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# Does the notion of 'corporate citizenship' make sense?

#### Introduction

This chapter will evaluate if the concept of citizenship applied to the company makes sense because of the today's current use of the notion of corporate social responsibility. After a definition of the notion of 'citizenship', this chapter will approach the modern meaning of citizenship. It will then estimate the links with the notion of responsibility before concluding on the impossible notion of 'corporate citizenship'.

## The notion of 'citizenship'

While it is undeniable that a company is a community of people and a center of power, those investigating the subject of 'corporate citizenship' should resist the temptation of transposing, through implicit assimilation, Plato or Aristotle's account of the government of the city to the management of companies in the present day. The widespread use of woolly and naive expressions – 'corporate patriotism' and 'corporate citizenship' to name but a few - only encourages this bent, as does the tendency among local politicians, ministers and civil servants to compare themselves to business leaders.

As the company is too readily praised or blamed for behaving like a "state within a state", the modern company and the ancient city state should be properly compared, before dealing with the question of the 'corporate citizenship'.

The city - from Greek *polis* - has a heavier political connotation than our word 'state' and signifies sovereign authority recognized as such by a nation or a given population in return for being provided with what it needs - law, order and security, at the very least - to live as a body. This minimalist definition implies the existence of rights and duties for all citizens, the exercise of political power and recognition of a sovereign authority.

The word 'company' has been used in the sense in which we employ it here only since the second half of the 19th century. In this short space of time it has come to acquire a complex meaning loaded with emotion, images and history. It is certainly tempting to compare the large groups, which have made industrial history - the railways, mining companies and many others - to the city states. They immediately conjure up - in the collective mind - images of powerful, largely self-sufficient organizations, encompassing, as it were, the organizational agents' whole existence. They illustrate what is meant by paternalism: an industrial system which, for better or worse, seeks maximum autonomy through a high degree of vertical integration. The paternalistic company is ruled by a sort of benevolent king and provides its members, as far as possible, with all the goods and services they need in return for 'devotion' - indeed unqualified submission - to the cause of the Group. It operates as a well-run town with its own institutions, resources, hospitals, schools, businesses, security of employment, and system of values, not to mention morality.

These images and recollections leave an even deeper mark on our minds because they are reinforced by what we know about the big German groups, the might of Fiat in Italy, Michelin in France, the saga of the great American companies like General Motors and Ford, powerhouses in their own right, and by what has recently been claimed about the prodigious success of the Japanese giants.

The word 'company' emanates from this jumble of images and memories: it denotes the power to bow heads and marshal thoughts, the passion for money, the arrogance of leaders, and, of course, a force which both threatens the state and forms a state within a state. That is why it is so tempting to draw parallels between the large autarchic corporations and the Greek city states, which, for all their autarchic principles, found it hard to check their expansionist drives or overcome their rivalry with each other in every field.

Few companies can claim to have ever been for their employees anything even remotely approaching the city. In fact, a company is nothing other than a profit-seeking

organization, where capital and labor combine to sell goods and services and where employees work in return for a salary.

The company's raison d'être is economic. It can only survive by virtue of its economic performance and is, consequently, expected to obtain results. For it must not only not lose money, it must make money. Free enterprise, by encouraging competition, forces a company to grow and to renew itself. But to expand, a company must increase its capital, and to increase its capital it must remunerate its shareholders. Moreover, to assure its future it has to be self-financed. It must therefore produce more wealth than it consumes. In short, it has to function as a kind of wealth-creating machine. Unlike the laws of nature according to which nothing is lost and nothing is created, or the laws of mathematics which stipulate that the whole is equal to the sum of its parts, the company must manufacture products/services that can be sold to its customers at a higher price than the sum of its costs. That is also the benchmark by which a company and its managers are judged, a company's worth determined and its future secured or destroyed.

