Building a Good Corporation Through Stakeholder Management and CSR

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Executive Summary

Corporations are often considered selfish as they primarily focus only on their market positioning and profitability. However, for a corporation to sustain itself within the market, maintain its reputation and ensure its reliability factor, it is important that it must act “good” as well. A good corporation can be defined as one that not only abides by the laws and regulations but also complies with ethics and social morality. The purpose of this paper is to show how a corporation can act “good” by ensuring its efficiency in stakeholder management and Corporate Social Responsibility. A brief review of the literature, combined with an analysis of ethical and philosophical theories, will be conducted to draw a conclusion.

Introduction

For any corporation to be stable and successful, there are multiple variables to determine it. A profitable corporation, having a stable market position and reliable customer satisfaction is considered a successful and efficient corporation. However, it is not necessary that it is also a ‘good corporation.’ To determine what is a ‘good corporation’ some other variables need to be evaluated that include their efficiency in stakeholder management as well as the emphasis on the corporate social responsibility (CSR). These two variables are not based on the financial standing or profitability of the corporation. However, they are critical in determining the market reputation, stability, trustworthiness and reliability of the corporation. A corporation that is efficient in stakeholder management is more likely to perform more efficiently as they focus on the satisfaction level of all involved stakeholders including their employees, shareholders, customers, etc. Similarly, a corporation that focuses on CSR is one that emphasizes returning the good and benefit of the society as a gesture of their corporate responsibility, such as ensuring eco-friendly mechanisms, charity, clean water programs, etc. Considering these critical aspects of defining a ‘good corporation,’ the respective paper will determine how the emphasis on CSR and Stakeholder Management can make a corporation ‘Good.’

Literature Review

Significant literature has been created on various perspectives to describe how the chosen variables, i.e., CSR and Stakeholder Management, determine the goodness of the corporation. The following section presents a brief review.

Stakeholder Management

The maximization of satisfaction and benefits for shareholders and stakeholders is derived from the theory of Strategic Stakeholder Management presented by Freeman (2007). This theory developed as the pioneer and foundational theory to promote improvements and enhancements in the stakeholder management domain. The stakeholder hypothesis also emphasizes the implementation of authoritative management and ethics. It contradicts the free market standard of shareholder capitalization and advances stakeholder amplification. However, it must be understood that since quite some time, the market analysts have been characterizing the motivation behind a corporation as an instrument to profit by shareholders, this has likewise alluded to the legitimate reason for business. This is a distortion of law that has not characterized the reason for a business to profit by shareholders, staying within the legal boundaries.

A stakeholder is characterized and described from multiple perspectives. One of the most punctual expansive and exemplary definitions was presented by Freeman (2007) who characterized stakeholder as any individual or group that can influence or be influenced by the accomplishment of the association's goal. Impacted by Freeman's (2007) hypothesis, yet intrigued more by project results, there exists an overview characterizing stakeholders as people or establishments that are either under or past project manager's power, and specifically or in a roundabout way get influenced by the project's result, and have any direct or indirect interest in the corporation.

Boatright (2006) appeals to exchange cost financial matters to protect the theoretical model of stakeholders for the organization and to condemn the stakeholder show. Advocates of stakeholder management get one point right: the cutting-edge, revenue-driven organization should serve the interests of all stakeholder gatherings. Also, where stakeholder hypothesis turns out badly is in feeling that managing for the interests of all stakeholders and shareholders isn't in light of a legitimate concern for all shareholders. Managers should not be entrusted with managing for the premiums of all since the market will guarantee that the premiums of all are considered.

Yang et al. (2011) further explained the requirement for effective management of the connections between the stakeholders as a vital key to project achievement. Stakeholder Management (SM) is a successful approach to conveying stakeholder worries to the surface and creating robust stakeholder connections in complex corporate conditions. SM ought to incorporate distinguishing, gathering data and dissecting stakeholders impact through a deliberate approach.

