



The Truly Responsible Enterprise

About unsustainable development,
the tools of Corporate Social
Responsibility (CSR) and
the deeper, strategic approach

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Hungarian Association for Environmentally Aware Management (KÖVET)

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the NATURAL STEP



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PEER REVIEWS ABOUT THE BOOK

Héjj Tibor
founder and executive
partner of Proactive
Management Consulting

Nobody appreciates the irresponsibility of someone else. So everybody tries to avoid even the image of being irresponsible. Such a person cannot be an executive, a leader of others. But how can there be so many (socially) irresponsible corporations then? What is this very widespread, institutionalized contradiction? And more importantly: why and how will the mainstream change?

We can answer all these questions in an abstract, scientifically dry way, or discuss the topic in an understandable, appealing way. The author has chosen the second path, yet his work is based on a very broad knowledge of the relevant literature.

Ertsey Katalin
managing director,
Pannon Példakép
Foundation

We both find astounding and familiar pictures and thoughts in the book "The Truly Responsible Enterprise". The unusually fresh style cannot be denied, which is a rare characteristic of the CSR literature, which has become very trendy recently. This book makes us all think; CSR practitioners, top executives, and every person who feels responsibility for their children, grandchildren and the future quality of life on Earth. Vehement and provocative, the argumentation of this book will stir the steady waters of CSR, where surface talks, but depth is silent. Let's take a look into the deeper definitions of CSR, let's dare to argue and polemicize, to re-evaluate priorities. Let's look into the mirror: maybe this book will help to clarify some concepts and to give birth to appropriate solutions to replace hitherto successful marketing action.

Polgár Emese
communication and
CSR expert

What will make the operation of a business really responsible from an environmental and social point of view? Instead of thoroughly-developed tools, the specific and correct indicators of Corporate Responsibility (CR), the author of this book proposes five very simple principles: minimizing transport distance, maximizing justice, avoiding 'economism', keeping to an optimal company size and making a product which is valuable in the sustainable economy. These seemingly trivial principles, however, require radical changes from companies, especially from large corporations. According to the author, the businesses of the future either comply with these principles or perish... along with ourselves. This is the summer of 2007. The temperature has not fallen under 40 centigrade for days in Hungary. The weather is similarly extreme around the globe. Maybe this helps us to realize – investors, shareholders, managers and consumers – that there are superior and more urgent common goals than higher profit and higher consumption.

This book is enlightening about the importance of CSR because it is written by a true passionate enthusiast and believer. It shows both the short term and the long term importance of CSR and different perspectives on what to consider, mainly emphasizing the environmental perspective. When you read it, is not hard to believe that CSR must be taken into consideration in Corporations and other organizations; the question is how?

Éva Orbán-Degerman,
CIO, Flexlink
(Sweden)

A change of behavior is possible if there is a true belief and understanding. How to start this in organizations – a top or bottom approach? This is a chicken and egg problem – when employees and the market demand products and behavior that are related to social responsibility the change is quicker... so each one of us can contribute by changing our personal behavior which has an impact on corporations and organizations. At the same time, corporations and societies rule the world – if they do not change, why should individuals change? Who has the ability to change a corporation/organization? A manager yes, but a lot also depends on owners. Owners/managers need to be educated and they also need guidance on how to make changes come true. Changes do not just happen; long-term changes require hard work.

And what about profitability? Profit keeps its central role, but not at any price. Without profit, and success it is hard to drive sustainable change management, even for the most committed.

The author is a creative and sometimes provocative thinker who is brave enough to stand up against mainstream thinking. He does this because, after more than a decade of work with environmental management and CSR tools, he has established his position well. He thinks that the problems of the world are bigger than can be solved with the current range of instruments available to management. This statement may be contentious but the real novelty of the book lies in Chapter 3. Here the author tries the impossible: to summarize some very simple principles, which are the essence of true business responsibility. Following Chapter 2 (which gives a very fair overview of CSR tools), the last part will surely make the reader think and argue; one thing is certain: the reader will definitely not get bored.

Kapusy Pál,
executive director,
KÖVET

INTRODUCTION: AN INVERTED BOOK

V

ery few disavow the importance of corporate responsibility (CR) or Corporate Social Responsibility (CSR). The number of CSR standards, tools and even toolkits multiplies at an unbelievable pace. The topic has become a favourite playground for researchers and economists in the USA and legislators and consultants in the EU. Today, all decent companies have a CSR committee, department and report; at minimum a responsible person. Things seem to be on track.

Nevertheless, although the radical and active anti-multi campaigners are few in number, many people think that the corporate responsibility movement is not helping in the slightest to clear up the legitimacy crisis of questionable corporate power. According to the author of this book, the main reason is that people do not have the courage to deal with the issue as an objective reality. The crisis signals of our age (see 'unsustainable development': Chapter 1.3) cannot be dealt with through the contemporary approach ('everybody should develop a little': Chapter 2); deeper and more thorough responses have become necessary (Chapter 3). The main goal of this book is to stimulate thinking and generate debate on a deeper understanding of CR.

In Hungary, when a book is published on a topic that has been contemplated in 'developed' countries only recently, that book is usually a translated piece. Translated from a foreign language and from a foreign culture. In happier cases it is probably adapted to contain Hungarian references and local examples. This phenomenon tends to be the rule - especially among works on entrepreneurship, corporate management, profitability and commerce. Our language even seems unequal to the task of original works, and we rather express ourselves using items of English language vocabulary, like 'business', 'profit', and 'management'.

With this book, I have opted for an alternative strategy: it goes only to a little way toward taking stock of the existing apparatus of Corporate Social Responsibility, Business and Sustainability, or Corporate Ethics initiatives spreading worldwide, or of other books. The bibliography of this book extends further than the articles and surveys of the last decade which use and analyse the term CSR. Among references publications can be found from 2007 and also from 1776; authors' names range from Milton Friedman to Rousseau. True, Chapter 2 is inventorial in character, but in the most essential third chapter we frame our discussion in a clearly wider scope.

My choice brings with it a good and a bad side. Let's begin with the bad: my perspectives are obviously subjective. They cannot be seen as an objective summary (is it possible at all?) or an inventory of the best practices available, even if this book contains plenty of these too. I tend to explain examples without mentioning company names, in case of both good and bad examples.

The good side is the following; this is a simple book, easy to digest and identify with (or not!). I have chosen this style because I feel that the propagation of an idea, however sublime, of which the meaning and the essence are not clarified is not effective enough. I am convinced that corporate responsibility is becoming an iron law to be respected by everyone because of the unsustainability of present modes of development, not just because of market expectations or public pressure. It is a kind of constraint which the state of our planet and the well-being of our societies compel us to bear, and one which cannot be lightened by any toll, poll, or law.

In the book I argue against the 'CSR=PR' and 'CSR=good business' theories and with tools-oriented solutions alike. I am certain that our enterprise might attempt to adopt behavioural codices, to involve all "stakeholders" and to utilise CSR or sustainable management systems, yet if we really want to take responsibility for the future we must look further. Further, but also closer at the same time, since by adhering to five simple, basic principles we can assist the transition to a Truly Responsible Enterprise without going through complicated procedures.

Is all this meaningless waffle, a passing vogue, or does it signify real change? Is the CSR movement going to become just one of the business management trends? Will it be tamed like we have seen done with business environmental management? Or will it fundamentally change the economy, and thus the whole world? Can it be that those who predict the final planetary catastrophe will be proven right? These are the questions proposed by this book as food for thought, but, as I have hinted above, the palatability of my answers is very much in the reader's hands. I mean good, please receive this book in that spirit

Tóth Gergely
The summer of 2007, Keszthely, Hungary



¹ PR stands for Public Relations, here we refer to its shallow understanding.

1. ABOUT CSR

*“Earth provides enough to satisfy
every man’s need,
but not every man’s greed.”
Mahatma Gandhi*

*“It is a strange fate,
that we should suffer so much fear and doubt
over so small a thing... Such a little thing”
Boromir, son of Denethor²*

**Good master ancient
capitalists from 1850,
CR book from 1953:
Renaissance or brave
new invention?**

Nowadays we talk a lot about the responsibility of companies, or their social responsibility, officially termed Corporate (Social) Responsibility (abbreviated as CSR or CR). The origin of the term and the ‘movement’ is not clear. Some point out that a certain big insurance company had an Office of Corporate Responsibility back in the mid seventies³; others trace back the initiative to the big American corporate scandals⁴, or directly to the Watergate scandal (campaign financing). If we scrutinise reliable scientific sources (Loew et al [2004]⁵) we can date CR back to Howard Bowen’s book, published in 1953, about the Social Responsibilities of the Businessmen. I tend to agree with those analysts who cite the examples of large entrepreneurs of the 19th and early 20th century as being ‘socially enlightened’. Some of them built houses for their staff, provided child care and homes for the elderly, employed people for life or undertook to be Godfathers of their workers’ children. This kind of family-like, caring, nourishing atmosphere characterized the early days of those firms that stand as multinationals today.

**Friedman 1970: CR is
socialism; a „funda-
mentally subversive
doctrine”**

The modern debate on CR originated in the USA, where it started with the appearance of an article by Nobel prize winning economist Milton Friedman, in 1970. He clearly stated that any company should decline to deal with issues which do not belong directly to its core mission of maximising shareholder value, or more simply, increasing profit. He was not alone in his opinion. John Ladd, for example, in an article from the same year, found it very improper that any person should raise moral issues against businesses. He writes that such issues are not a ‘basic part of corporate culture and are even missing from the organizational vocabulary (Ladd [1970]).

**Today: widely
accepted**

Although some still think that Friedman was right, voices saying that CR is “socialism”, “fallacy” or the activity of “crypto-public, essentially socialist enterprises” (Manne [2006]) are rarely heard nowadays. Virtually nobody counters the idea that corporate responsibility is actual and necessary; however, there are huge differences in what we mean by those words. But let us not get ahead of ourselves.



Milton Friedman
(1912–2006)

² J. R.R. Tolkien: Lord of the Rings – The Fellowship of the Ring

³ Uncontrolled information, from Wikipedia on CR about the discussion on the origin of CSR:

http://en.wikipedia.org/wiki/Talk:Corporate_social_responsibility#The_rise_of_CSR -date of access: March 10, 2007.

⁴ From Lockheed to Enron. Besides widely known examples, we avoid mentioning company names as we use many - both as good and bad examples. Specific names we use are intended to be for the purposes of illustration, and not to influence the image of any specific company.

⁵ When any book, study or article is specified in the list of publications at the end of the book, this is referred to with the year of publication in [such brackets].

As we can see, the origins are not clear, as the business ethics discipline invisibly turned to the CSR movement. A significant article was published in 1982 by Kenneth Goodpaster (Business Ethics) and John B. Matthews (Corporate Management). This article proposes a positive answer to the question put forward in the title “Can companies have a conscience?” – or rather, the authors pen the somewhat late answer to Friedman: they must have one! (In Hungary, the business ethics literature started to emerge in the early nineties: see Kindler József, Zsolnai László [1993], Boda Zsolt and Radácsi László [1997].)

According to reasoning also strongly evinced by the European Union, the enlightened 21st century enterprise has to be environmentally conscious, and socially responsive, otherwise competitiveness and “sustainable economic growth” are impossible. This view can be said to be generally accepted (if with more or less conviction) in our times which teem with news items about melting icecaps and inefficient public institutions.

Let’s stop here for a moment! When we wish for greater responsibility it signifies we are not satisfied with the existing limited responsibility. But why aren’t companies responsible? Most people claim it is because of their essential nature. Milton Friedman, in his now classic piece [1970], stated clearly that enterprises are launched with the intent of maximizing profit – not responsibility⁶. We can make believe that capable management can successfully reach several goals at the same time, but facing facts we find this sadly untrue. If I oversimplify things a bit, I can say that, aside from reasons of propaganda, an overwhelming majority of companies and entrepreneurs are simply not interested in any other goals (ecological or social)⁷ than economic (the most outstanding firms naturally do represent exceptions). It is not that business managers are more vile or corrupt than the general population, but that the gist of enterprise is profit maximization with highest efficiency.

Liberal, market-centred philosophies allow that it is best if profit-making can be harmonized with environmental and social goals, but where it can not, corporate responsibility is a luxury. A company can lean towards affording luxuries in better times, but not when times get hard – especially if the said company preaches the useful ideology that it would be against the interests of its shareholders (charity being practiced at their expense). The basis for this ideology is provided by the fact that it is usually taken for granted that shareholders and customers will fully behave as species ‘homo oeconomicus’⁸. Matters of far less significance are intensively investigated using thorough scientific methodology, yet we rarely find surveys about shareholders 100 per cent commitment to profit: am I purely interested in the annual profit of the company I (partly) own, or do I have concerns about the products of the company, its long term existence, or its treatment of employees?