The State exists in itself and has no end other than itself. In a democracy - like ancient Athens and the major liberal economies of today - the people are clearly sovereign. They decide, act as they please and are not bound by anything. They can dismiss their ministers - minister means servant who exercizes power in their name. They cannot be judged by anyone. Nobody can require them to get results or speak of measuring their performance. The state is by definition a stable power, a power whose prime function is to establish stability throughout the territory where it is exercised. The laws of the state, for the most part, pass from one regime to the next, from one republic to the next, surviving revolutions and restorations. When a state law is revoked, it is replaced by another. The state is required neither to produce, nor to take risks, but to preserve. In an independent state, preservation primarily involves maintenance of the state's independence. Naturally, the notion of self-sufficiency, which the Greeks, in particular Aristotle, made the ultimate aim of the city-state has undergone something of a transformation in the modern world. For the Greeks a city-state meant a group of people largely capable of providing for themselves.

On the other hand, the company is by nature dependent, whatever its degree of vertical or horizontal concentration. It cannot do without partners for the simple reason that it is itself a conflux of various types of flow: flow of purchases, flow of sales, flow of money and flow of work. It is the customer's decision to buy or not to buy a given product/service at a given price from a given company that dictates the company's success, as it endorses or fails to endorse the value of the product/service. An unsold

product/service is worthless. A low-selling product/service prevents the company selling it from making more value for the product/service than what the product/service consumes: i.e. the product/service is rejected by the customer. In policy matters, the state, not the company, invariably has the last word. The company, whose very existence depends on selling and selling well, is forever at the mercy of its customers' verdict on its products/services, activities and work.

There is thus no such thing as the solitary company. To survive, every company needs to find its place in the industrial fabric where all companies are interdependent. Regardless of the complex ramifications of the fact that some companies are both customers and suppliers of other companies, the staff of each is customers of the whole.

The main differences, even oppositions, between the company and the city largely outweigh the facile and enticing comparisons between the two. They help us better understand what a company is, what its dependence consists in, and what its weaknesses are in relation to the state which, by nature, is independent and stable. The company's raison d'être inspires it to new endeavors, drives it to achieve an endless series of goals and subjects it to trials where its very right to life is judged every day. The state, on the other hand, cannot disappear and cannot be judged. Only the people who work for it and represent it may be judged, and they are replaceable without posing a threat to the state's existence.

It is the market and not the city that serves as reference to the activity of the company. Could the market be considered as a 'fair city' and then be used as a reference to a 'corporate citizenship'?

In Philosophy, the market appeared with A. Smith in *The wealth of nations* (1776). Put in parallel with his *Theory of Moral Sentiments* (1759) and it is a nearly complete philosophical construction (with the exception of Aesthetics) which has been built. In a way, A. Smith has offered a Philosophy in which the Metaphysics of the moral sentiments (including a conception reduced to the private interest) is ending on an Ethics of the fairness and a Politics where the market would hold the place of a 'fair city'. It is necessary to underline the extreme importance of this concept of market, a concept which possesses at the same time a theoretical and a practical aspect. A theoretical aspect because it establishes the basis for a theory of transactions (Williamson, 1985) and a practical aspect because transactions are the indisputable result of the division of labor (Smith, 1776), in a certain way possible to be considered as 'objective'.

But can the market base a citizenship? The answer to the question is difficult without referring to the citizenship in the modern age.

### The citizenship in the modern age

The citizenship is tightly linked to the modern conception of the Republic (Rousseau). It is a conception where the American and French revolutions have played a central role in the genesis of what is citizenship today.

According to this perspective, the republican citizenship can be considered as the main mode of political identification in the outlines of a territory, that of the Nation state, perspective coming today to be substituted to the dialectic of the master and the slave, dialectic characterizing the aristocratic regimes. The destruction of the legitimacy attributed to the dialectic of the master and the slave can be symbolically dated by the battle of Valmy (in September 20th, 1792 in France). A popular army defeated an aristocratic army and destroyed, at the same time, the figure of the master. The aristocratic master was legitimate because of his military commitment for the defense of the territory.

The reference to a citizenship was then substituted the reference to an aristocracy. The citizenship is a synthesis between rights and political duties inside the territory of the Republic. It contains the idea of obedience in the general will because being a citizen (Rousseau), also means participating in the construction of this general will. Such a conception of the citizenship puts in correlation the 'legal' and the 'legitimate'. It is from this correlation that the credibility of a citizenship is arising. This conception of the citizenship denies any kind of possibility to discriminate among the citizens, considered (at least in theory) as free and equal.

