul Bonde Jensen
2003-6	Metaforer, organisationer og værdier	Christian Hansen

2003-9	Ledelse og Selvorganiserende Praksis	Christian Hansen
2004-3	Emerging organisations – An experiment to investigate the emergence of an organisation	Björk Sigurgeirsdóttir Ingibjörg Siguroardóttir Jelle Wichman Lotte Gydesen
2005-13	The otherworldly view of economics - and its consequences	
2006-1	Overvejelser om forbrugerpolitik fra markedslogik og egeninteresse til informeret og ansvarlig selvregulering	Verner C. Petersen
2006-4	The Ship of Fools - a society of selfish individuals	Verner C. Petersen
2006-5	MBTI – distorted reflections of personality	Verner C. Petersen
2007-2	Distortions of modern management theory – and an attempt to correct them	Verner C. Petersen
2007-3	Rettigheder uden pligter Mål uden formål Velfærd uden omtanke - en kritisk vurdering af Socialdemokraternes og Regeringens forslag til velfærds- og kvalitetsreform	Verner C. Petersen
2007-4	Plan, pegepind og situeret handling Tavs og situeret viden i IT-udvikling	Anders Lau Mandsholm
2008-1	What is CSR? - a review of different theoretical perspectives and case studies of Cheminova and Systematic	Claus Aagaard Dion Angelo Valente Morten Rasmussen



Handelshøjskolen i Århus

Aarhus
School of Business

ISBN 9788778823052 (print)
ISBN 9788778823069 (online)

Department of Management

Aarhus School of Business, University of Aarhus
Fuglesangs Allé 4
DK-8210 Aarhus V - Denmark

Tel. +45 89 48 66 88
Fax +45 89 48 61 25

www.asb.dk