**In the best age:
The ‘CSR movement’
is 25 years old?**

**The debate has been
decided, not so the
consequences**

**Capitalist enterprise
as seen by Friedman**



Kenneth Goodpaster

**The stereotype
of the greedy
shareholder?**

⁶ “The theory of social responsibility is a fundamentally subversive doctrine in a free society where 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, engages in open and free competition without deception or fraud.”

⁷ Such a popular concept is encapsulated in the term “Triple Bottom Line” (of which more later), according to which the outstanding commercial enterprises of our days do not only have to seek to improve financial performance, but also environmental and social performance.

⁸ “Homo economicus, or Economic man, is the concept in some economic theories of man (that is, humans) as a rational and self-interested actor who desires wealth, avoids unnecessary labor, and has the ability to make judgments towards those ends.” http://en.wikipedia.org/wiki/Homo_economicus

Our ecological footprint

Several scientific works deal with, and media daily informs us about, the deteriorating environmental state of our Globe. In this first, introductory chapter I also summarise some supplementary data about our increasingly damaging eco-footprint and consequential global climate change, dramatic extinction of species and growth in social inequality.

Other concerns

I have to restate the existence of all these problems again in order to explain my motives for what I propose in the next two chapters: namely that the implementation of new procedures is not enough to bring about sustainable development. Responsibility and profit-making can never be totally harmonized since they are incompatible activities. I feel that the (ecological and social) responsibility of enterprises begins where shareholders' stereotypical interests end and their other concerns begin.

1.1 THE EXPANSION OF CSR

Summer frenzy or new industrial revolution?

CSR has become a buzzword, especially in the corporate world. "Just a new management fashion... Good business for some, but it will pass, like the craze of Y2K⁹." - submit the sceptics. "Finally! It took companies twenty years to take sustainable development seriously!" - nod the hopeful. Are we scrutinizing summer a frenzy, or a new industrial revolution? What will become of the CSR movement?

Three out of a hundred, but which?

Human resistance to change is quite natural. If the director of a company dedicated time and resources to every passing whim she would soon have to put out a 'Closed Because of Change' sign. If, on the other hand, her rational cautiousness turns into cynical scepticism she will forget to take into consideration even the two or three ideas (out of maybe a hundred) which are the tokens of long term change.

The five phases of internalisation

TIME	TYPICAL REACTION	WHO DEALS WITH IT?
AT FIRST	"Leave us alone, this is not our concern!"	Nobody
AFTER 5 YEARS	"OK. OK, they are right, but we're doing all we can."	Someone in leading position, but seldom
AFTER 10 YEARS	"Yes, this is most important for a company in our days. It is what we do."	Experts, a special executive
AFTER 15 YEARS	"Yes. We are among the vanguard."	A team of senior executives and specialists
AFTER 20 YEARS	"Of course. Why talk about it? Isn't it natural?"	Probably no one especially, but it is natural for everybody

Figure 1. Corporate reactions to lasting outside effects

Corporate acceptance and internalisation

A typical enterprise would react to advice coming from outsiders as illustrated in Fig.1.

⁹ Entering the new millennium there was massive dread of a predicted collapse of computer systems worldwide, the focus of the media for at least a year. The problem was smoothly prevented by experts.
¹⁰ The inventor of double bookkeeping is Luca Pacioli (1445–1514) Italian mathematician and Franciscan friar.

If external pressures remain steady and constant, the issue will begin to be recognized and seriously dealt with after five years. In the case of permanent change it will be institutionalised in the corporation in about a decade. Most stop at this point, but another half a decade might show the real vanguard. With the case of sweeping change, institutionalisation and specialization might give way to a stable conviction of both leaders and workers.

In a certain age merchants and tradesmen might have similarly fended off the idea of keeping books¹⁰, clustering workers into cubicles or dealing with environmental effects. Well, bookkeeping has reached level 4, cubicles fortunately failed at level 1, while environmental management is accepted somewhere at level 3. I see very few chances of the latter moving upwards, as long as mainstream businesses are concerned. On the other hand it is a well-known fact that enterprises must make profit and remain competitive. This is a stable conviction of both workers and leaders which makes it a trend at level 5.

The profit motive is of course a basic quality of enterprises. Can responsibility for sustainable development become such a fundamental *raison d'être*? This is what our book investigates. The art of management lies in making a distinction between a hotchpotch of ideas, and initiatives that can and will reach level 5.

Which level would you place your bet on in the case of CSR? To which level will it be integrated? Let's get acquainted with a couple of views:

COMMENT	WHO COMMENTED	WHAT DID S/HE SAY?
LEVEL 1	Milton Friedman, American economist, 1970	"But the doctrine of 'social responsibility' taken seriously would extend the scope of the political mechanism to every human activity. ... This is a fundamentally subversive doctrine in a free society, where 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, engages in open and free competition without deception or fraud."
LEVEL 2	Mark Line, consultant, director of csrnetwork, 2006	"CSR has a different meaning in different parts of the World. In some countries, like France or Germany, CSR is about employee relations and human resources issues. In the United States companies think that first they have to produce profit, then a part of it can be used for the good cause."
LEVEL 3	Margaret Hodge, minister of Industry and Rural Development, UK, 2006	"I am delighted to be taking on responsibility for CSR. I look forward to working with UK business to ensure that environmental protection and community cohesion are seen as an integral part of delivering sustainable economic growth and business prosperity."
LEVEL 4	Valérie Moutarlier, Department Director, European Commission, 2006	"most of my interlocutors were of the opinion that the CSR revolution is on its way, and that it will probably have the same evolution as the 'total quality' revolution in the '80s: ten years from now the approach will be completely mainstreamed into 'business as usual' for most companies."
LEVEL 5	The author	Because of the basic laws of nature and society our current system is not sustainable. Even if we do not accept the idea of the impending final catastrophe, the future is only possible with fundamentally more responsible companies than there are at present. This represents a new type of economics and a new type of market economy, with new type of enterprises in the forefront.

Settling effects

Trends at level 5

Hunger for responsibility a hundred years from now?

Soothsayers and meteorologists

Figure 2:
Which level will it reach? – Views

What I think...

The author of this book is convinced that social responsibility must reach level 5. Not only because of market requirements or public pressure, and not so that newer management systems might provide a living for a newer waves of specialists, who force companies to go through audits and quality control procedures again (though these factors may help the process). Not first and foremost because social responsibility is in everyone's well-understood financial interest (which is quite difficult to prove anyway). And not because the strengthening of civilian lobbies or the huge number of conscious consumers making the existence of irresponsible companies impossible. I support and try to live by the values of these movements, but unfortunately do not suppose they will ever have a role other than marginal.



...and the reasons for my optimism



Daniel Quinn

Why am I still optimistic, why do I still believe that a hundred years from now social responsibility will be the basic goal for enterprises, and profit-making only a living condition? (In other words companies will seek profit and size optimization, not maximisation?) The simple answer is that there is no other way. Using Daniel Quinn's [1992] metaphor, an object designed for flying must be aerodynamic. If it is not, it should be rebuilt, or it is destined to crash. This is a matter of fact, and not the question of lobby power, propaganda, or force of position of alternatively thinking groups of engineers.

Of course it still remains questionable whether it is obvious enough that the ground is drawing nigh at quite a speed. As is explained in chapter 1.3 about ecological footprints, I feel it is. There are very different estimations about how far the foreseeably not-too-pleasant meeting with the ground is. We should not forget that ever since the beginnings of history there have always been some who prophesied an imminent end to our world within a short period, but it has quite obviously not occurred. According to thermodynamics and the laws of entropy, it is bound to happen at some point. Our only task is not to hasten towards this 'singularity'. It is quite clear that our plane, flying with an engine called 'Economy' is in urgent need of a complete upgrade. The creaking parts will not be remade by just patching them up with fashionable new stickers, just as it is no help if the increasingly overweight passengers, having devoured their usual dinner, order an extra organic slimming meal.

Rundown aircraft and crafty engineers

Two things are certain. For one, we are all passengers and staff of the aircraft at the same time so we are clearly concerned. Two, the engine – the business sphere – is getting stronger and more effective, so change must be initiated from there. If the ideas set forth in this and other such publications are valid, their truth will make way for itself on its own impetus because the situation is ripe for it.

The strength of a little drop of water

It might be interesting to see the power of words in the case of CSR. The history of CSR leads us back to times of feudalism when the first enterprises were founded in a social system built on trust, with social responsibility being a matter of course. The nobility had disposal of huge resources and owed absolute alliance in turn to the feudal lord, ultimately the king. In case of war, for example, they were obliged to muster their own armies and even lead them into battle. If they were disloyal, they could easily be beheaded and their wealth confiscated. (I am not trying to say that there weren't any who were immoral, corrupt, or even cruel among the landowners, but the system itself was built on moral responsibility, not personal profit).

A capitalistic ideal from late feudalism, in late capitalism

With the industrial revolution an ideal emerged, one rooted in contemporary culture but completely new: the ideal of economic rationality, and of homo oeconomicus – man of commerce. Though in this ideal there is no explicit place for trust and responsibility, its upkeeping, as many authors have pointed out, is still impossible without them. The ideal and its utilization was successful, perhaps even too much so. GDP has begun growing at a previously unimaginable rate but the following enrichment, instead of erasing social differences, leads to alarming and ever deepening inequalities. We were able to achieve the goal of the industrial revolution: in 'developed' countries masses were raised from destitution, but we could not stop at respectable poorness or respectable wealth. Avarice (lately covered up by terms like sustainable growth and competitiveness) became our lifestyle. This, however, does not enhance human happiness any further, because its straining mechanism destroys our nerves, relationships and families, while meanwhile making animals and plants into raw materials and then land and sea waste dumps.

The problem of production was solved,

¹¹ Gross Domestic Product, the total value of products and services produced in a country (or in a certain region), in a given time-period.

but the mechanism
became too efficient

The damage done by these processes has begun to be recognized by scientists, executives, experts and people in general who have made their voices heard in innumerable cases. Still, the overreaching continues. Critics become apathetic in a hopeless fight to slow down or change a *modus operandi* which seems to be too large and too efficient to fight. We even have to fight a conceptual confusion which gets in the way of finding solutions. Slowness, for example, is not related to calmness and leisure any more, but is to be persecuted as a synonym of laziness¹². Calling attention to problems and expanding people's consciousness is not enough any more. Most people see the problems but not the solutions. They feel they can not do anything. The majority of critics recommend weak, superficial, symptomatic treatments. Moreover, if anything, it is timidity that outdoes apathy in regard to these matters. It is from such a physical and spiritual background that the CSR ideal arose.

CSR running high 1:
Internet

Without aspiring to form a complete list I enumerate a few of the solutions that have been proposed: corporate sustainability, the triple bottom line, ethical or good enterprises and CSR. If someone feels like repeating the test of the English company MHC International and does a Google search on the above-mentioned terms they will find the results shown in Fig.3. It is easy to see that a lot of people are interested in the social responsibility of enterprises. For the first time, the term CSR has more Google hits than a randomly chosen, but timelessly accepted pop star - while still not coming close to 'love and sex' – the topics reigning on the Internet. It is more relevant to find that Internet discourses on firms and business bring up the word 'responsibility' in a similar magnitude to 'profit'. We could not have found this 10-20 years ago!

TOPIC	FINDINGS ON INTERNET
Corporate sustainability	332 000
Ethical enterprise	670 000
Corporate citizenship	5,1 mil
Sting and music	18,8 mil
Corporate and social responsibility	80,6 mil
Corporate and profit	166 mil
Love and sex	209 mil

Figure 3: The occurrence of CSR and other terms on the Internet

CSR running high 2:
Hollywood

We remain discussing tendencies which are unscientific but illustrative of popular understanding. Recently, quite a number of movies about corporate irresponsibility could be seen, most of them coming out of the Hollywood studios, a place hardly notable for opposing the system in general¹³. A couple of the titles: *Supersize Me* (health effects of consuming only fast food for 30 days), *The Road to Wellville* (a satire of the early health industry), *Shattered Glass* (media, truth, manipulation), *The Constant Gardener* (unscrupulous manufacturers testing drugs on victims of famine in Africa), *Wall Street* (how to make your first million dollars), *Thank You for Smoking* (nicotine addiction – tobacco manufacturers interests – uncensored media dilemma).

¹² This has not always been so. Manfred Osten in his book about Goethe (*Alles veloziferisch, oder Goethes Entdeckung der Langsamkeit*) says that speed is a trait connected to the devil while slowness is Godly. Among contemporaries, cathartic readings include the books of Milan Kundera (e.g. *Slowness*) and *Momo* by Michael Ende.
¹³ See the Demos study: Ágoston et. al. [2006].