Citizenship is an active identification in the nation considered as the homeland, in a kind of extension of the family logic (the private sphere) towards the political sphere. It is also one of the expression of the sovereignty of the nation. Citizenship is characterized by an interiorized process of identification in the nation because of republican values (patriotism and the peaceful will, equality before the Law, the protection of the weakest), republican symbols (the flag and the national hymn) and because of a mode of government marked by the superiority given to the representative democracy (Condorcet). But today, the modern conception of citizenship is discussed because of the decline of the reference to the nation, the communautarian logic of the

exclusion of the Other, which questions the regime of tolerance and the contents of the notion of secularism. A social crisis has developed and induced a discussion the value of equality (equality of opportunity, republican merit, solidarity and social contract) and a redefinition of the republican safety. Is it the citizenship as well as the public-spiritedness and its modes of expression which has become controversial?

The citizenship of the modern age also often refers to the notion of responsibility, their links being far as evident.

The use of the word 'responsibility' is recent and it has been increasingly mentioned since the end of the XVIIIth century. From the time when codes – civil and penal responsibility – were drawn up, it has radically orientated its content from a legal perspective. In this sense, responsibility implies both obligation and commitment.

For Desportes *et al.* (1997), the difference between civil and penal liability (responsibility) is based on 3 criteria:

- the role played by each of these two responsibilities,
- the generating deed involving responsibility,
- the conditions of implementation (with the question of competent jurisdictions).

As far as roles are concerned, the first distinction concerns the difference between civil liability (duty to repair the damages done) and penal liability (duty to undergo a punishment). The concept of responsibility also contains a victim-compensation function based on the construction of a link between damage and compensation. The concept of responsibility in public matters fulfills not just one, but two functions: a disciplinary function towards the person responsible, on one hand, by forcing this person to conform to the legal norm, but on the other hand, a function of compensation towards the victims.

The objective pursued through the idea of committed responsibility is an objective of justice, in the context of an individual behavior management project. This 'management' goes through the process of stating what is forbidden and of displaying the sanctions, in case of an infringement, by means of three functions: a 'retribution' function in compensation for the damage done to society, a function of 'eliminating' the harmful individual, and an 'intimidating' function for all. The responsibility is therefore committed from a dual perspective, a repressive and a preventive one (cf. Michel Foucault<sup>6</sup>).

Responsibility in the legal sense of the word also implies the reference to a generating deed, being the triggering constituent, an essential constituent and a justifying constituent (on the socio-political level, this constituent indicates why the responsibility is fair). The behavior deemed as normal is that of a 'good family man', a man who is normally cautious and well-advised, and the offence is defined as a failure in relation to the behavior which should have taken place. It is therefore valued in reference to a standard. This detour from the legal responsibility helps us to better place the essential function of responsibility towards society (monitoring of the individuals' behavior)

The issue of responsibility appears, in philosophy, as a second-level issue, which indicates that there are 'first-level' issues (action, freedom, causality, for instance). It forces a necessary reduction of the philosophical scope, without which the issue becomes elusive (but, after all, can the issue be seized?). The qualification most commonly associated with the concept of responsibility is that of obligation. Responsibility would therefore depend on the combination of situations and entities holding them.

For O. Abel (1994), the concept of responsibility has two poles:

- an institutional pole, where obligation is transcribed in a standard or law,
- a subjective pole which corresponds in a way to the 'sense of responsibilities'.

These poles are also complementary because neither is sufficient to exhaust the responsibility situations.

According to F. Ewald (1986) this division line differentiates between the various social diagrams, ever since codes have included the following phrases:

- the predominance of the subjective 'liberal' inspiration pole, at the time when codes were written, with the acceptance of poverty and adversity by morale, and foresight as a virtue corresponding to the exercise of responsibility,
- the rising power of the institutional pole in the mid-XIXth century, due to pauperism linked to the development of industry, with the notion of society's responsibility and of an imposed duty of safety,
- the current crisis phase, characterized by the underlining of the boundaries of both poles; this makes prescription by such or such category possible (company managers, in this case, in the name of legitimacy, which is today the legitimacy of lobbying; company managers would then, in the name of their expertise, be the best judges of the responsibility to which they are committed and which they use in the name of their company).