It is also recommended that the appraisal of commitment, stakeholder prioritization, and examinations. Difficulties of managers are of different stakeholders and the best approach to stakeholder management for compelling effect on project conveyance. Jensen (2002) communicates doubt of managers that put resources into social causes with no desire of budgetary returns. He further contends that corporations can't amplify firm performance over various destinations and ought to, in this way, focus on firm market value. The guardian obligations of chiefs to their shareholders are similarly as applicable to different stakeholders. Shareholders have an uncommon good status and ought to subsequently be given unique consideration by chiefs.

Research has demonstrated that managers consider just a few parts of Stakeholder Management, keep mental records rather than documentation, and do not follow a formal procedure (Huang et al. 2017). This negates a present pattern in project improvement where the stakeholder management process includes an abnormal state of the planning exertion, which can set aside to 18% from cost and 40% efficiency in office projects if considered (Huang et al. 2017).

Importance Of CSR

Multiple studies indicate to inspect the connection between stakeholder management and firm performance, typically measured in money-related terms. In any case, many of these investigations are, in reality, about the connection between corporate social responsibility (CSR) and firm performance (Siddiq & Javed, 2014). The consequences of these investigations, all in all, demonstrate a little positive connection between CSR and performance. In any case, there are a couple of well-done considers that truly do inspect stakeholder management and performance, and the aftereffects of these investigations are substantially more grounded, giving genuinely persuading proof that corporations that take incredible care of their stakeholders reliably accomplish higher money-related performance (Siddiq & Javed, 2014).

A basic driver of CSR hone originates from corporate pioneers. Corporations are not solid elements; rather, they are associations administered and led by people and tied down in the societies in which they direct their businesses (Zaharia & Zaharia, 2013). Corporate social responsibility plans mirror the human side of corporations and their pioneers' close-to-home commitments to add to the community and society of which they are a section. Some studies and researchers present the idea of serving their community or society over the span of their business rehearse, while others support Corporate Social Responsibility programs to express and bolster their representatives' community values (Munro et al. 2016). Furthermore, business pioneers are very much aware of the need to pick up altruism and society's authorization to work inside the communities where they direct their corporations. Civil society associations and nongovernmental foundations can frequently be a convincing power pushing corporations to take care of the social and natural effects of their corporate operations. Most likely a portion of the inspirations for CSR are receptive, in response to community concerns (Yang et al. 2011).

Nonetheless, once they are propelled regularly, there is a body electorate of supporters inside a corporation that will demand its continuation (Munro et al. 2016). Critically compared with public corporations, private organizations regularly have substantially more noteworthy freedom in assigning their magnanimous profits by the humanitarian and ethical perspectives of their controlling proprietors, paying little respect to how effectively or ineffectively the gifts line up with the corporations' business reason (Zaharia & Zaharia, 2013).

As a corporation develops more efficient performance, it might look for a more restrained approach to its magnanimous exercises to regulate the corporation's altruistic commitments or the production of a "community undertaking" contact inside the corporation to coordinate its exercises (Siddiq & Javed, 2014). The proprietors and heroes may endeavor to move charity to a more strategic stage, making a nearer arrangement with business objectives (Siddiq & Javed, 2014). Because of such assorted inspirations, corporate activities falling under the hood of CSR incorporate an expansive degree, including corporate subsidizing of community exercises, awards for not-for-profits/NGOs, natural manageability projects to decrease vitality and asset utilize, and far-reaching endeavours to redo a business' whole value chain (Huang et al. 2017).

Corporate Social Responsibility is intrinsically natural, as corporations both respond to societal desires and characterize CSR as far as their own particular hierarchical and social thought processes in humanitarian giving and civic engagement. Many activities start in the field or from the staff in a base up approach, while some are traditional operational activities from official management. A few projects may have a convincing business rationale; however, they may have almost no coordination with the corporation's business strategy or centre skills.