Surveying the list of titles we find that to the age-old public enemies – the arms, gambling, alcohol and tobacco industries – some new were added, namely politics, the stock exchange and even some hitherto morally unquestionable industries such as food products and medical drugs¹⁴. The three top hits of CSR filmmaking are: *The Corporation* (a documentary displaying well-known experts and inside men to show the inhumanity of ‘multi-logic’), the revelatory documentaries made by Michael Moore, and *An Inconvenient Truth* (Al Gore’s spectacular, documentary thriller about global climate change). Corporate *ir*/responsibility seems to have become a recurring theme, even permeating into popular entertainment. Let us leave this topic though and go on to less popular areas.

Even a superficial understanding of social responsibility includes the topics of environmental protection, economic indicators, sponsoring and the respective aspects of quality control, occupational health and safety. Here we are supplied with an absolute overdose of standards, labels and directives. It started with ISO 9001, then came ISO 14001, the environmental management standard, with her European twin, EMAS. Standardizers turned their attention towards occupational health and safety (OHSAS 18001), the stakeholder concept (AA 1000, SA 8000) and to sustainability reports (GRI). Alongside the European Commission, the UN also became active (Global Compact, Cleaner Production Movement) and scientists did their part (Factor 4 or 10¹⁵, Zero Emission). Environmentally friendly products have countless labelling systems, national or other; the weightiest among them is probably the German ‘Blue Angel’. These are excellent and progressive initiatives but they seem to be too complicated. There is a jungle of standards – the numbers of which grow too fast for common or expert perception. At this point let’s examine some surveys about the need for CSR.

CSR running high 3: Standards



Ernst Ulrich von Weizsäcker



¹⁴ I would not like to take sides in this dispute yet, but following this logic a question arises: Is everyone an enemy then, including us? (Who is not dependent on the multinationals in one way or another – e.g. as consumer, investor or employee?)

¹⁵ According to the theory supported by numerous practical examples, the current economic output is achievable with four (or ten) times less resources/pollution; in other words double wealth could be reached with half resource use and pollution.

CSR running high 4: Studies

In a piece of research conducted in the USA (Fleishman-Hillard, NCL [2007]) respondents were asked to explain what they understood by the term CSR. Comparing the results of two consecutive years, they found that the number of those unable to give a correct explanation decreased and quite a number of people feel that a company's responsibility ought to mean a commitment toward the local community.

Commitment to the local community

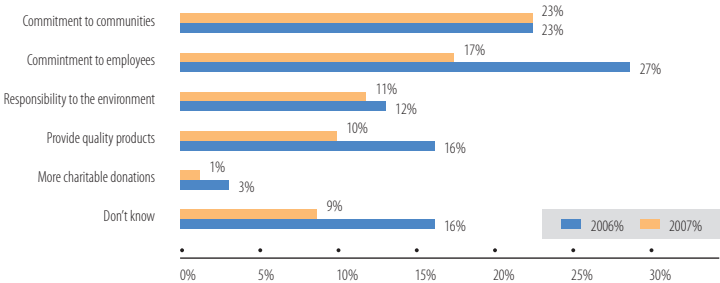


Figure 4: What is social responsibility? American respondents.

Please note that the responses shown in Figure 1.4 are only a truncated list of the complete set of responses offered by respondents.
Source: Fleishman-Hillard, NCL [2007]: Rethinking Corporate Social Responsibility

Not just charity

It should also be noted that ecological responsibility and simple charity seem to lose importance in corporate responsibility. The cause of this might be that ecological problems appear on a global rather than local scale.

Firm executives:

Another study (Economist Intelligence Unit [2005]) showed that 42 per cent of the responding executives of 136 multinational firms felt that taking corporate responsibility is a central consideration when making business decisions. Another 46 per cent thought it was an important consideration, but only one out of the many that play a part in decision making.

88% think it important

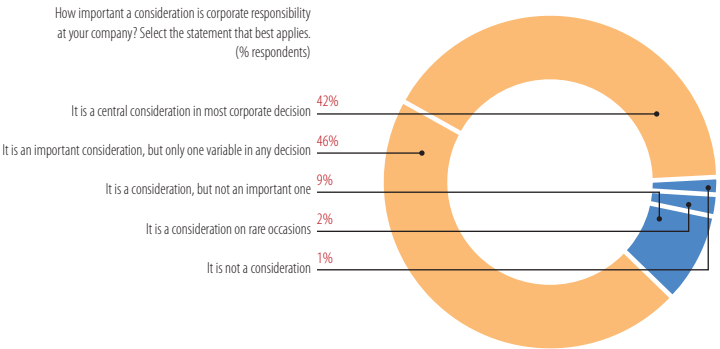


Figure 5: Is corporate responsibility important? Opinion of executives

Source: Economist Intelligence Unit [2005]: The importance of corporate responsibility.

At the European Commission, the Directorate-General for Enterprise and Industry deals with CSR. They published the so called Green Paper (EC [2001b]) in 2001 along with several other stimulating publications which were followed by an official document with a telling title: Communication from the Commission concerning Corporate Social Responsibility: A business contribution to Sustainable Development (EC [2002]). The 2006 committee announcements even distinguish Europe as a centre of excellence in CR (EC[2006]). In Hungary the question is rendered within the official competence of the Ministry of Economy and Transport, and the Ministry of Social Affairs and Labour. These two institutions govern it and, since last year, encourage companies to be responsible through a governmental decree (1025/2006).

Judging from the above we can agree that CR is quite popular a theme at the beginning of the 21st century. It is not just the corporate world, the specialists, PR or HR executives and not only environmental experts and advisors who feel strongly about this issue, but stock exchange analysts and legislators have also 'joined the club'. From these elite circles the concept was undoubtedly mediated to the public, aided by popular film producers and documentary film directors. It was unexpected that things would take such a turn – who would have imagined creating a super production about the Malcolm Baldrige model or certified environmentally friendly products some years ago?

Yet there is a significant difference between the earlier movements related to corporate commitment or environmental consciousness, and CSR. This difference is in a quality – not just a quantity – improvement in the case of the latter. It is the term itself. Just as we do not need to be proficient economists to understand the meaning of 'profit' or 'efficiency' because they are understood by every one of us, CSR is also a term that is easy to grasp for academicians and physical workers alike. This, unfortunately, is not so with 'sustainable development' which, consciously or unconsciously, is, more often than not, confused with 'sustainable growth' in everyday speech. This is sad, considering how controversial the meanings of the two are.

It is almost unbelievable how heartfelt the concept of corporate responsibility (or the lack of it) can be for consumers and, even more so, for corporate executives and workers. We would expect them to be mostly, or at least partially blinded by the status quo they financially depend upon. Still, they are the ones who are most aware of the limitations of the institutions they work for, and, most importantly, they are usually talented, active and well-meaning, typical of the people who are capable of change when convinced of its need.

Since I have written so much about CSR, it is probably time for a more exact definition of what we are talking about!

CSR running high 5: Legal Acts

A lot of talk – a lot of riff-raff?

Easy to grasp for academicians and menial workers

It isn't Star Wars; we ourselves are the bad players, and yet the good ones too!

OK. But what is this exactly?

1.2 THE CONCEPT OF CSR

Baseline definitions

Corporate responsibility is a widespread concept by now – if we consider the number and breadth of its definitions. Here I only cite the two most widespread definitions.

European Commission

According to Green Paper (EC [2001b]) “most definitions of corporate social responsibility describe it as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.” The Commission recognizes that CSR “can play a key role in contributing to sustainable development while enhancing Europe’s innovative potential and competitiveness” (EC[2006]). According to EU initiatives enterprises ‘overcomply’ with legislation in collaboration with their stakeholders.

WBCSD¹⁶

According to the WBCSD, “Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.” (Watts, Holme [1998], p. 6.)

More than charity

Dale Carnegie
1888-1955

The effect of official definitions is of course limited, being the traditional territory of researchers and having quite a small impact on the rest of the world. An ordinary person still thinks a responsible company is so called because it sponsors the local theatre, football team or children’s aid foundation. These are undoubtedly important aspects. It is an unquestionable duty of the strong to help the weak, the law of solidarity – even if often transgressed – is deeply embedded in human nature. We feel this urge to justice – it is part of every ancient moral ideal, religion and culture. Regardless of this, we can not claim that our company is responsible just because it is charitable. Helen Alford and Michael Naughton [2004] illustrate this through the analysis of the example of Dale Carnegie. He was an emblematic philanthropist but even truly important and unselfish charity can only to a very small extent weaken the immoral effects of an exploitative and uninhibited system of production. The greatest danger is that charity, responsible in itself, will legitimise otherwise irresponsible mechanisms. Our logic is probably extreme. We all know there are no longer sweatshops similar to those of a century ago – in developed countries. In summary, we should not forget to consider some basic questions (see chapter 3) besides, or better, before, making donations to charity.

How much have we given exactly?

Another interesting aspect of sponsoring¹⁷ is the fraction of the amount given. This is also the case where changes in quantity both up- and downwards will lead to changes in quality. If I see a beggar in the street and give him 10 cents, that is obviously very different from parting with a 100 euro bill for his sake, or from, being utterly moved by his desolation, letting him take a room in my house.

¹⁶ World Business Council for Sustainable Development; see more details in Chapter 2.1, page 37.

¹⁷ Commercial sponsoring should never be confused with public donations!

Beside the absolute amount, it also makes a difference if the 100 euro I gave was half my monthly food money out of a small old-age pension or a half an hour's worth of top executive wages. Reading annual sustainability or social reports, the comparison of the annual turnover of companies with the sums they spend on sponsoring can yield interesting revelations (this can be compared with the previous example of what I give the beggar from my total wages). The ratios are incredible – to be measured with zeroes and decimal points. These reports can be likened to a home account in which, to prove what a sensitive and good person I am, I put down my 800 euro salary in one line, then in half a page elaborate on the noble gesture (illustrated by photos) of donating 1.2 cents to a poor expectant maiden.

Donations can be of great help for those in need; company executives give them wholeheartedly – there is no flaw in the procedure – until they give themselves up to the feeling of 'I've done something here!', which makes them forget how they made the income they were so warm-hearted to share.

There are those among the interviewed with deeper understanding, who accentuate the importance of environment protection and the fair treatment of workers. This takes us closer to the correct definition of responsibility. In chapter 2, where we discuss the apparatus of CSR I shall give a detailed account of refined and effective tool kits developed by companies themselves, consulting firms, social or professional organizations (e.g. International Organization for Standardization).

I have two problems with these though. One is that they are put to use by only a fraction of enterprises.

The second problem: When they are put to use, they treat environmental, social or 'economic sustainability' problems only to the extent the enterprise is selfishly concerned, not further (see chapter 2 on both problems).

Here we must make a short detour. Corporate responsibility cannot be understood without the understanding of sustainability or sustainable development. Ecological problems started to be recognized worldwide in the 1970's while the Brundtland Committee created the concept of sustainable development in 1987. This became the central theme of the 1992 Earth Summit in Rio.

**Let's be charitable
but not satisfied by it!**

**It can't be done
without protecting
the environment**

**Problem 1:
restricted usage**

**Problem 2:
I cannot be more
sustainable by myself,
only the system can**

**What does sustainable
development mean
practically?**



Gro Harlem Brundtland

It is difficult to understand but easy to confuse with ‘sustainable growth’

Have heard, but don’t know

However, after more than a decade of constant repetition of the now commonplace definition¹⁸ we still can not transform it into general practice. In other words, everybody agrees with the theory but no one knows what to do as an individual to implement it. This question – if it arises at all – remains unanswerable.

The concept of sustainable development has been criticized extensively (Pálvölgyi et. al. [2002], Kerekes – Kiss [2003]). Here I should only like to point out that the term itself – with all due respect to the nobility of the cause – is not really adequate. First of all it can hardly be perceived. It doesn’t speak for itself and its definition – which could be more to the point – is known by a few people only.