This perspective is appropriate to the categories of a communautarian liberalism, which takes the interests of each category as a legitimate reference, and which proposes to the State to articulate these interests. And it is under this perspective that 'responsibility' and 'citizenship' are articulated, but with a different conception of citizenship.

The concept of responsibility also raises the problem of its conditions of possibility, combined to the question of charging and the charge - reward duality. Charging depends on the methods used to assign responsibility to the subject and on the methods used to judge the events (by physical causality, because of the association between the deed and the subject, forcing the subject to acknowledge the deed, the foresee-ability of consequences, the intent, the justification linked to the deed).

The issue of responsibility therefore asks what the obligation to answer is based upon. We find the formal characteristics of obligation in the obligation to answer: the responsibility is aimed at a person responsible, without whom it would neither be meaningful nor real. But, in addition, the authority by which the agent is made responsible must be offered to him as a legitimate power proposing a method of assessment (Antigone, condemned on Creon's order, wants to be liable in the eyes of the law).

When the company refers to a corporate social responsibility as a basis of its citizenship, should this connection be considered as sufficient?

# The 'impossible' notion of 'corporate citizenship'

There are multiple reasons to refer to a 'corporate citizenship'. The first reasons are linked to the context of what has been called 'globalization': a social fracture, a interrogation on what should be Politics in terms of sensemaking, the impacts of information technology but also a questions on the borders of the responsibility of the company.

Internally, this theme is neither reducible to the legal obligations in labor law, nor to the human resources management. It is also not the question of the 'social' in the company. Externally, this subject does not only concern the 'classic' interlocutors of the company (suppliers, customers, subcontractors, shareholders, etc.) but also the whole 'community'. 'Corporate citizenship' is at the same time a generic subject but also a question relative to the nature and to the circumstances to which companies are

confronted companies. It is also the sign of the passage of a managerial focus on the tasks to a managerial focus on the persons.

Corporate social responsibility then appears as a materialization of a 'corporate citizenship' (CSR being a notion appeared after 1995). Regarding a 'corporate citizenship', it is at first necessary to underline its ambiguity. It would be a scandal that a company did not behave as a citizen! In fact, it is the importance given to an involvement of the company towards the 'diffuse' stakeholders like local communities, poor areas, etc., which allows to make a distinction between companies formally responsible and 'engaged' companies. It is also doubtless this distinction, which allows to better target the outlines of corporate social responsibility as well as 'corporate citizenship', these terms being applied to 'engaged' companies, beyond the cynical ambiguity of formally responsible companies.

According to Business Ethics, the figure of a 'corporate citizenship' is an assertion claimed by the business circles today. Corporate social responsibility issues are a concrete translation of a 'corporate citizenship' with the so-called trilogy of "Profit – Planet – People" awareness as the assertion of a license to operate. In France, at the end of 80's, the 'corporate citizenship' issue had been put in the agenda by the CJD<sup>1</sup>, one of the constituents of the CNPF<sup>2</sup> (the MEDEF<sup>3</sup> today), both at the level of its annual Conference as well as in a manifesto. In both cases, 'citizen achieving' has been a central reference, nevertheless remained implicit. And it is the continuum 'corporate citizenship – citizen achieving', which will be discussed here. What is the meaning of the notion of 'citizen achieving'? With this notion, is it or not question of a citizenship?

