# A commentary on Pells' "higher purpose" editorial, Part 2: Organisational social responsibilities [1]

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## INTRODUCTION

This commentary relates to social responsibility issues raised by Pells 2021 in Part 2 of his editorial *Project management needs a higher purpose!* He discusses corporate social responsibility (CSR) at large in some detail before raising questions about its relevance to the project management world. This commentary is intended to contribute further to some of his discussions on CSR activities.

Pells starts his discussions by pointing out that CSR began to truly take hold in the U.S. in the 1970s, notably when the concept of the "social contract" between business and society was declared by the Committee for Economic Development in 1971. In Australia, I first became interested in this topic in the mid-1970s while working with Lend Lease and its subsidiary Civil & Civic. My enquiries at the time found that there were vast differences of opinion, and of practice, as to the types of social responsibility activities that could be, and were being, undertaken. I am led to understand that there is still little agreement on this topic, so that revisiting some of my earlier work may still have some current relevance.

First, we briefly look at two different perceptions of the role of business organisations – i.e. profit-only, and broader perceptions, and I introduce relevant quotations from the CEOs of Lend Lease and Civil & Civic. Broader perceptions are congenial to social responsibility activities, whose concept and take-up are then briefly discussed.

We then turn to look at types of corporate social responsibility activities, and use the three "social contract" responsibilities declared by the Committee for Economic Development in 1971 as the bases for discussion. Essentially, the first two social responsibilities are concerned with "fair and honest" conduct of the business regarding providing jobs and economic growth, and then more explicitly on employees and customers. We discuss the latter, and extensions to it, particularly in the context of the Lend Lease approach.

The third "social contract" responsibility is to become more broadly involved in improving the conditions of the community and the environment in which it operates. Here I discuss differences between what I have labelled *Philanthropic/ ex-competence* and *Operational in-competence* approaches, and also their relationship with stages of the organisation's growth, and other factors.

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## ALTERNATIVE PERCEPTIONS OF THE ROLE OF BUSINESS ORGANISATIONS

### Profit-only perceptions and practices

Historically, business organisations were primarily concerned with producing goods and services to help cope with problems of scarcity. Their goal, and that of society at large, was economic growth. And, in pursuing growth, private enterprise organisations were expected to maximise their profits to shareholders. Profit maximisation came to be seen as the sole raison d'etre of business.

In spite of movements away from this perception – to be discussed shortly – there is no doubt that it continues to be widely held, and practiced. On a global scale we had the 2008 financial crisis, which was strongly associated with unbridled pursuit of profits. In more recent times in Australia we have seen stark examples of uncontrolled pursuit of profits in the banking industry, resulting in highly detrimental consequences for very many people. However, in spite of large numbers of very widely publicised examples of great harm caused by the single-minded pursuit of profit maximisation, this perception of the role of business organisations appears to still be strongly entrenched, and unlikely to go away any time soon.

### Broader perceptions and practices

However, alternative perspectives of the role of business organisations has also been in place for at least half a century. I quote first from the Chairman of Lend Lease, Dick Dusseldorp, on the role of profits in such organisations (Clark 2002:220)

> Pursuit of profits for its own sake is a sterile activity. Profits must serve a purpose; at the same time, without profits there is simply no organisation … not for long anyway.

I now quote at greater length from Stuart Hornery, then CEO of the Lend Lease subsidiary company, Civil & Civic, in a presentation given to some CEOs of other local business organisations circa 1976 – a copy of which is still in my possession.

> …to claim that the sole role of the business enterprise is to make profits seems to me like saying that the sole aim of an individual is to breathe. Profit is as necessary for business survival as breathing is for personal survival. But profit as a sole objective tells us nothing about what the business is about – what markets it aims to serve, with what products or services – nor how it proposes to satisfy the changing expectations of employees, suppliers, clients, or the community. …….
>
> Thus, business emphasis is shifting towards establishing a more equitable balance amongst the demands of the various "interested parties" in the business:
>
> - The people who <u>invest</u> in it,
> - The people who <u>buy</u> from it,
> - The people who <u>work</u> in it
> - The people who <u>manage</u> it
> - The people who <u>supply</u> it,
> - The people who <u>live near</u> it, and so on.

Fortunately, this type of broader perspective of the role of business organisations is also widely held, and goes hand in hand with the concept and practice of organisational social responsibility, to which we now turn.

## THE CONCEPT AND TAKE-UP OF SOCIAL RESPONSIBILITY ACTIVITIES

Pells 2021 quotes from Investopedia, which describes social responsibility in the business context as follows:

> Social responsibility means that businesses, in addition to maximising shareholder value, must act in a manner that benefits society. … Social responsibility, as it applies to business, is known as corporate social responsibility (CSR).

