



Mette Morsing &
Christina Thyssen (eds.)

Corporate Values and Responsibility

The Case
of Denmark

Samfundslitteratur

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Foreword

– Salute to Professor Peter Pruzan

This book is dedicated to Professor Peter Pruzan. For two decades Peter Pruzan has worked persistently to promote knowledge about corporate values and corporate social responsibility and to encourage companies to integrate a “human face” into their corporate strategy and practice. Peter has worked in a multi-stakeholder mode himself and acted as mentor, collaborator and critic towards politicians, managers, employees, academics, unions, NGOs and journalists; and this is reflected in the selection of contributors to this book. Peter’s persistent contribution is not born out of concern for the economic and competitive advantages that companies may experience whilst engaging in social initiatives, but rather it is born out of a sincere and humble ambition to direct some of the powerful corporate forces into making the world a better place. With this book we all want to honour Peter Pruzan’s contribution to corporate values and responsibility in the case of Denmark.

Corporate Values And Responsibility

– The Case of Denmark

By Mette Morsing & Christina Thyssen

Mette Morsing is associate professor, Ph.d., and Director of the Center for Corporate Values and Responsibility at Copenhagen Business School. Morsing's research interests in values and corporate social responsibility emerge out of her studies of organisational culture, identity, values-based and leadership communication. She has published several articles and a number of books on these issues. She is the Danish Committee Chair of the European CSR Scorecard, board member of the Öresund Environment and member of the Management Committee of The European Academy of Business in Society.

Christina Thyssen holds a Master's degree in Literature from Århus University, Denmark and Columbia University, New York. She works as the research coordinator at the CBS Center for Corporate Values and Responsibility where her main responsibilities are the organisation and coordination of the centre's research activities, national and international networks and the organisation of conferences and seminars.

“Profit is for the organisation
as oxygen for the body:
it is necessary to exist
but it is not the purpose of life”
(Ackoff, 1981:27)

The Case of Corporate Values and Responsibility

At times it seems that companies are faced with a never-ending series of increasing demands for increased efforts. One of the fundamental reasons behind the growing demands for corporations to demarcate their values and to take on increased social responsibility is the rising awareness of their growing and increasingly centralised corporate

power. Analyses convincingly illustrate the immense power that companies have in the current world economics. According to UNCTAD's 2002 report, 29 of the world's largest economies are companies – the rest are nations⁴. Companies are among the financially strongest units on earth. Exxon has an economy the size of Pakistan or Chile. In Denmark, a recent survey in Berlingske Nyhedsmagasin showed that large companies are also *perceived* as being the most influential actor in society – above for example politicians, international organisations and the media (April, 2003). The uneven distribution of income will undoubtedly lead to an increasing number of people being subjected to marginalisation and social exclusion from the labour market as well as to larger economic and social inequalities in the Western world. Given the documented and considerable corporate power, it seems fair that companies contribute to the development of a more even distribution of economic and social resources.

Companies are expected to contribute to the promotion of for instance better working conditions in sweatshops, minimum salaries and educational programmes in the local society as well as to work against child labour and protect the environment. One basic stance is that companies should contribute to the protection and development of the societies in which they enjoy the benefits of a healthy population, good educational programmes and a clean environment. Some even point out companies' moral obligation to do so (Pruzan, 1998).

It is a fact that private companies are dependent on black figures on their financial bottom lines. They are not philanthropic entities driven solely by a desire to donate their surplus to "good causes". Companies form part of an economic logic that requires economically rational arguments for actions. This includes corporate social responsibility actions. In order to invest in social initiatives shareholders must be convinced that CSR is a financially sound idea that will benefit the company in the long run. "Moral obligation" is generally not a sufficient argument for corporate support of any cause, however good, even though everybody might agree off the record that this is the real argument. Companies and the people who inhabit them have been raised within an economic rationale in which money and power are close allies, and the language and logic of values and responsibility are appealing yet strange and uncomfort-

able. Whether the motive is instrumental (to increase company profit) or sincere (to do good deeds) or both is not the issue. Maintaining corporate legitimacy is the answer to the question of “why social initiatives” must correspond to an economic rationale in contemporary organisations. As such, corporate social initiatives have adopted a financial rhetoric of bottom lines (i.e. social, ethical and environmental), embedded in a reassuring shareholder logic: it will pay off – eventually.

However, CSR is not a clearly defined area of research, nor is it a clear construct of organisational practice. It is not even obvious that there is a causal link between corporate financial performance and corporate social performance (Margolis & Walsh, 2003). CSR is in an emergent phase and acts as an umbrella for many related concepts. The idea of companies taking on a societal responsibility – as can be seen from the discussion of the division of labour between companies and state – is as old as the concept of companies (Carroll, 1999). However, it is a concept which has developed throughout the last century and which is perceived differently and has different implications depending on national and corporate context. In spite of the diverse application of CSR in practice and theory, and whether CSR is perceived to encompass community responsibility, human rights, support of good causes, environmental sustainability or other issues, there is a general agreement about CSR as the notion that “corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law ...” (Jones in Carroll, 1999:284). It takes more than meeting legal requirements – i.e. not being a criminal – to claim that you are socially responsible.

One significant contribution to the discussion of CSR has been the introduction of a stakeholder perspective as opposed to a shareholder perspective. From a stakeholder perspective, the concern of strategic management is to create a satisfactory balance of interests among the various stakeholders who contribute to or are affected by the company’s actions (Freeman, 1970). Taken to its extreme, the stakeholder perspective implies that the company exists for something other than profit. As stated in the Ackoff-quotation above, profit is merely a tool to continued existence. Responsible companies demonstrate the capacity to take a larger perspective.