At first, it is necessary to raise the question to know for what a company can claim the qualifier 'citizen' according to a 'citizen achieving'. The term 'corporate citizenship' is new, correlative of the 'liberal period', which began in the decade 80, its legitimacy being asserted and claimed today. We could say that it is a political project, at the same time concerted and emergent, of dominion of the world made by the leaders of the multinational companies. This project is expressed, for example, through the assertion of the necessary and inescapable evidence of the globalization. This assertion is that a 'customer of the world' has vocation to represent a 'citizen of the world'. It also contains the superiority given to the representation of a world of organizations, where the multinational company could be its archetype and where the organization is the key

<sup>&</sup>lt;sup>1</sup> CJD : Centre des Jeunes Dirigeants

<sup>&</sup>lt;sup>2</sup> CNPF : Centre National du Patronat Français

<sup>&</sup>lt;sup>3</sup> MEDEF: Mouvement des Entreprises de France

place for social activity according to the managerial categories of the private enterprise. This managerial categories should have vocation to be applied everywhere (particularly to public utilities, which would then have vocation to be privatized or, at least, to be managed as companies). This imperialist aim of a de-institutionalizing the institution is the first representation of a 'citizen achieving', i.e. an efficient achieving in the service of this 'customer of the world'. To work according to this perspective is taken as being public-spiritedness within the framework of the market (and no more the nation considered as an institution of the previous time). It builds a cosmology where the market categories (like competition, efficiency) are taken as references. A 'citizen achieving' is corresponding to the utopia of an universal and fair market, the 'citizen achieving' being organized by the 'citizen' company. This confusion of Economics and Politics induces to implicitly assert that working for a company (and thus according to its interests) is constituent the 'citizen achieving': with a 'citizen achieving', 'citizen' goods and services, with citizen 'goods and services', a 'corporate citizenship' and with a 'corporate citizenship' a universal market. The subterfuge consists in saying that the company is going to take charge of the citizen and to make credible that the company can make collective investments by investing for its private development. Would the shareholder's status then become a constituent of the citizenship? When to the State corresponds the citizen and to the company the shareholder, is it the confusion 'company – citizenship' that allows to open the occurrence of a 'citizen achieving' of the company in the classic categories of the ideological masking of private interests?

What does the notion of 'citizen achieving' mean? Let us begin by quoting the fact that it is first a useful utopia to legitimize a project of fulfillment in the work in the service of private interests. The discourses on a 'corporate citizenship' appeared in France at the end of decade 80, a decade which can be considered as 'dreadful' in terms of unemployment and of increasing precarious employment. Is working in a company and for a company would then become a sign of citizenship? The "manifesto for the 'citizen' company" has come to underline that the employability is a presupposition of a 'citizen achieving'. It is widely focused on the guarantees to be brought to the most vulnerable workers. But, in this context of an increasing precariousness according to the argument of flexibility, it is nevertheless difficult to answer with motivation to the injunctions. At the end of decade 90, this discourse of the 'corporate citizenship' and, in continuum, of the 'citizen achieving', are going to appear in counterpoint of the superiority given to the financial value. The 'citizen achieving' allows to maximize the financial value while pretending to take care of the weakest through the social effects of the corporate social responsibility policies. It is otherwise difficult to legitimize a fulfillment in a work which fruits are intended to 'others'. The lamination of fixed salaries and of social security systems are correlative of major financial surplus. And the subterfuge of pension funds (in the service of the employees) as well as that of the 'employee – shareholder' activism can difficulty be counterweights, even in the name of a citizenship. The 'citizen achieving' offers a wholesome relay to the financial cynicism by allowing to legitimize its continuous collection of productivity gains. Beyond the fact of making acceptable new conditions of exploitation, it offers the possibility of basing a demand of submission for the company, which could take the same meaning than the submission in the general will. The 'good worker' is the one who adheres or, in other words, the one who obeys the orders on quality and productivity emitted by the head office in the name of the utopia of a rationalist managerial voluntarism. But this expected obedience is raising the question of its motives. The citizenship refers to human rights and to justice and not to economic life.