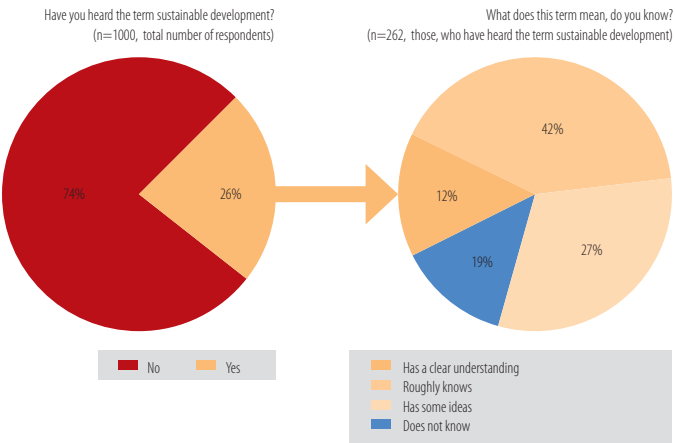


Figure 1: Hungarians' knowledge about sustainable development

Source: BCSDH-GfK [2006]: Survey on sustainable development

A blurry concept

A BCSDH-GfK [2006] survey showed that even though more than a quarter of the respondents stated that they knew what sustainable development meant, only 3 per cent actually did. So it is no wonder that in everyday practice it is, more often than not, misused – confused with sustainable growth as in the case of the English minister of Figure 2 (not to mention politicians, business executives, decision makers and reporters). Using ‘sustainable growth’ instead of ‘sustainable development’ is a major mistake. To our understanding it is almost like confusing environmental protection with environmental pollution, or life with death. The problem, again, is not the terminology itself but the conceptual obscurity. To make things worse, both ‘sustainable development’

¹⁸ The most often-quoted definition of sustainable development is ‘development that meets the needs of the present without compromising the ability of future generations to meet their own needs.’ (World Commission on Environment and Development [1987])

and 'sustainable growth' can be shortened to sustainability, which bring up (more or less correct) associations of some kind of long-term upkeep or planning¹⁹.

Actors from the business sphere are fortunately more practical-minded than easily put off by some conceptual obscurity. Especially because, since the 60's, they have been susceptible to strong attacks, firstly in the name of environmental protection, then in the name of sustainable development. Some even started talking about zero growth as the practical realization of sustainable development (e.g.: Daly [1991]). Zero growth is obviously contrary to the growth myth running in the blood of both micro and macro level decision makers of the economy, so big enterprises made up their own well-operationalized concept of sustainable development²⁰. As a matter of fact – though not to the satisfaction of all – consensus is about to be reached on the basis of 'something is better than nothing'. According to this, corporate sustainability is the outcome of a triple optimization, or 'triple bottom line'. It is a three-legged model in which the foundations are the three columns of ecological, social and economic sustainability.



The columns up-keeping sustainable development:

1. ecological ~
2. social ~
3. economic ~

Figure 7: Triple bottom line – the three-legged model of sustainability

The operationalization of corporate sustainability usually means that eco-efficiency is equivalent to ecological responsibility, keeping to basic norms (such as improving working conditions, giving financial aid or not using child labour) stands for social sustainability and economic sustainability is clearly understood as the enterprise's long term profitability.

Strong reductionism

¹⁹ We look aside also from the fact that, according to our present knowledge, living organisms, their communities, the whole biosphere and even our whole home planet, even theoretically, cannot be sustainable. Astronomers, though their estimates of the exact time differ, predict a final end to the whole universe. The 'end of the world' scenario can be deduced from the laws of thermodynamics too, since systems move unstoppably towards a state of higher entropy. The process can be slowed by infusing energy into the system e.g.: by human work. The problem is the pace of modern life – over the last decade it has become widely known and scientifically proven that the human race, instead of slowing down, does everything to dramatically, maybe even fatally increase the measure of disorder. The present rate of the extinction of species for example, is almost a thousand times greater than the natural rate, which is faster than it was in the age of the dinosaurs (IUCN, KöM [2001]). The reason why we do not elaborate on this problem in this book is that the question for us is not whether man will inhabit Earth forever, but whether man and Earth, as we know them today, will exist a hundred years from now.

²⁰ 'Triple bottom line' also used as TBL, 3BL, People, Planet, Profit, originates from John Elkington, the influential English founder of SustainAbility, from 1994 (Elkington [1998]).

If I want to become independently 'sustainable' I become a cancerous cell, not a useful one!

From this we can conclude that conceptually 'corporate sustainability' can not exist and neither can 'sustainable production', 'sustainability management' or 'sustainable enterprises' (thus in a way the term 'sustainability report' is also a misconception). It follows from the nature of things that we can not talk about an independently sustainable cell or organ in a living organism; we can only make a distinction between a well or badly-functioning cell as part of the sustainability of the whole system²¹. David Korten [1996] has illustrated that cells which are too successful in self sustainment and growth eventually become cancerous.



But I can either help or hinder the sustainable development of the system

But what are we seeking, if we are so keen on proving the conceptual non-existence even of 'sustainable enterprise'? Nothing else than enterprises which do not hinder but help the sustainable development of the system. By 'system' here I really do mean a triple – economical, social and ecological – structure which might mean towns, countries, regions, continents or even the whole world.

Deep CSR definition: Self analysis with respect to sustainable development and possible radical change in two-three aspects

Based on all the above our 'deep' definition for CSR is the following: The Truly Responsible Enterprise...

- sees itself as a part of the system, not a stowaway concerned only about maximizing its own profit;
- recognises unsustainability (the destruction of natural environment and the increase of social injustice) as the greatest challenge of our age;
- accepts that according to the weight they carry in the economy, governments and enterprises have to work on solutions;
- honestly evaluates its own weight and part in causing problems (it is best to concentrate on 2-3 main problems) and;
- takes essential steps – systematically, progressively and in a focused manner – towards a more sustainable world.

²¹ It is notable that we can delete the words 'sustainability of the' without compromising the meaning of the sentence; the message even becomes clearer.

1.3 UNSUSTAINABLE DEVELOPMENT

When the idea of corporate responsibility occurs it usually brings up the question of to whom responsibility is owed. The simplified answer from Classical Economics is to the shareholders exclusively; meaning the owners whose sole heartfelt concern – so goes the theory – is greater profit. According to the stakeholder concept, firms are now committed to all stakeholders (those influenced by the existence of the enterprise in any way) including neighbours, public organizations and governments. Though we shall return in more detail to this theory I should like to say in advance that it is difficult to believe that: (1) every disadvantaged party will have due representation; (2) these representatives could ever muster enough influence and power to make enterprises digress from their projections. Mentioning representation; (3) there are those who are simply impossible to speak for, such as the next generations²² or the species made extinct before they were even discovered. Plus, there are; (4) the limits of human understanding²³ and last but not least the fact that; (5) a person or an enterprise can abide by two or three sets of aims and rules, but can not live up to the expectations of ten or fifteen, possibly opposing groups.

This is why we won't go into an endless discussion about to whom we owe allegiance. I acknowledge, as I have stated earlier in the first part of this chapter, that now the EU, stock-exchanges, insurance companies and customers all expect commitment from enterprises. I do not think, however, that these expectations will come close to the much stronger requirements of the same groups in regard to competitiveness, efficiency or cheap mass-produced goods. This is why our question is not to whom responsibility is owed, but responsibility for what. Responsibility, as we understand it, is not a duty but a commitment, not a category of law enforcement but of inner conviction²⁴.

When we are bakers at the end of the street we are obviously responsible for honest bread making, but as soon as we become one of the leading economic organizations (be it national or corporate) in the world, our responsibility is extended to the problems of the world. Not only because human rights activists or Greenpeace radicals demand it, but simply because we can not go on functioning in a disintegrating world. I dedicate this chapter to enumerating the reasons which show that saying 'disintegrating world' is probably not an overstatement.

Sceptics say we have always had problems on this Earth that we have been able to successfully overcome in each case until now. Samuelson and Nordhaus [1990], American economists refer – somewhat sardonically – to the unfulfilled pessimist forecast of Malthus²⁵.

It is not to whom they are responsible...

...but for what!

Of the 100 greatest economic units 42 are corporate

Professional woers?

²² Although in Hungary the NGO Protect the Future (Védegylet) agitated for governmental representation of future generations (e.g. for an ombudsman of future generations) (see: JÓNEK www.vedegylet.hu).

²³ If an organization is healthy, it does not automatically mean that individual organs know exactly what their role is. Even a most outstanding team of foresters could not invent a forest, only maintain it, replant trees, etc.

²⁴ This is also supported by the previously-quoted seminal article of Goodpaster and Matthews [1982], in which they differentiate three types of responsibility. The first is the casual sense ("This is what you did, you are responsible for it"), the second is the rule-following sense ("As a lawyer, he is responsible for defending that client", and the third is the decision-making sense ("We know him as a responsible person"). Corporate responsibility is used in this book primarily in the third sense, although as the CR initiative gains in strength, its meaning gets stronger, towards the second, or even the first sense.

²⁵ Thomas Malthus (1766-1834) predicted that food production would not be able to keep up with population growth, because land surface is not expandable. Malthus did not reckon with the at that time unimaginable intensification of agriculture (i.e. technical development). According to Samuelson and Nordhaus he is responsible for making economics a sinister science.



Thomas Robert Malthus
1766-1834

Kerekes Sándor [1998] quotes the report of the Club of Rome on the foretold and luckily-unrealised depletion of copper²⁶. It is common to be technologically optimistic and expect perfect solutions from flexible market mechanisms. True, because of the shortage of copper, its price rose so high that alternative materials were sought and put to use. Beside the exhaustion of natural resources, the menace of nearing ecological crisis, or international collaboration can induce industry to develop marketable surrogates. A good example is the complete cessation of the production of CFCs thanks to which the ozone layer should begin to re-think thus protecting us from the damage of ultraviolet rays.

Technological optimism?

The outlook discussed above is called 'technological optimism' or, if it is in the extreme, a belief in the omnipotence of the market. Using a couple of cherry-picked examples it can easily be concluded that when it is necessary, experts will solve all the problems, and we can just go on doing business as usual. Substitutions do not always work, however. It should be enough to look at Ireland's fenced, grazed, then eroded, barren rocks, or countries like Israel or Saudi Arabia, the deserts of which used to be fertile, flowering lands (Bernard Lewis [1950]). We soon realize that there are limitations to the technologies and other alternatives at mankind's disposal and it is sadly possible to cause irreversible ecological damage.

It's best to be careful!

A lot of civilizations have been destroyed by unchecked growth

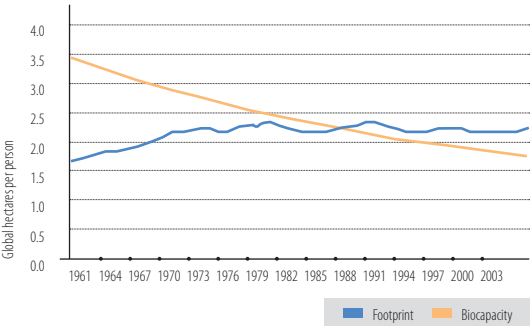


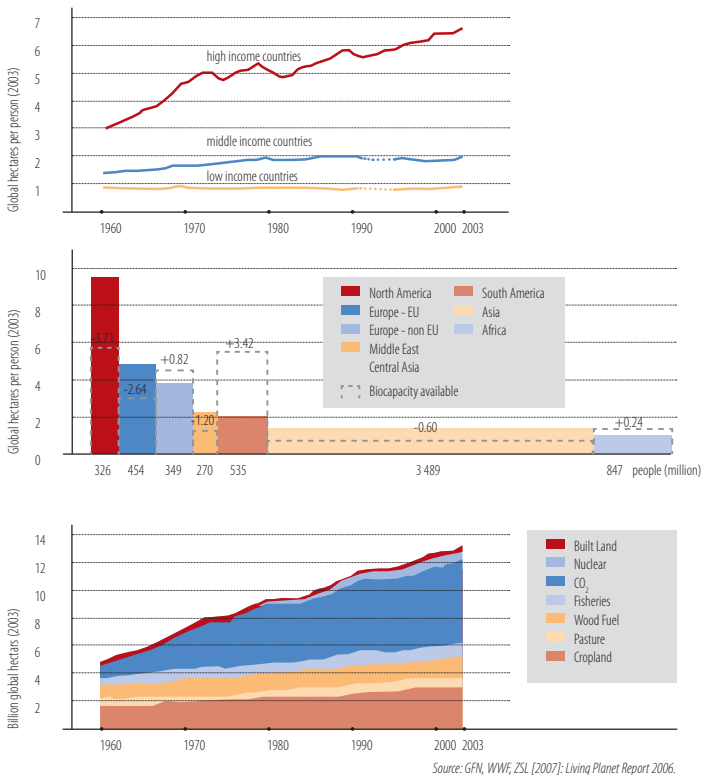
Figure 8: Ecological footprint and hectares per person (global average)

Source: GFN, WWF, ZSL [2007]: Living Planet Report 2006.

It could be argued that Ireland, against all odds, is still thought to be one of the most competitive countries in Europe or that Arab countries are compensated in full by the standard of living they enjoy provided by their oil treasure. There have been civilizations though which fared worse, having been punished not just by having a desolate countryside to be looked upon, but complete extinction. Frequently-mentioned examples in the literature are the exhausted ecosystems of the Easter Islands (Rolet, Diamond [2004]), or the great Maya cities which – according to assumptions – became uninhabited after surrounding areas had been ruthlessly exploited and food had to be transported from too great a distance.