Importance Of Broader View Of Corporations For The Stakeholders

A broader view of corporations and corporations presents them as a responsible entity that does not only focus on their profitability in a selfish manner. Instead, they also believe in compliance with the law, ethics, and social responsibilities by returning the good and the benefits to society in some way. To better understand this concept, it is important to understand the liabilities of corporations and how they can act as ethical and socially responsible entities.

A "corporation" is defined as a business or corporation formed by a group of people, and it has rights and liabilities separate from those of the individuals involved. According to Professor Elizabeth Pollman, "Having a corporation would allow people to put the property into a collective ownership that could be held with perpetual existence," "So it wouldn't be tied to any one person's lifespan, or subject necessarily to laws regarding inheriting property." (Totenberg, 2014). It certainly appears that corporations cannot be considered persons.

The illusion of corporations as persons emerged "the great industrialization of the United States in the 1800s intensified companies' need to raise money". This was when the legal and socio-political understandings regarding the rights and liabilities of the corporations started as well. This illusionary idea further strengthened when the Supreme Court provided "protection to corporations" (Totenberg, 2014) similar to the humans.

One of the major implications of non-human corporations is that they are incapable of making ethical decisions and are often at moral fault. Rita Manning stated that it is, therefore, not necessary to "argue that a collective is a metaphysical person to ascribe fault responsibility or accountability to it" (Manning, p.83). Therefore, the corporations have themselves declared them to be non-human entities when they were involved in the finding of causes related to issues like abortion that required ethical judgments since "These are personal rights accorded to corporations" (Totenberg, 2014). Instead, the corporations or corporations can be described as the "collective action" of the person involved in establishing and running it (Manning, p.83). In this way, the corporations are more appropriately defined as non-human agents who have agendas and objectives but are not able to differentiate between the correct, ethical and moral decisions.

Regardless of these constraints, several major corporations such as Microsoft. Coca Cola Inc., Pepsi Co., Toyota, General Motors, etc. have set examples in being highly globalized and efficient stakeholder managers as well as highly efficient CSR corporations as well. These corporations have set examples of how good can be returned and shared with society by starting programs such as polio evacuation programs by Microsoft, Clean Water by Pepsi Co., Eco-Friendly Manufacturing and Green assembling by General Motors, etc. (Mehta, 2016).

Theories Of Justice And Normative Morality

To better understand the ethical perspective of CSR and Stakeholder management, various ethical philosophies and theories can be observed and analyzed. Some of the major theories include Kantianism, which emphasizes that people should not be considered a means to achieve benefit, and Utilitarian Theory, which emphasizes that maximizing good is the ultimate objective.

First of all, Kant's theory emphasizes that corporations should act with the stakeholders in the same way as they would like to be treated, i.e., in a beneficial, ethical and responsible manner. Categorical Imperative was the philosophical idea developed by Kant. The CI is the imperative based philosophy that describes "an action as objectively necessary in itself apart from its relation to a further end." On the other hand, the Hypothetical imperative (HI) is based on the desires of the agent. HI describes the "practical necessity of a possible action as means to something else that is willed."

The categorical Imperative (CI), as depicted by Immanuel Kant, gives a guide to assessing and translating our actions and settling on the choices on the premise of moral judgments. CI is not a set of rules or orders that one must take after. Rather, it is the judgmental system that empowers us to survey our choices on the premise of the moral establishments. There are a few structures and depictions of the CI, however, according to Kant, the initial two details of the CI are proportional in nature and perspective the moral reality from the same point of view. The CI states to be definitive paying little mind to the circumstances, situations and scenarios. The main definition of the CI expresses that:

"Act only according to that maxim whereby you can, at the same time, will that it should become a universal law."

He proposed the likelihood of the Categorical Imperative. His thinking revolved around reason and not emotions, as was the excellence of Utilitarianism. If all else fails, the categorical imperative is portrayed as a moral solicitation because it is tied without conditions.