But what is the citizenship in question here? Is it the citizenship of the justice because of the consequences linked to the consumption of such product/service, circumstances of its marketing, the uneven exhibition to advertising, etc. or more? It is with the Law that the notion of responsibility is the clearest. To be a citizen is to be legally, politically and civic responsible and not ethically, as it is today asserted. And it is how it is possible to go back to the notion of corporate social responsibility. The 'citizen' and responsible company would be a company declaring to offer the conditions of development of a 'citizen achieving' 'inside' and 'outside' according to the categories of a communautarien liberalism, i.e. through the recognition and the respect of a diversity (of age, gender, religion, race, customs of their organizational agents). It is what authorizes, under the argument of diversity, differentiated treatments which makes that, in the company, we are not all born free and equal in rights like in the republican citizenship. We are considered free and equal towards the criteria of communities recognized by top managers, 'objective' criteria for some of the organizational agents and managed for others but never representative in terms of democracy. It is the case with quotas reserved to certain categories, which, at the same time, justify the disparities of treatment among superior, average and lower categories of employees. The 'citizen' and responsible company is also addressing the criteria of a 'citizen achieving' 'outside'. It is there question of stimulating the organizational agents to accompany the elements of corporate social responsibility policies on the basis of an essentially curative treatment of social issues by helping the most discriminated categories, whether they are in a developing country or in a developed country. It is also question of taking into account the impacts of the activity of the company on local communities distinguishing then between the 'contractual' stakeholders (customers, suppliers, shareholders, etc. and finally employees) and the 'diffuse' stakeholders (the others) to give a content, through a 'citizen achieving' (with societal guarantees 'verified' by 'independent' bodies), to the notion of 'license to operate'. It is this aspect which allows to qualify the corporate social responsibility as being a 'societal' responsibility. It is also what seems to give the appearances of a kind of citizenship. It is also question of communicating on corporate social responsibility with all the ambiguity of the hierarchy which is then established between action and communication because the communication is finally stronger than the action. Is it question of communicating on actions, of acting to communicate or even to communicate by minimizing the action? The shifting of the corporate communication from the company towards the citizenship and the appeal to a 'citizen achieving' is a mark of the invasion of the political arena by the corporate communication categories. This shifting is efficient to a point where it is considered that democratic principles should eventually be based in application of those of the company if we refer to the notion of governance. But we should not forget that corporate governance has been built for the shareholders, figures of another essence than the citizens.

'Citizen' company and 'citizen achieving' build a discourse, which is so performative that it infers the creation of numerous 'elements of reality' according to this discourse, even it is more a monologue than a dialogue. It is more a monologue because the counterparts are in a way 'chosen' (the stakeholders) when a State can't choose (or reject) any citizen (even this citizen is in prison). But, at the same time, it also masks facts like the renewal of the modes of exploitation of the workers, the predation on natural resources, for example. The citizenship is considered as what is in the service of the citizen. But in the service of whom is the 'citizen achieving' in question here except certain categories? Is the 'corporate citizenship' an utopian discourse in the service of the ideology of a capitalism being, since its birth, a separate political order, or is it about a 'new' understanding of the citizenship according to the circumstances of the 'liberal period' we live in today?

#### Conclusion

We have seen that while it is undeniable that a company is a community of people and a center of power, we should resist the temptation of transposing, through implicit assimilation, the government of the city to the management of companies. It is the market and not the city that serves as reference to the activity of the company, market which can't be considered to base a citizenship because the modern republican citizenship can be considered as the main mode of political identification in the outlines of the Nation state. Citizenship is an active identification in the nation considered as the

homeland. It is also one of the expressions of the sovereignty of the nation. The citizenship of the modern age also often refers to the notion of responsibility, while their links are being far as evident, because the concept of responsibility raises the problem of its conditions of possibility, combined to the question of charging and the charge - reward duality. When the company refers to a corporate social responsibility as a basis of its citizenship, should this connection be considered as sufficient? Regarding a 'corporate citizenship', it is at first necessary to underline its ambiguity. It would be a scandal that a company did not behave as a citizen! According to Business Ethics, the figure of a 'corporate citizenship' is an assertion claimed by the business circles. It is a political project concerted and emergent, of dominion of the world made by the leaders of the multinational companies. Citizenship is considered as what is in the service of the citizen, but in the service of whom is the 'corporate citizenship' in question here except certain categories? 'Corporate citizenship' can then be considered as an utopian discourse in the service of the ideology of a corporate capitalism.

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