²⁶ "An oft-cited example of poor prediction is that which forecasted the depletion of certain mineral raw materials such as copper. Slowly it became obvious that copper is perfectly substitutable in certain areas, and not so essential to others. For example, in communication technology optic cables are much more suitable than copper wires, so copper telephone lines could be mined from the big cities in order to be recycled."

The literature of the disappearance of the natural environment is confusingly diverse. Konrad Lorenz, Nobel-prized ethologist, published a book entitled *Civilized Man's Eight Deadly Sins* in 1973 in which he called attention to the dangers of overpopulation, the destruction of natural habitats and genetic decline. The Worldwatch Institute has annually published the series *State of the World* since 1984, which gives an account of the decrease of fresh water supplies and fisheries. Due to the consciousness of her citizens and the financial and scientific resources at her disposal the EU has outstanding opportunities for the assessment of the environment. The report on the ecological indicators of the old continent shows deterioration in six areas out of ten, while two are stagnating and only two improving (EEA [2006]).



Konrad Lorenz
1903-1989



Figure 9: Footprints of the developed and the developing

Figure 10: Footprint by component: 50% carbon-dioxide

One feels lost among the many indicators and data so I will only bring up one serious symptom of disease and three vital effects (we shall discuss the reasons later on). The serious symptom is the shaping of our footprint, and the vital effects are global climate change, the extinction of species and the growth of inequalities in human societies. Our choice of the three factors out of the many might seem arbitrary. Beside the limitations of the size of this book the fact that these indicators are comprised of a huge amount of information and research serve as reason for this constriction. Also, these indicators show that the trends they stand for are unlikely to be reversible and their destructive capacity is obvious.

One symptom of disease and three vital effects

Our footprint has been negative for 20 years and is constantly declining



Mathis Wackernagel

"The Ecological Footprint is a resource management tool that measures how much land and water area a human population requires to produce the resources it consumes and to absorb its wastes under prevailing technology" (Rees – Wackernagel [1994]). Footprint tendencies show the impossibility of sustaining long term economic growth. We have long been aware of the overconsumption of developed countries, but the 'underconsumption' of lesser developed countries used to compensate for this. Even in 1960, biocapacity – in other words the output of biologically valuable land - was 2-3 times greater than that consumed per person globally. According to Figure 7, this situation was reversed around 1985. Our deficit grows even as hundreds of millions who are starving, and billions living on a daily income less than 2 USD are also included in the global average. This can be attributed mainly to the overconsumption of developed countries (see Figure 9) - because the footprint of middle and low income countries with the largest population growth is not increasing. Scrutinizing footprint by component (Figure 10), we find that the majority of the increase is made up of the emission of carbon dioxide which originates mainly from transporting goods and individual mobility – using gasoline (oil) powered vehicles. Recently, this has been more narrowly defined as the carbon-footprint.

1.3.1 GLOBAL CLIMATE CHANGE

Many things protect us, but not from ourselves



James Lovelock

The damage of different types of pollution (like carbon dioxide emissions) is reduced by the system of feedback and fine adjustments nature is wonderfully capable of, but man can interfere even in these. James Lovelock [1988] in his famous book Gaia compares Earth to a living organism, the parts (plants, animals, complete ecosystems) of which create a surprisingly stable set of conditions for life. The greatest part of the book consists of convincing deductions of how Gaia regulates the quantity of atmospheric gases or planetary temperature, and what kind of systems ensure the negative or positive feedback necessary for the survival of living creatures today. Lovelock proves, for example, that if the current approximate 21 per cent air oxygen content rose or decreased by 2-3 per cent we would either suffocate or tropical rainforests would burn inextinguishably.

Scientific consensus on global climate change and human involvement



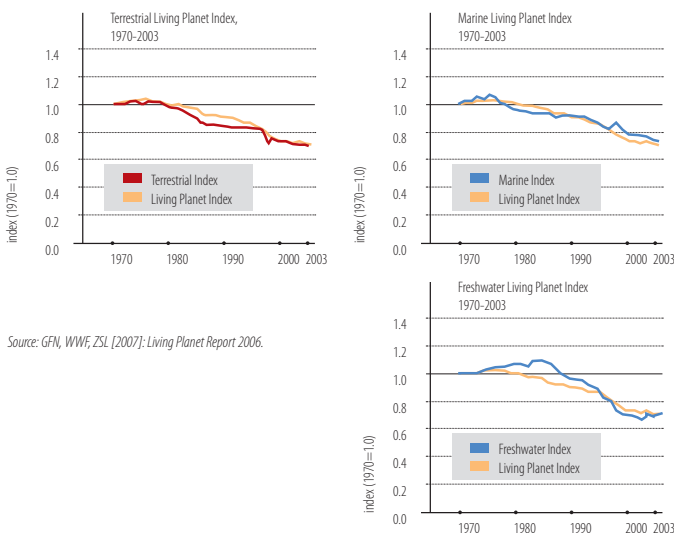
Albert Gore

Global climate change directly results from the emission of carbon dioxide and other greenhouse gases. It was at the beginning of the 1990's that this scientific proof of this hypothesis was consolidated. It is a matter of fact that in the 20th century global average temperature rose by 0.7-0.8 degrees Celsius and sea level by 17 centimetres. According to the Stern Review [2006], commissioned by the British prime minister, there is a 99 per cent chance of a further 2°C average increase in global temperature by 2050, and a 50 per cent chance of this rising by 5°C until 2100 if the present day practices remain unchanged (for comparison: it is exactly 5°C warmer now than it was during the last ice age). Global warming, which began in 1950, can be attributed to human activity with a 90 per cent level of surety. It is a universal misunderstanding that there is no scientific consensus about this. Al Gore [2006] quotes Naomi Oreskes [2004], a researcher of the University of San Diego, who surveyed 928, randomly chosen, peer-reviewed, scientific articles. None of these contradicted the existence of global warming nor its anthropogenic origin! On the other hand, 53 per cent of the 636 articles inspected in the less reliable daily papers doubted the causes of global warming and claimed that scientists disagree.

In the recent report of the most distinguished international scientific organisation conducting research on climate change (the Intergovernmental Panel on Climate Change - IPCC [2007]), it is clearly stated that if mankind does not stabilize the emission of greenhouse gases, it will be impossible to keep global warming under control. Affected by such changes, the rainforests of the Amazon and the great coral reefs may be annihilated, millions of people from the Equatorial regions could migrate and become refugees and huge areas could be flooded because of the melting of the icecaps in the Arctic. Europeans can expect unbearable heat in the summer, especially in the Mediterranean. In the northern part of the continent summer droughts will be more frequent, along with wet and stormy winters. In Hungary, after witnessing the unusual 2007 weather, the predicted and manifested changes do not need further explanation although they should probably be taken as warning signs rather than direct conclusions.

1.3.2 LOSS OF SPECIES

Researchers keep emphasizing that the increase in temperature will not be uniform over every region of the globe. It is more likely that extreme weather will be drastically more frequent. For example, Al Gore [2006] mentions predictions of a 1 °C average increase in temperature around the Equator, and a 12 °C average rise (!) in the Arctic. These changes are likely to bring about geographical change in species. Besides these alterations there is a much greater problem: the dramatically accelerated extinction of species. WWF keeps track of the numbers of 1313 species of vertebrates and publishes the annual summaries in a so-called 'Living Planet Index' (GFN, WWF, ZSL [2007]). The indicators concerning fish, amphibians, reptiles, birds and mammals show a 30 per cent decrease in number since 1970. Though vertebrates are estimated to make up only 2.6 per cent of all living species, the tendencies toward such a decrease in their numbers, scholars say, adequately illustrate the destruction of the living world. Paul Hawken [1994] calls the phenomenon a harrowing "death of birth".



Source: GFN, WWF, ZSL [2007]: Living Planet Report 2006.

**Bad weather
is coming...**

**Even more
irreversible:
the death of birth**



Paul Hawken

Figure 11: The Living Planet species index – 20-40% extinction in three decades!

3-4 species every hour



Anne and Paul Ehrlich

Man should take charge not dominion!

Inequality is growing

Experts estimate the number of species daily (every 24 hours) becoming extinct at between 60 and 140 (E. O. Wilson [1992], IUCN, KöM [2001]). Natural evolution is unstoppable sceptics might say, but this rate is about a thousand times greater than the natural rate of extinction! In Earth's ancient past there have been five instances of massive extinction. The most recent (sixth) wave of extinction is currently progressing, and at a higher rate than 60 million years ago, when the dinosaurs disappeared. Paul and Anne Ehrlich [1995] use an illustrative metaphor: imagine a bathtub full of water with the tap dripping, but water running down the drainpipe in a whirl instead of slowly draining through the overflow. There is a man in the tub enjoying the warmth of the water...

1.3.3 INCREASING GAPS IN SOCIETIES

While we are here, let's take a look at humankind. Corporate Responsibility used to be termed Corporate Social Responsibility originally, which showed that human responsibility is, first and foremost, for people. It is an integral habit of human thought and a realistic tendency that we discount in time and space. Most people obviously feel more responsibility for their family members than the inhabitants of their town, and more worry about the fate of his or her nation than the suffering of countries far away. Following this line of thought we might say that our duty is to assure the welfare and well-being of people and not to maintain biodiversity. The problem, yet again, is when quantities become qualities: if I have one little piece of bread I will definitely give it to my own child rather than to a stranger. But if I have enough, I shouldn't take the last mouthful from a destitute person - especially if I am already overweight²⁷.

Mankind, regarding its total income, can by no means be called poor (see figures 32-33 on pages 65-66). As one seemingly believable trend of thought dictates, a high tide lifts every ship. General enrichment should bring a gradual reduction in - and in the end, the disappearance - of poverty. Facts unfortunately do not attest to this logic. A great number of reports give account of the ever-growing, extreme global inequalities. Half of the population of the world - close to three billion people - try to make a living on less than 2USD per day while 20 per cent of the citizens of developed countries consume 88 per cent of what is produced in the world. The GDP of the 48 poorest nations (a quarter of all countries) is less than the total wealth of the three richest people in the world. Today the developing world has to spend 13 USD on the repayment of loans for every dollar it gets as funding. The fifty wealthiest people of Europe and North America together have an income equivalent to that of 2.7 billion in need²⁸.

²⁷ Comparisons are very illustrative - one shows that 10 billion USD would suffice to supply clean drinking water to all in need, while 11 billion USD is spent in Europe on ice cream (The Worldwatch Institute [2004]).

²⁸ Based on the News of the European Anti Poverty Network (Molina [2005]), November-December 2005, date of download: July 2006. http://eapn.horus.be/code/en/publ_detail.asp?pk_id_content=1672

Distribution of world GDP, 1989
(percent of total, with quintiles of population ranked by income)

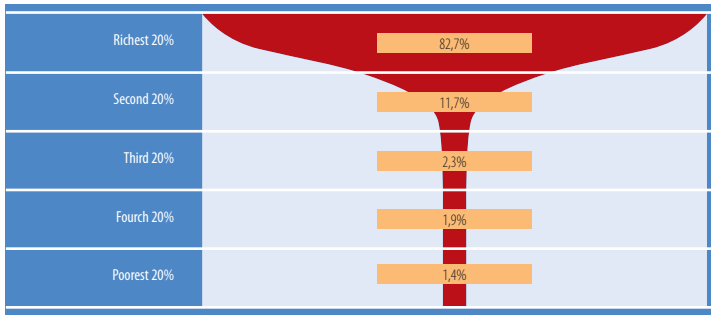


Figure 12: The champagne glass. The poorest fifth get 1.4% of the world's GDP

Source: UNDP Human Development Report 1992 (quoted by: Wade [2001])

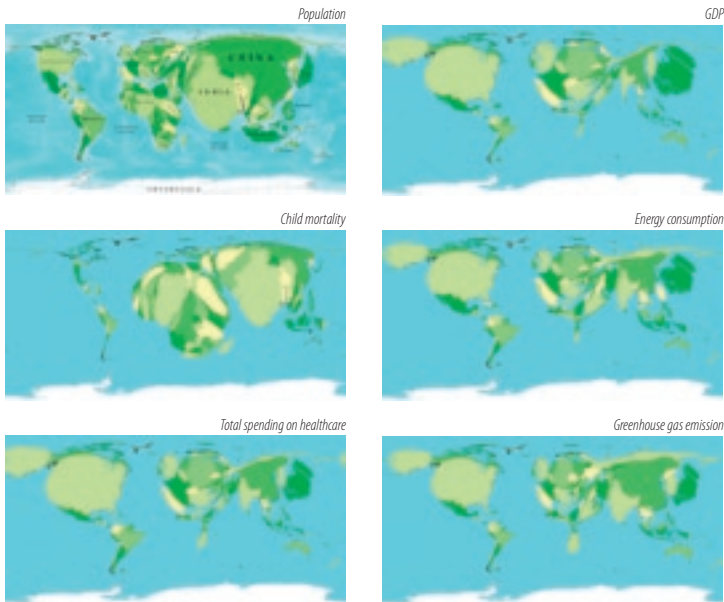


Figure 13: The so-called cartograms show well the unequal distribution of welfare and suffering

Source: © Mark Newman, University of Michigan, <http://www-personal.umich.edu/~mejn/cartograms/>

The ratio of the starving has fortunately decreased but this is due only to the explosive growth in population, since the total number is constant²⁹. Although the number of deaths through malnutrition was reduced in the last decades, 16000 children still die each day because of reasons connected to hunger – one child every five seconds³⁰.