Pells 2021 says that corporate social responsibility in the USA appears to have originated with the philanthropy of American industrialists Carnegie and Rockefeller over a hundred years ago, as formalised in a 1953 book by Howard Bowen called *"Social responsibilities of the businessman".* He goes on to note that

> ...CSR truly began to take hold in the U.S. in the 1970s, when the concept of the "social contract" between business and society was declared by the Committee for Economic Development in 1971. …..

Corporate social responsibility also became a hot topic in Australia from the early 1970s, and I still have copies of some internal memoranda and notes that I made relative to the Lend Lease context. Included in this was an internal paper for Civil & Civic in 1976, in which I referenced thirteen sources – six books and seven papers, dating from 1969 to 1975, which hardly scratched the surface of the literature on social responsibility which was proliferating at the time. However, the literature indicated that there were many different views on the nature of corporate social responsibility, criteria for determining what to do, types of activities involved, what stakeholders should be covered, motivations for undertaking it, relationship to profits, and other internal and external factors to be considered

Discussions in Australia at the time slowly moved between whether or not business had any social responsibilities at all, and how to move from profit-only purposes of business organisations to embracing social responsibilities – and what forms the latter might take. At the time, Lend Lease was seen as a leader in this area, and I have already quoted from Dick Dusseldorp, and from Stuart Hornery's presentation to the CEOs of some other Australian business organisations on this subject.

I have been too far away from the action for too long to have any direct knowledge of the current state of affairs with corporate social responsibility. However, I have been told that it has not advanced as far as one might have expected, and that discussions about past experiences in this area may well still be relevant to many readers.

## TYPES OF CORPORATE "SOCIAL CONTRACT" RESPONSIBILITY ACTIVITIES

> *The issue is not whether business has social responsibilities. It has them. The fundamental issue is what are, and should be, the limits to business action of a social nature.* *(Steiner 1971)*

In the apparent absence of any broad agreement about classifying types of corporate social responsibility activities, I propose to draw on the three responsibilities outlined by the 1971 "social contract" referred to above as the starting point for the following discussions. These were summarised in Pells 2021 as follows.

> The social contract outlined three responsibilities, and they're still applicable today:
> 1. Provide jobs and economic growth through well run businesses;
> 2. Run the business fairly and honestly regarding employees and customers;
> 3. Become more broadly involved in improving the conditions of the community and environment in which it operates.

The first two of these three social responsibilities are essentially concerned with "fair and honest" conduct of the business regarding employees and customers, and providing jobs and economic growth. These are what one might call on-going operational activities which are social-responsibility-related.

### 1. Provide jobs and economic growth through well run businesses

This first "social contract" responsibility is rather a broad-brush one, but important. The provision of jobs, and contributions to economic growth most certainly contribute to benefiting society at large.

### 2. Run the business fairly and honestly regarding employees and customers

This is more explicit than the first responsibility. It is interesting to have both employees and customers of the organisation singled out, as either (or both) are often somewhat neglected in the project management literature. However, there are many other parties to be considered in the process of running the business fairly and honestly. In the early lengthy quotation from Stuart Hornery, he discussed establishing a more equitable balance amongst the demands of the various "interested parties" in the business, which included investors, customers, employees and managers, suppliers, neighbours, etc..

Finding equitable balances between various stakeholders is a process project managers are familiar with in a project context. Doing the equivalent in an organisational context is also a socially responsible undertaking.

With regard to finding equitable balances, Milton Allen, a long-time director of Lend Lease, put the perspective of its CEO, and later Chairman, Dick Dusseldorp, as follows.

> One of Dick's major principles in running his companies was that there are three groups of people that must be equally cared for: clients, employees and shareholders. Not one, not the other, but all three. This was pertinent to everything he did.
> (Clark 2002:220)

Dusseldorp himself often placed particular emphasis on balancing the interests of shareholders and employees as an important contribution to society.

> Right from day one we were convinced that a worthwhile and profitable contribution to society could only be satisfactorily achieved by developing a true partnership between investors and employees. The profit growth per share over thirty years attests to the economic validity of this proposition.
> (G. J. Dusseldorp, 1988: in Clark 2002:115)

Two of the key approaches to this were, first, to share profits between investors and employees, and second, to have the latter also become shareholders in their organisation. I worked directly for Dusseldorp in helping develop many of these initiatives, and can certainly vouch for the essential accuracy of the materials discussed in this section. For me, personally, this was one of the most enlightening and rewarding projects in my long and diverse career.

As John Morshel, a later CEO of Lend Lease, put it,

> … Duss also initiated, with shareholder approval, an egalitarian profit-sharing scheme and a range of share ownership plans. (Clark 2002:115)

The employee side of these arrangements included the following.