Consequentialism also supports the idea of CSR and stakeholder management. Consequentialism is described as the philosophical doctrine according to which the morality of actions can only be judged by their consequences. This means that any action, decision or choice will be considered morally justifiable if its results are considered justified and appropriate. In this case, the means can be unjustified, but if the results are beneficial, these unjustified means will be acceptable.

This consequentialism is derived from the description of classical utilitarianism, in which moral and ethical action brings maximum satisfaction to all the related stakeholders. According to classical utilitarianism, acts are consequentialist.

Similar is the case with utilitarianism theory, which was proposed by David Hume and John Stuart Mill. According to the Utilitarian Theory, the corporate organizations must ensure that they are treating their stakeholders and liable entities in the best possible manner to make sure that the results promote maximum happiness and satisfaction.

Alternate Perspective

While the emphasis on stakeholder management and CSR is considered an ethically positive approach, there has been some critical adverse impact of over-exaggeration of certain aspects of this approach as well. For instance, the understanding-based collaboration of the state government and the corporate area has given excessive power to the corporate specialists. Give it a chance to be the Olympics or a philanthropy-driven occasion; the enterprises excessively stress the showcasing and rivalry against their adversary organizations. As Noam Chomsky expressed in one of his articles, "Today the bosses of humankind are multinational organizations and money-related foundations, yet the lesson still applies, and it clarifies why the state-corporate complex is for sure a danger to flexibility and in reality, even survival" (Nicoli and Komodromos, 2013), truly the purchasers or the end clients have moved toward becoming toys and devices of picking up the aggressive edge over the adversaries.

The partnerships have increased finish control over the brain and physical exercises of the shoppers through their political arms and tremendously promoted techniques that play traps with human brain science. In the midst of the whole gameplay at the corporate level, it is the shoppers whose flexibility of articulation, basic leadership, and the decision are getting controlled. As displayed in the Olympics, the state was relied upon to acquire noteworthy income from their real supporters, and they needed to do everything to satisfy these patrons, regardless of the possibility that they have disappointed and derided their natives or sightseers since they were not the ones who might have conveyed any huge financial advantage to the government. As it were, corporate power is synonymous with the idea of coercion as “Karl Marx was appropriate about concentrated corporate power. It’s just as risky, and truth be told, in most vital ways, it’s the same as the most exceedingly awful parts of the state. In this way, ipso facto, concentrated corporate power=coercion” (Visser, 2006). In this way, one might say that the excessive amount of power vested inside the corporate specialists is harming the opportunity of the general population and may lead the state towards coercion.

Conclusion And Recommendations

Critically analyzing the above presented comprehensive analysis of various factors that may define a “good corporation,” it can be stated that a good corporation is one that is not only focused on profitability, legal compliance, regulation and control but is also focused on their ethicality and morality. This further described the corporate ethics as being responsible for their involved stakeholders and shareholders and specifically emphasizing on CSR. Stakeholders and Shareholders of the corporations include all those individuals who have a direct or indirect impact or influence on the corporation. This will include customers, financers, sponsors, employees, etc. Therefore, if the corporation is focused on increasing its efficiency and performance, they have to ensure that the legal and ethical rights of these stakeholders and shareholders are protected. Similarly, the overall society that includes the general public, as well as the ecology, is also an ethical liability of the corporation. The corporation is liable to protect, secure, and share its benefits with society. Therefore, it is important that the company develop policies, regulations, and programs to share goodness with society. This can include the decisions of the corporation to go green to protect the environment, start schooling scholarships for needy students, health programs, charity programs, etc. Based on these considerations, following are some of the recommendations for the corporations to act ethically and morally to make sure they are acting as “good” corporations.

1. Corporations must ensure the satisfaction of their stakeholders. This includes protection of their ethical and moral rights as well.
2. The corporations must consider overall welfare of their consumers as well.
3. The corporations must cater the interests of their sponsors and financers as well.
4. Corporations must share the benefits with society and the environment without any discrimination, bias, or selfish gain.

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