Poverty disappears?

²⁹ According to FAO statistics, the number of undernourished has decreased from 37 per cent in 1970 to 18 per cent in 1996, but only shows a one percentage point drop since then. The number of undernourished has been fixed at about 850 million over the last 15 years.

³⁰ Black, Robert, Morris, Saul, Bryce [2003]

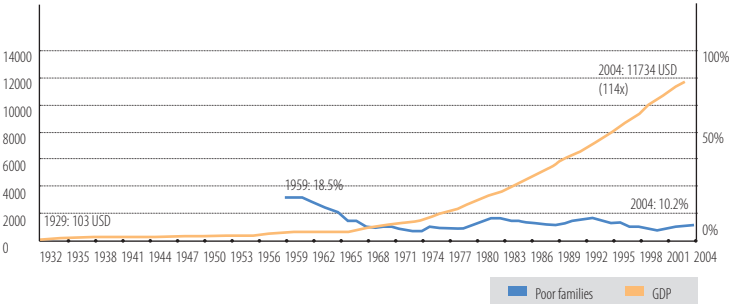


Figure 14: USA: Real GDP and the ratio of poor families

Own graph based on data from the U.S. Department of Commerce (www.bea.gov) and the U.S. Census Bureau (www.census.gov)

Data concerning unequal and unfair distribution could be listed endlessly. There have always been rich and poor in the world; the coexistence of destitution and luxury is not a 20th century phenomenon. The diminishment of these differences was, however, what we expected from democracy and a free market economy. The role of mass production would have served to elevate the destitute to at least a respectable poorness. These promises were fulfilled for a while, but the growth of economy seems to have lost its 'poverty – diminishing' effect. This is what the following diagram combining the GDP of the USA and the number of poor families living there demonstrates (Figure 14). It can be seen that until the beginning of the 70's the growth in GDP reduced the ratio of the poor among the population, but this number then stabilized at about 10 per cent, and even the explosive increase in GDP did not decrease it further.

Are the wealthy happier?

Looking at it from a selfish point of view, we might identify with the extreme individualist attitude: "I am worth it, it's mine, I'll go for it and get it!" This is compatible with the 'homo oeconomicus' ideal of modern economics. A basic condition of the model is the axiom that greater material wealth means greater happiness. In our open world of endless possibilities the old wisdom that money does not buy happiness has seemingly lost its validity.

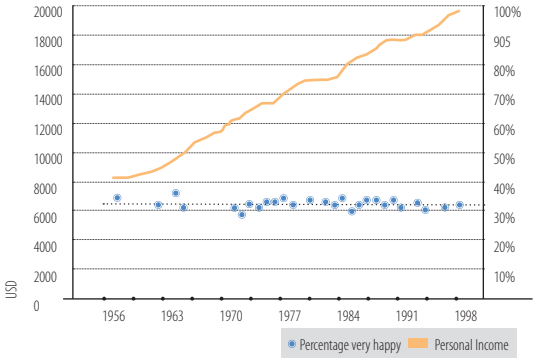


Figure 15: The correlation between personal income and happiness

Source: Myers [2000], quoted by: Tim Kasser [2003]

Well, modern day psychological studies show the truthfulness of ancient moral teachings. The distinguished American psychologist Tim Kasser [1995] quotes Myers, who refers to the personal income of American citizens in the period between 1956 and our decade – contrasted with individuals self-reporting themselves as ‘very happy’. The digression is obvious (incomes multiply by 2.5 times while the number of those claiming to be ‘very happy’ remains unchanged). Several other studies show that an improvement of material circumstances contributes to happiness only if it brings some additional level of security. Income over a certain level is surely the outcome of a more materialistic outlook which presupposes less attention towards community, family relationships and friendships or free time activities- surely detracting from an individual’s level of happiness.

Thus it can be agreed that, in our modern, economically overdeveloped world, more money neither inevitably decreases levels of poverty nor adds to the happiness of the richer rich. Still, the only example known to us where GNH (Gross National Happiness) is used as an indicator in place of GDP is Bhutan, in the Himalayas, because of a recognition of the weakness of using the latter index – which is a detour, if not a one way street leading in the opposite direction of human happiness³¹.

Ancient wisdom and modern psychology



Tim Kasser

SUMMARY

The decision makers in the ‘developed’ part of the world – Europe, North America and the Far East – all agree that extant economic, social and ecological problems will be swept away by economic growth, and so desire a minimum 5 per cent annual economic growth. This, on a microeconomic level, coincides exactly with the enterprises’ pursuit of profit. The critical symptoms detailed in this chapter cannot be euphemised into being called market failures of marginal significance; they are, indeed, symptoms of a serious, functional disease of the prevailing global market logic.

The medicine: economic growth?

In this chapter I demonstrated that corporate and national endeavours toward economic growth might have been appropriate and reasonable at the end of the 18th century. That was the time of the birth of modern economics, when masses had to be lifted out of destitution – as seen today – and provided for with cheap products. However, in our present day world the further pursuit of personal profit and economic growth can by no means be right or wise. The efficient mill of ‘Economism’ is speeding up to grind our natural inheritance, our resources, our human relationships to bits by spilling cheap, often unnecessary mass produced goods, transported over enormous distances, onto a world already superabundant in products.

We have grown up!

These realizations are now shared, not only by scientists or limited circles of radical critics but also by the public, who clamour for responsible business, among other things. Let’s take a closer look at how enterprises try to live up to these expectations!

To be continued...

³¹ See Mazurkewich [2004]. Further interesting articles are accessible at www.bhutanstudies.org.bt

2. THE OPERATIONAL APPROACH

*"Our era is characterized
by perfect tools
but confused final goals"*
Albert Einstein

*"Isn't it awful that from facts
We never find out the truth"*
R. M. Rilke

The modern enterprise: the most efficient organization of our times



Joel Bakan

Plants grow constantly, animals are mobile.

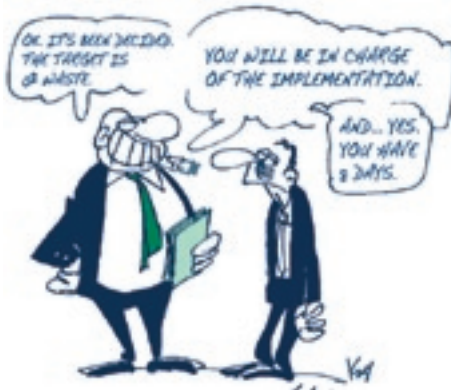
CSR challenge: something must be done, in no time

It is probably not an overstatement to say that the modern enterprise is the most efficient organization of our times. Looking at it from a historical perspective this effectiveness has been achieved by having been able to combine the most competitive features of plants and animals. In the case of plants this is unlimited growth (lifelong, if conditions allow). As a matter of fact, after the American Civil War, modern enterprises - using references to the fourteenth Amendment of the American Constitution - succeeded in having themselves designated legal entities (Bakan [2004]). By this act they were granted 'everlasting life'; presuming that economic - and let's add, social and ecological - circumstances remain favourable.

The greatest drawback for a plant is surely that is fixed in place. Modern companies, however, are much better at changing location than even the fastest animals. Moreover, they themselves created conditions among which altering location is not only possible, but of value in itself. New enterprises are the most welcomed guests all over the world because of the new workplaces and local taxes they are supposed to provide. Paradoxically, in more extreme cases they happen to largely enjoy exemption from local taxes and more workplaces are lost than created due to more thorough expropriation of the market. The phenomenon is called globalization; its analysis, however, is beyond the capacity of this book.

We shall return to the question of efficiency as a final thought at the end of the chapter. For now, let's examine how an enterprise, with respect to its efficiency, reacts to the challenge of CSR. This pull is coming from - as seen in Chapter 1.1 - quite a few sources. In that chapter we differentiated between trends at levels 1-5. 25 years have passed since CSR first arose in 1982, which means that the initiative at major companies has been integrated at levels 3-4. Managers read CSR strategies and reports of their fellow competitors, get news dealing with corporate responsibility through the media and keep track of CSR performance evaluations, best practices and competitions. The new trend has evidently arrived - what else can they do? They are used to making quick decisions without procrastinating or complaining³².

³² Once a friend of mine was asked to give a short presentation on CSR to a counseling company. A couple of days later the director called to inform him about a customer of theirs being interested in the issue, and requested a three-sentence-summary. This is not an easy task, but my friend tried his best, or rather, would have tried... The director of the counseling company delicately explained that the busy managers of his customer don't have time to listen to him, but if he writes everything down elaborately, with a topical survey, they will read it. Presumably very thoroughly. And they will also identify with it...



We cannot blame executives for this approach: their behaviour is absolutely rational. If we are talking about a change currently at level 3, adopting it within their range of responsibility would mean committing the same mistake as if it was left exclusively to specialists at level 4 or 5. And, after all, they are no scholars of climate change, nor are they Greenpeace activists worried about the extinction of different species and the dramatic changes in environmental footprints. Nor are they human rights activists concerned about the numbers of the poor and the hungry.

We are suffocating from the information poured into us, yet still we are thirsty for knowledge

In the corporate world, management systems multiply successfully. It all started with quality management. ISO (The International Organisation for Standardisation), founded in 1947 and now with 150 county members, launched ISO 9000 in 1987. This, in effect, is a group of interrelated quality management standards – though with less takers than the ISO 14000 series. It is not an immediate concern of this book but despite this we would like to discuss the major principles in a couple of sentences because, being more or less the same for all corporate management standards, they will then not later have to be defined one by one (ISO 14001, OHSAS 18001 etc.).

The solution (?): management systems

Corporate management standards are comprised of a model which can be adapted to any organization, be it little or big, a company or a body of state administration, a chemical factory or a service enterprise. The so called Deming cycle consists of planning (Plan), implementation (Do), checking (Check) and feed-back (Act). They promote new paths of continual development - which is seen as the most important common factor of management systems.

Deming cycle and continuous improvement



W. Edwards Deming
1900-1993

'Planning' and 'Doing' combines analyzing the given situation, identifying targets, defining management systems and designating financial resources and responsibilities. This logic is utilized in the Balanced Scorecard (Kaplan [1996]), which claims to bridge the gap between strategy and daily procedures. Most management systems, though theoretically they do not require it - or could be audited by the companies' own employees, are externally audited. This is done by anointed ('accredited' is the technical term) verifiers.

14000, 18000, 26000

Following the triumphant march of ISO 9000, the ISO 14000 standard series was promoted; this standard goes beyond the goal of ensuring enduring quality through a provision requiring the decrease of environmental impacts caused by the organization. Also arose the labour health and safety system (OHSAS), and the Hazard Analysis Critical Control Point (HCCP) scheme, and systems designed for other areas of industry and, most lately, corporate accountability - or CSR - standards. If a business catches on... To avoid system managers outnumbering workers and to keep documentation and expenses manageable, integrated management systems began to spread. Stefan Schaltegger [2007] and others are already talking of socio-efficiency (following from eco-efficiency) and, as a final product, the concept of totally integrated sustainability management has now appeared.



The ideal of sustainability management

Company executives, being rational persons, think this way: "Sustainable development is inevitable. If these trends continue, they will eventually be compulsory. Let's meet the problem half-way then, and treat it proactively! Sustainable development is thus a challenge, and quite a major one at that. Let's break it down to its components (for triple bottom line, see Fig. 7, on page 21) and investigate specific instruments to treat ecological, economic and social sustainability separately. We can gradually integrate our instruments and in the meantime specialists will hopefully come up with a truly integrated sustainability management system. That adapted, we shall overcome the challenge".

A small tool kit

Let's scan the three types of instruments then in chronological order. Presenting a detailed description of all the tools and practices in use is impossible, and would unreasonably increase the size of this book, so we will stick to short descriptions of the most widely-used tools, with references to more detailed 'catalogues'.