> … a set proportion of the company's pre-tax profits would be placed in a pool, and this would be shared out as a flat dollar amount to all employees: be they chief executive or rigger, secretary or steel fixer, architect or accountant.
>
> The following year [1973], Lend Lease shares were issued to all employees in the corporation, via their superannuation fund, as 'a tangible recognition of the common interest of staff and shareholders in the success of the Company'. Further share issues followed in succeeding years, so that by 1978 employees collectively became the corporation's largest single shareholder. (Clark 2002:76)

Dusseldorp also made the following comment about the organisation, its employees, and social relevance, from a perspective I have not seen elsewhere.

> The company's activities have to be socially relevant – for the simple reason that most concerned people only want to spend their lives on such efforts. And without concerned people, the direction of the enterprise will be lost.
> G. J. Dusseldorp, 1983 (Clark 2002:187)

This perspective certainly reflects my own viewpoint, and probably that of many, if not most, of us who worked with Lend Lease during the Dusseldorp era. It also appears to be very relevant to project managers, and project management at large.

**3. Become more broadly involved in improving the conditions of the community and environment in which it operates.**

In effect, Drucker 1969 identified two basic ways in which social responsibility activities can be undertaken, as indicated in the following quotation.

> Organisations … do not act with social responsibility when they concern themselves with "social problems" outside their own sphere of competence and action. They act with social responsibility when they satisfy clients needs through concentration on their own specific job. They act the most responsibly when they convert public need into their own achievements. [My emphasis]

These are also reflected in the following quotation from Clark 2002:13 about the Lend Lease approach to social responsibility.

> Running a business simply for its own sake was, for him [Dusseldorp], insufficient: it was necessary that it also made a 'worthwhile and profitable contribution to society'. This objective could not be fulfilled, however, by means of hand-outs or donations – the conventional expressions of corporate philanthropy. Dusseldorp's business ventures had to demonstrate regard for the community in their *everyday* commercial operations: from the way employees conducted themselves in dealings with the public, to the type and integrity of products and services they provided.

I have struggled to find suitable descriptors to distinguish those social responsibility activities taken outside the organisation's sphere of competence and action, from those that lie within the latter. I have tentatively labelled them philanthropic/ex-competence, and operational in-competence approaches, as now discussed.

### *Philanthropic/ex-competence approaches*

It was noted in the earlier section on the concept and take-up of social responsibility activities that their origins appear to have been philanthropic. These types of activities are well known, and appear to be still quite widely practiced.

In addition to this type of hands-off philanthropic approach, Drucker has pointed to another type of what I have called an *ex-competence* approach, namely when organisations concern themselves with "social problems" outside their own sphere of competence and action.

I could find little in the literature on this type of socially responsible activity, although I know of instances where it has occurred.

There is, however, considerably more on Drucker's preferred approach, which I have labelled *Operational in-competence approaches*, as now discussed.

### *Operational in-competence approaches*

Drucker's preferred approach has been supported by many others, including Buehler & Shetty 1975, as follows.

> The first job of management is to decide which social problems are most relevant to company operations. …..
> For the individual business organisation, the problem is one of matching its specific competence against numerous social issues.

Around this time, Thornton F. Bradshaw, President of the Atlantic Richfield Company, laid down three rules":

1. The businessman should stick to his own competencies;
2. In areas where he is competent, he should become a prime mover for change;
3. He should fight for constructive change in his industry.

These types of "stick-to-the-knitting" approaches were also being adopted within Lend Lease. In a draft memorandum to the Board of Directors on *Guidelines for social responsibility activities,* circa 1980, the then CEO, Stuart Hornery, indicated that past responses to external approaches for help had been treated as follows:

> The normal response to requests for direct financial help has been refusal. The type of request likely to receive a positive response has been one where we could help by providing our normal company services on a concessional or gratis basis.

That memorandum recommended more proactive approaches than previously, with some eight guidelines, all retaining the focus on providing normal company services.

### *Relationship with stages of the organisation's growth*

Lippitt & This (circa 1982) observe that social responsibility objectives change as organisations grow, and suggest these could be along the following lines.

| **Org. growth stage** | **Social responsibility** |
|---|---|
| To be born | Honest representation of risks and potential |
| To survive | Honest dealings with customers, employees and suppliers |
| To become stable | Develop reputation as dependable and responsible organisation |
| To gain reputation | Seen as a leader in community affairs |
| To achieve uniqueness | Organisation seen as contributing uniquely to the community |
| To contribute | Organisation makes contribution to total industry and the larger society |

***Figure 1: Relating appropriate social responsibilities to the stages of an organisation's growth- Adapted from a form developed by Lippitt & This, circa 1982***

The above would certainly need to be adapted to be made applicable to particular organisations. However, the basic message seems to be clear enough, and to be very relevant to making appropriated choices of social responsibility undertakings at various stages of an organisation's development.