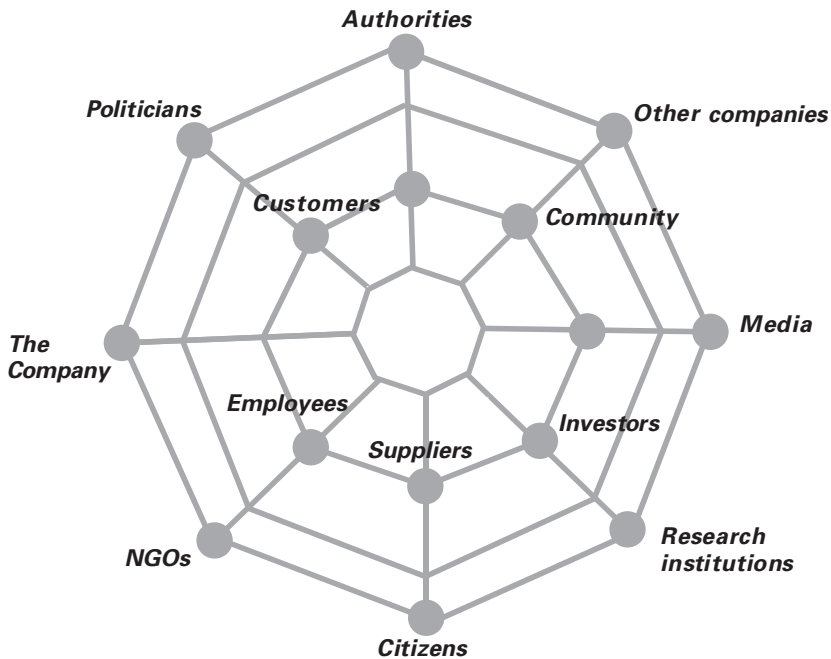


Figure 1. The societal stakeholder web

The company is one among many significant stakeholders. It is not a corporate spider web with the company positioned as the spider at the centre of the network, but rather a societal spider web in which the company continually and to varying degrees engages, influences and is influenced by many other stakeholders. Of course companies have always been involved in and dependent upon networks of stakeholders, but it is assumed that while companies are more powerful today than ever before they are also more vulnerable. Technology and raised political awareness make it possible for a small number of people to shake even large powerful corporations. A small group of critical activists may – justly or unjustly – put corporate reputation severely at stake, as was seen in the case of Shell’s Brent Spar. Greedy and disloyal boards may put the company’s economic survival at stake in the pursuit of personal financial gains, as recent corporate scandals show. Consumers are also able to influence sales if they choose to “vote with their shopping carts” and decide for example not

to buy French red wine because of French atomic testing in the Pacific Ocean. And so on. Stakeholders are not innocent and powerless consumers. Power is not only in the hands of the large multinational companies; it is potentially in the hands of a variety of stakeholders.

The Case of Denmark

With this book we intend to give an impression of the Danish stakeholder web with respect to corporate values and corporate social responsibility. This book has been written with the ambition to indicate the status of the Danish corporate agenda from political, corporate, academic and media perspectives. Although the Danish socio-political context may be characterised as a relatively stable and homogenous point of departure, Danish companies are part of an international world that is neither stable nor homogenous, but rather characterised as complex and developing. As such, Danish companies – based in the welfare state of Denmark – not only act in an isolated welfare-bubble but rather participate actively in an international context where social issues and issues of company involvement in rectifying these problems have become an increasing part of the political agenda.

Having said that, we do believe Denmark to be a special case. We believe that there are socio-political and cultural reasons for why contemporary Danish companies regard values and social responsibility as a “normal” element rather than an exotic aspect of their corporate strategy. We realise that there is an international movement towards integrating social issues into corporate identity, and that Denmark is part of this movement. However, we also believe that there are strong indications that Danish companies have come a long way on these issues. Danish companies have voluntarily taken on work on values and responsibility for a number of years – most of them would claim since their establishment.

It is not corporate scandals that have led to a high awareness among Danish companies of the significance of corporate values and responsibility. The strong visibility and interference of the Danish state on issues of values and social responsibility have created a fertile background for companies to act on. Government interest in en-

gaging companies in the effort to solve fundamental welfare state dilemmas has led to dialogue and partnerships between government and companies since the 1990s and has made social responsibility a topic for widespread attention from both the public and media. Strong environmental regulations in the 1980's paved the way for later corporate awareness and acceptance of social initiatives. It is perhaps not surprising that the world's first ethical accounting statement was invented in Denmark, and that The Copenhagen Centre² was set up in Denmark and has won inspiration and admiration in other countries.

Social scientist Hofstede (1980) found many years ago that the Danish national culture is based on egalitarianism, and this trait fits very well into our characterisation of the basis for the Danish path towards values and social responsibility: many family-owned companies that are founded on efforts towards a sense of fair play. Many of the values which companies employ as fundamental cornerstones are inspired by welfare state notions of a society in which everyone is provided for and where differences between poor and rich are limited. According to a recent study of Danish companies' values, Dialogue, Collaboration, Responsibility, Trust, Respect and Loyalty are among the most frequently used corporate values (Morsing & Pruzan, 2002). Corporate values provide the background for any concept of corporate social responsibility, which is why we see values as a fundamental part of the discussion of CSR.

The Purpose

We hope that this book on The Case of Denmark will inspire particularly managers and students. We have mixed company cases, analytical perspectives and critical reflections to a Danish cocktail that reflects the variety of issues but which also gives an impression of the special Danish quality that constitutes values and responsibility. We have emphasised the interaction between theory and practice, since in our belief, this will contribute to fruitful discussions in an emerging field like corporate values and social responsibility. The normative, prescriptive and highly dynamic forces of business practice provide inspiration for the development of analytical models,