2.1 BUSINESS ENVIRONMENTAL MANAGEMENT (EM) TOOLS

There is a consensus about environmental protection being an organic component of corporate responsibility. This is a basic element of both the EU definitions quoted earlier and the concept of triple bottom line. Let's now inspect the ways by which a company can lessen its environmental impact - its pollution. It is called environmental, or eco-management. Two approaches are distinguished: 'end-of-pipe' (e.g. water purification or desulphurization) and 'preventive' measures. Here our attention is turned mainly toward the latter, because end-of-pipe technologies belong to environmental engineering and the professional competence of technicians, rather than executives and managers.

By environmental management, or simply, eco-management, we mean all the procedures of a company³³ which have or might have impacts on the environment³⁴. The aim of environmental management is to preserve natural resources on the input side, and to reduce pollution and risks on the output side.

It is quite a job to categorise environmental management tools, to decide which approaches are independent and which are supplementary, etc. Since it has already been done (Winter [1998], Csutora – Kerekes [2004], Kósi – Valkó [2006]) I shall just list the most widely-used environmental management instruments. After that I illustrate the logic and functioning of EM through the most popular tool: ISO 14001. Finally, through the expansion – or containment – of these tools we can investigate whether it is possible to become a Truly Responsible Enterprise³⁵ through implementing such instruments.



Which leg's muscles are the least brawny?

Their aim: No waste!

A small compass in the huge jungle of tools



Kerekes Sándor

³³ Or another organization functioning likewise

³⁴ It is worthwhile to halt at this term for a moment. We would like to note how difficult it is to translate this term to foreign languages because of the complexity of the meaning, i.e. it is not the environment that we manage but the company, therefore "environmentally conscious", or "environment-centered" management would be more to the point – and that is how it is usually translated. On the other hand a term's meaning is what we understand by it, and by now this is clear for everyone.

³⁵ Apart from the definition this is the first occurrence of the term Truly Responsible Enterprise. I do not go into details here, as practically the whole third chapter is devoted to that, but it is worthwhile to see two cartoons of the operationally responsible enterprise implementing only CSR tools, and the Truly Responsible Enterprise.

There are several instruments of environmental management at our disposal; among them those less and those more refined. The most popular are the following:

Fight pollution at source!

1. Cleaner Production

The methodology, earlier also known as pollution prevention or waste minimisation, is based on preventative solutions as opposed to end-of-pipe technology. Besides being logical it has also been proved by several studies that if a procedure is originally formulated so as not to create pollution or waste, it is not only environmentally but also financially advantageous. This way materials and energy obtained at a high costs are not wasted by a low efficiency of production. By contrast, end-of-pipe solutions leave production processes unchanged, but require the addition of supplementary devices (e.g. filters or cleaners). These supplements entail extra cost on the one hand, and on the other hand, in many cases just transform one type of pollution into another (e.g. by producing sludge or ash from power plants). They are of course needed and handy in every day practice, but our main focus should be on prevention. Cleaner production is promulgated through the international network of CPCs: Cleaner Production Centres.

Energy conservation: soft and hard

2. Energy Efficiency

The promotion of energy efficiency can be taken as a special manifestation of cleaner production. Here, our aim is to keep wasted energy at the lowest possible level in an organization or in a building. As a result of CIPEC (The Canadian Industry Program for Energy Conservation), for example, 5000 companies, responsible for 98% of total industrial energy consumption, decreased their energy intensity by 9.1 % between 1990 and 2004. Energy conservation is usually achieved through the combination of two types of measures: 'hard' measures are technological changes (like material or energy recapturing devices, such as those which reuse thermal energy 'waste'), while the 'soft' ones require behavioural or administrative modifications only. Experience shows that at least half the environmental problems we observe would be prevented by responsible behaviour. Looking at it from another angle, the development of technologies will never be an answer to mankind's environmental problems by itself - to reach this goal we have to change our own behaviour.

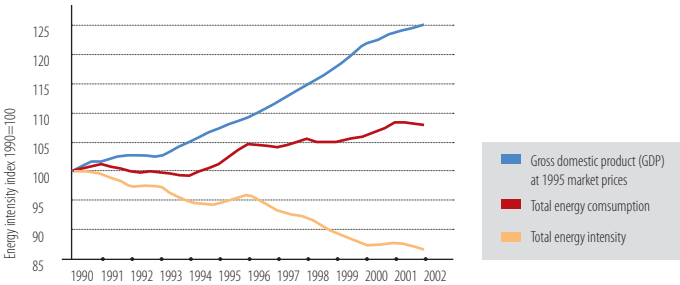


Figure 16: GDP, energy intensity and total energy consumption in 25 member states of the EU

Source: European Environmental Agency (2006): The European Environment – State and Outlook 2005.

We find this confirmed by the chart (Fig. 16) showing energy intensity and energy consumption tendencies in the EU. Unfortunately, the decoupling theory of techno-optimists is not realized: true, energy efficiency doesn't grow hand-in-hand with GDP, but consumption increases at an even higher rate. Altogether we use ever more energy, technological gains are enough only to slow down the pace of energy use. Regardless, energy efficiency measures are still of utmost importance – although not satisfactory – in days overshadowed by global climate change.

3. Eco-efficiency

Increasing eco-efficiency can also be understood as cleaner production. However, it is different in its focus: it is not a preventive technology, but a ratio of value produced compared to environmental impact caused.



**More money with
less pollution!**



Stephan Schmidheiny

According to the concept of eco-efficiency we aim at the highest possible level of production with the least possible use of resources and pollution. 'Product' is measured in money, while ecological effects are measured in natural units. The idea was first published in 1992 (Schmidheiny [1992]). The secret of its popularity lies in offering a 'win-win' solution to the sustainability problem treated so pessimistically by others. The idea was supported by the promotional activities of the World Business Council for Sustainable Development (WBCSD) and the support of hundreds of active and highly concerned multinational companies (Verfaillie – Bidwell [2000]). Eco-efficiency, according to the WBCSD, consists of seven golden rules:

1. Reduction of material requirements of the product or service,
2. Reduction of energy requirements of the product or service,
3. Reduction of toxic discharge,
4. Increase in rate of material recycling,
5. Maximisation of the sustainable use of natural resources,
6. Increasing the durability of products,
7. Increasing the service requirements of products and services.

Wonderful products

4. Eco-design

As can be seen, products play a central role in eco-efficiency, but the seven principles listed above give little help on how to develop environmentally friendly products. Eco-design fills the gap here. Some pictures will say more than a thousand words:



Figure 17: Eco-designed products: bamboo bicycle frame, ballpoint pen made of cornstarch, biodegradable sponge



Figure 18: A Hungarian firm promises to come out with a prototype of the first domestically-developed alternative automobile by 2008, and to begin mass production two years later

From cradle to grave

5. Life Cycle Assessment (LCA)

Life Cycle Assessment includes consideration of environmental impacts of the product during all stages of its life-cycle. Such an assessment comprises assessment and measurement of all the in- and outgoing material and energy flows separately in the phases of the production of raw materials, processing/manufacturing, the use stage and the disposal stage, not forgetting consideration of transportation linking these phases. Once we have drawn the 'boxes' representing these processes (which might amount to thousands for a complicated industrial framework like that of automobile manufacture) and their input-output flows, we can proceed to summarize the impacts using natural indicators, ending up with an eco-balance. Here we can apply different methods to adapt the different results into comparable measurement units. Available software (e.g. Gabi) can be of great help particularly because of its integrated software evaluation methodology (e.g. BUWAL). The major steps of LCA are setting the system limits³⁶, inventory analysis and, finally, impact assessment. A number of ISO 14000 standards deal with LCA.

³⁶Without demarcation lines, assessing the life cycle of windowglass for instance, we can easily get, with some imagination, from glass-cutters to the environmental impacts of South African diamond mines or through the aluminum content of trucks' parts used for transportation to bauxite mining in Hungary.

6. Eco-labelling

Having determined – not without effort – how our environmentally friendlier product should be made and what it should be like (LCA) and having had it developed (eco-design), we need to inform our potential customers about the good news in a simple way. Most labels in use today are of a yes/no (green/not green) type. We have to make a distinction between manufacturers' labels (or labels from other parties with market interests) and official labelling schemes from independent bodies.



Figure 19: Official eco-labels: the Hungarian 'cedar', the Scandinavian 'white swan', the German 'blue angel' and EU 'flower'

Naturally, we need to be careful with self-anointed labels 'granted' by manufacturers to their very own products, but we should not end up making the opposite mistake of disbelieving completely: manufacturers' labels often have a solid basis. Besides getting acquainted with labels, we can use our common sense in determining if and why the product is environmentally friendly. It is not coincidental that the oldest eco-label, the German 'blue angel' includes a one-word explanation: 'Eco-friendly, while...'. The boundaries of eco-labelling are not well-defined: other symbols like safety warnings (e.g. 'inflammable') or disposal instructions (e.g. 'dispose of in trash-can') are listed among them by some. We should also mention multidimensional labelling³⁷, the most widely-used example of which is the 'Energy' labels now obligatory on some electronic products.



Figure 20: The most extensively-used multidimensional label: the obligatory energy label on electronic products

7. Environmental Performance Evaluation (EPE)

Environmental performance is the impact of a company's activities, products and services on the environment (or rather, its reciprocal), and the efforts made toward lessening these (Tóth [2004]). Several methods exist by which environmental performance can be evaluated; the simplest among which is using defining and monitoring indicators.

'What you can measure, you can improve'³⁸

³⁷The other eco-labels discussed are yes-no types, as we mentioned. This is clearly an oversimplification. The multi-factor eco-label (which is a complete lengthy brochure in the case of a new car summarized in a single label) reports on all significant environmental aspects of a product, both in manufacturing and use.

³⁸This is an often-quoted saying by management consultants. Personally I feel more affinity towards Einstein's witty remark: "Not everything that can be counted counts, but what really counts can't always be counted."

Indicators can be absolute (e.g. total energy consumption) or relative (e.g. packaging material utilised per item). The so called 'physical performance' indicators include the input of the process (materials, energy, water consumed), the output (products, wastes, air emission, waste water) and also the operation (e.g. buildings, equipment or transportation). The other two groups are management indicators (e.g. programs, costs or employees) and environment condition indicators (e.g. soil, people, flora and fauna). The 'end-product' of an environmental performance evaluation is a table of about 20-30 indicators summing up the environmental performance of the organization in a form also easily understandable to lay readers. The most well-known indicator guideline is the ISO 14031 standard.

Greener within walls

8. The green office

A movement has started in several countries (Hungary among them) to transform offices to 'greener' workplaces. It attempts to make administrative workplaces more environmentally-friendly and at the same time healthier and more pleasant for those who work in them. The areas concerned include eco-designed furniture, paper, equipment and office supplies (Antal – Vadovics [2005]), not to mention cleaning, usage of vehicles, event organization and meetings. To all the above there is an environmentally-friendly alternative not always requiring more money, but undoubtedly more attention.

Should we report?

9. Environmental reporting

An environmental report is a public document compiled by a company for the general public. It is usually comprised of a short description of the firm: the environmental policy and performance indicators and practices and plans for the future. Environmental, occupational health and safety reports began to be published in the late 1970s, followed by environmental reporting as a new genre (Clausen – Fichter [1998]). A special form of reporting is requested by EMAS - namely an environmental statement with specific content approved by an accredited EMAS verifier before publication. However, environmental reports can be found in many forms, only a few requiring external auditing. The new generation of this tool is sustainability reporting which specifies the collection of information concerning social and economic sustainability. We shall return to this in more detail in the next section where we mention GRI. In Hungary, the first such report was made public in 1996. In 2007, we are aware of 131 such publications from 44 enterprises.

As in nature

10. Industrial ecology

Industrial ecology aspires to go further than cleaner production since its goal is not the optimization of a specific process, but the creation of an industrial eco-system. This ideology proposes that the waste produced by a process or a factory forms the raw material for another. Its tool kit does not contain too many new elements or instruments but, besides recycling, is made up of the same tools as that of the aforementioned cleaner production, life cycle assessment and eco-design.

We list a further seven instruments of environmental management below (without descriptions, solely for the sake of completeness) and finish this section by detailing the most extensively used among them; namely environmental management standards ISO14001 and EMAS.