### *Other factors to be considered*

There are, of course, many other factors that can influence decisions on what social responsibility activities are undertaken. Raffalovich 1973 suggested the following external and internal factors to be considered in relation to social responsibility.

| **External factors** | **Internal factors** |
|---|---|
| Economic and business conditions | Current profit situation |
| The state of the economy | Future profit outlook |
| The condition of the industry | Employee relations |
| Competition | Labour unions |
| Overall public opinion | Employee morale |
| Ecological pressure groups | Stockholder opinion |
| Welfare pressure groups | |
| Educational organisations | |
| Consumers and suppliers | |
| Government regulations | |

***Figure 2: Some external and internal factors affecting choices of social responsibility initiatives***
***Adapted from Raffalovich 1973***

In this day and age we can certainly add to this list, particularly on the *External factors* side, and most especially with the Covid-19 pandemic, and many of the changed circumstances deriving from its prevalence.

## SUMMARY/DISCUSSION

Pells' 2021 discussion of corporate social responsibility has led me to revisit some work I did on this topic some 45 years ago when I was working with Lend Lease in its Dusseldorp era, and to offer this commentary.

We first noted that there were, and evidently still are, two different perceptions of the role of business organisations. One could be called the profit-only perception, which is evidently still well entrenched, in spite of its over-zealous pursuit having led to so many disasters for so many people. In briefly discussing broader perceptions and practices, I particularly discussed documented observations from the CEOs of Lend Lease and Civil & Civic, with regard to the way they saw the differences.

This led to introducing brief discussions on the concept and take-up of corporate social responsibility initiatives, which are particularly associated with the early 1970s. Ensuing discussions of types of corporate social responsibility activities used the three "social contract" responsibilities declared by the Committee for Economic Development in 1971 as their headings.

The first of these responsibilities was to "Provide jobs and economic growth through well run businesses" – which most certainly contribute to benefiting society at large.

The second responsibility was to "Run the business fairly and honestly regarding employees and customers". One could well have added "and all other key stakeholders", as Civil & Civic's CEO Stuart Hornery had earlier advocated. A director of Lend Lease recorded how its CEO (and later chairman) Dick Dusseldorp focused particularly on caring equally for clients, employees and shareholders.

Dusseldorp himself recorded his conviction that "a worthwhile and profitable contribution to society could only be satisfactorily achieved by developing a true partnership between investors and employees" of Lend Lease. This included profit sharing between these two parties, and the issue of shares to all employees.

Dusseldorp also noted that "The company's activities have to be socially relevant – for the simple reason that most concerned people only want to spend their lives on such efforts". I found this observation particularly relevant for me personally, and I believe for many, if not most, other Lend Lease employees in the Dusseldorp era.

The third "social contract" responsibility is to become more broadly involved in improving the conditions of the community and the environment in which it operates. Here I discussed differences between what I labelled *Philanthropic/ ex-competence* and *Operational in-competence* approaches. In particular, I noted that the latter approach appears to have been most strongly advocated by many writers and practitioners. I also pointed out that decisions about social responsibility activities will vary at different stages of the organisation's growth. Finally, I listed other factors that need to be considered in making such decisions – a 1975 listing to which other factors would need to be added in this Covid-19 era.

After discussing corporate social responsibility, Pells 2021 asks the questions:

> ….why shouldn't project management professionals also embrace social responsibility?
>
> Since PMI and other professional bodies are also registered corporations (albeit non-profits), shouldn't CSR requirements also apply?

I know that David Pells will have more to say about the above in later sections of his article, so will only make one comment here, which is in relation to his first question.

This is first, to direct project managers' attention to Dusseldorp's observation that

> The company's activities have to be socially relevant – for the simple reason that most concerned people only want to spend their lives on such efforts.

This then appears to me to invite the following question - *How else would you, as project managers, want to be spending your lives?* This is my personal perspective on, and response to, Pells' first question above.

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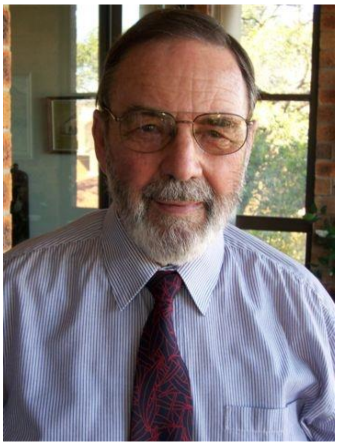
## About the Author



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