11. Greening the supply-chain
12. Environmental conflict resolution
13. Eco-controlling
14. Ecological accounting
15. Eco-sponsoring
16. Green logistics

17. Environmental Management Standards (ISO 14001, EMAS)

The most prominent among environmental management system (EMS) standards are ISO 14001, published in 1996, and the European Commission's EMAS scheme which has somewhat stricter requirements. EMAS was launched in 1993, although an updated version is now available (EC [2001a]). The need for such a management standard arose much earlier than these examples, however, as is evinced by the existence of the English 1992 BS 7750 standard (now withdrawn) and, from German speaking countries, an integrative model for business environmental management systems - the so called Winter model - dating back to 1972 (Winter [1998]).

The steps of an EMS are³⁹:

- | | |
|-----------|---|
| P = plan | <ol style="list-style-type: none"> 1. Environmental policy 2. Significant environmental impacts 3. Legal requirements 4. Objectives and targets 5. Environmental management programs |
| D = do | <ol style="list-style-type: none"> 6. Structure and responsibilities 7. Training, awareness and skills 8. Communication 9. EMS documentation 10. Documentation management 11. Operational control 12. Contingency planning and emergency |
| C = check | <ol style="list-style-type: none"> 13. Continuous monitoring and measuring 14. Non-conformance, corrective and preventive actions 15. Records 16. EMS internal audit |
| A = act | <ol style="list-style-type: none"> 17. Management review 18. External communication, statement (EMAS only) 19. Verification and registration |

And further instruments

Seventy-two, ninety-six, fourteen thousand-one

Objectives, programs, responsibility



Georg Winter

³⁹ For the sake of better understanding our usage of technical terms might differ somewhat from the official terminology laid down in ISO 14001 and EMAS.

Deming cycle yet again

The EMS logic is simple and obvious: take stock of all the areas of the company's activities and analyse where we pollute, and then reduce the impact (a thorough understanding includes investigating the side-effects of inputs, i.e. exploitation of natural resources). Environmental management standards share their principles and framework with quality management standards, but their implementation differs. The framework we have grown used to, introduced by ISO 9001, is PDCE (Plan, Do, Check, Act). In practice this means assessing our environmental aspects (elements of our activity which interact with the environment), then focusing on the most significant ones, and setting out objectives aimed at of improving performance. All this should be supplemented with compliance with environmental legislation and be based on an environmental policy, all of which should be assured by stated commitment from management figures. The guarantee of realisation of these actions is related to the resources allocated to the various tasks, specification of the people to be responsible for the tasks, and having the management programs in written form.

Isn't it too flexible?

ISO 14001 is a voluntary scheme (even regarding certification); the only public element is the environmental policy - certification does not require central registration. This flexibility might make the comparable assessment of its guidelines questionable: for example there have been serious arguments about whether a firm should abide by each legal act or if it is enough to make efforts to do so, in order to receive certification. Further debate has occurred over what the exact requirements of 'continual improvement' should be.

The strict European brother

EMAS is stricter about these issues: verification is an intermediate phase only; compliance is finalized through registration to an EU-wide registry - susceptible to the repeated control procedures of competent authorities. Complete compliance with legislation is required, together with the publication of an environmental report (known as an environmental statement). EMAS awards an attractive, standard logo, is heavily institutionalised, and the registration and verification procedure is only slightly more expensive than of ISO 14001.



The immediate family and extended relatives

Contrary to EMAS, some systems (like the Winter model mentioned above or the WBCSD eco-efficiency framework) develop in a more informal direction, applying the principles of eco-management to the whole body of the enterprise. This opens up possibilities for the implementation of any of the sixteen initiatives enlisted above. This is also the declared intent of standardisation organisations: ISO 14001 is one of twenty members of a 'family' of standards dealing with factors such as environmental performance evaluation, labelling, life cycle assessment, etc.

⁴⁰ Reinhard Peglau (Federal Environmental Agency Berlin, Germany), January, 2007.

⁴¹ <http://www.kovet.hu>



According to the official homepage of ISO, the total global number of companies with ISO 14001 certification is now over 100,000. A more reliable German survey recognises 129,000 audits⁴⁰. In Hungary, this number is almost 1200 (data from June, 2007⁴¹). Growth is dynamic: there is 15-20% growth in certified companies each year. The propagation of EMAS, meanwhile, is not nearly so successful: the number of currently verified firms is 3200. This reveals reduced enthusiasm for EMAS registration.

The unpopular EMAS

Other environmental management instruments multiply similarly or even more slowly. The EU eco-label, for example, was awarded to 402 companies in 23 product groups⁴²; in Hungary 358 products from 33 enterprises qualify for the national green emblem⁴³, and even the record-holding blue angel does not appear on more than 4000 products. The numbers are insignificant when we consider that at least 30,000 products are offered for sale even in a smaller supermarket - of which wines alone account for 300. Life cycle analyses are rarely seen even in professional circles and environmental reports have been published by only about 1 per cent of manufacturing firms. The only exception to this disappointing record of figures is the widespread uptake of the ISO 14001 standard.

Scanty diffusion

Research undertaken in 2004 (Cadman, Dolley [2004]) shows that even a very low (e.g. 5 per cent) share of green products on the market would save a huge amount of energy (equivalent to the annual consumption of 3.5 million households) and decrease CO₂ emissions by the equivalent of that of 1 million people yearly. The study examines two more optimistic scenarios: a supposed 20 per cent, and a 50 per cent market share of 'green' products. Advantages listed include the saving of 763 million euros. However, in reality it is impossible even to know the total market share of green products - we estimate it to be around 1-2 thousandths.

Insignificant share of the market

Why are environmental management tools not more successful if they are rational systems, of great necessity and can save money? We shall try to answer this question when we evaluate the instruments at the end of this chapter.

Why aren't they more successful?

⁴² <http://ec.europa.eu/ecolabel>

⁴³ <http://www.kornyeztbarat-termek.hu>

2.2 CORPORATE SOCIAL RESPONSIBILITY (CSR) TOOLS

CSR instruments and toolkits

Nor is it easy to find our way around CSR tools – there is such a confusing variety of instruments and toolkits; it is a challenging task even for specialists. The European Union (especially its German speaking part) can be considered the ‘epicentre’ of the Corporate Responsibility movement. In Austria, a number of catalogues have been published to standardise CSR tools (e.g. Seebacher (et al) [2005]). The latest catalogue published by the German Ministry of Environmental Affairs (Schaltegger et. al. [2007]) lists details of tools on almost two hundred pages, and the catalogue of the EU (EC [2004]) classifies them into the following five categories:

1. Codes of conduct,
2. Management standards,
3. Reporting,
4. Labels, Certification,
5. Socially responsible investment.

In the following text we rely partly on the classification above, but we tend to describe the most important CSR instruments by leaving out eco-management systems (detailed in chapter 2.1) but including a discussion of socially responsible investments here.

Selected CSR instruments are the following:

1. Codes of conduct

Most firms nowadays set out codes of conduct (also called ethical codes in some countries), they usually specify the values they believe in and the responsibilities they believe they have. Codes of conduct are voluntary, formal statements by which companies integrate CSR values into corporate culture. They consist of principles which define standards for company behaviour, and can be adopted by companies unilaterally or by a group of them in a particular industry (e.g. trade associations), or by other forums (e.g. trade unions or international organizations). Among the most well-known we find the ILO declaration on core principles and rights concerning labour (1998), the OECD Guidelines for Multinational Enterprises (latest version: 2000), the Ethical Trading Initiative, the Amnesty International set of human rights principles for companies and last, but perhaps most importantly, the UN Global Compact initiative (launched by Kofi Annan in 1999). According to the latest records (January 2007) on its official home page, signatories to the Global Compact have reached 3800, which includes 2900 enterprises⁴⁴. The main issue concerning codes of conduct naturally remains how they can be implemented and translated from principles to practice in a global environment characterized by a rapidly changing set of market challenges and employees.

Behavioural codes for responsible companies



Kofi Annan

⁴⁴ www.unglobalcompact.org, Read: July, 2007.

2. SA 8000

The Social Accountability 8000 standard focuses on a desirable work environment⁴⁵. It was launched by SAI (Social Accountability International) in 1998 to be used by company-owned or internationally-owned suppliers' facilities (usually located in distant countries). The topics of the standard include child labour, forced labour, health and safety, freedom of association, discrimination, remuneration and working hours, among other things. SAI, founded a year before the publication of the standard, certifies auditors who verify manufacturers, and suppliers who wish to have their compliance with SA 8000 formalised.

Accountability standard

3. OHSAS 18001

The International Occupational Health and Safety Management System is a joint initiative of thirteen national standard organizations, certification bodies and specialist consultancies. Just like ISO 14001, this standard is derived from an English ancestor: BS 8800 (1996), which, however, was not intended to be used as basis for certification. OHSAS 18001 was developed to address this problem. Theoretically, it was intended to be a temporary scheme until formal international standards (ISO) were published, but so far those remain to be seen. The standard's aim is to promote proactive and preventive practices by identifying the hazards of work-related risks, together with facilitating their evaluation and control. It includes general safety management requirements such as training, risk-assessment, good housekeeping, protection against noise, fire, hazardous substances and hygiene, etc.

Guidance to labour health and safety

4. AA 1000

The standard 'guaranteeing' accountability and transparency is known as AccountAbility 1000 and is 'a stakeholder engagement framework'. It aims at engaging so-called stakeholders in decision-making and daily work activities. Its originator, AccountAbility, is an international, non-profit, professional institute. The framework provided by AA 1000 meshes with every other management standard in terms of goals and targets, measurements of progress, auditing of performance, evaluations and feedback mechanisms. The main principle of the standard is inclusivity. The main goal all this serves is measurement and improvement and, not to be forgotten, verification, of the ethical performance of companies. The 1999 AA 1000 was only a 'tool' but its sister instrument – on enabling auditing and public reporting – has now been released. The AA 1000 assurance standard was launched in 2003 as the first component of five specialized modules. AccountAbility joined with CSRnetwork Consultancy in 2004 to draw up a public comparative index of the world's 100 largest companies. The process is called accountability rating. In Hungary it has been annually carried out and publicized by the consultant firm Braun & Partners since 2006⁴⁶.

Stakeholders and ethical performance

⁴⁵ In the next part exact references to literature will not be given because of their constant alterations, but by printing their names in the Internet search engines, the newest versions are easily accessible.

⁴⁶ Gazdaság és Felelősség, II. 1, pp. 1

ISO 26000 by the end of 2008?

5. ISO?

Inspired by trendy CSR, ISO was also urged to come out with its own corporate responsibility management system standard. The ISO Consumer Policy Committee (ISO Copolco) therefore prepared a report on the feasibility and desirability of such a standard and presented it in 2002. A year later an international advisory group was formed and by the next year the 'newcomer' was named ISO 26000 - final delivery is promised by the end of 2008.

Uniformed Sustainability reports - with 102 indicators

6. GRI

Among the instruments of CSR, GRI (Global Reporting Initiative) – with a stated mission of standardising sustainability reports – is probably of greatest renown. The initiative was launched in 1997 by CERES (Coalition for Environmentally Responsible Economics) and the UN Environment Programme (UNEP). Since 2002, this framework for sustainability reporting and the associated movement has been controlled by an independent organization - GRI - with its headquarters in Amsterdam. The GRI framework is based on a collection of reporting principles and a list of specific content indicators. The ten principles laid down are: materiality, stakeholder inclusiveness, sustainability context, completeness, reliability, clarity, balance, comparability, accuracy and timeliness. GRI offers 13 economic, 35 environmental and 54 social indicators. Companies have to report on these, or at least grant an explanation of why they omit them, and identify with the principles listed above. In addition, a statement signed by the CEO must be included in the report itself; the company is then entitled to claim that their report is 'in accordance' with GRI guidelines. To use this term does not require external certification but companies are encouraged to seek independent assurance of their sustainability reports. Thus many auditing companies and other non-governmental organizations provide a certification processes in accordance with the GRI framework. GRI's original version was published in 2000, and in 2006 the third version is now in effect. The latest guidelines, G3 describes application levels, which reporters can apply for, so GRI itself has become a certifying body. GRI has been developing further, accessory documents which can assist in application of the guidelines (like sector supplements and technical protocols addressing specific indicators, or sector-specific sets of indicators for financial services, telecommunications, mining and metals, etc.). At the time of the finalization of this book, the official GRI homepage⁴⁷ informs us that close to 2400 enterprises are reporting according to GRI (in Hungary the number is under 10). This makes the dissemination of GRI quite limited so far, especially in comparison with that of ISO 14001, for instance, but it is worth remembering that GRI remains the most well-known initiative concerned with report standardisation.

Some new labels:

7. Labelling

Labels are instruments which inform consumers, using the product itself, about corporate responsibility embodied in the product and the manufacturing enterprise behind it. It is, of course, very difficult to assess and present all this information in one simple sign. There is probably no other instrument which has such variance in level of content and reliability. Two extremes are the absolutely baseless, 'self-declared' little

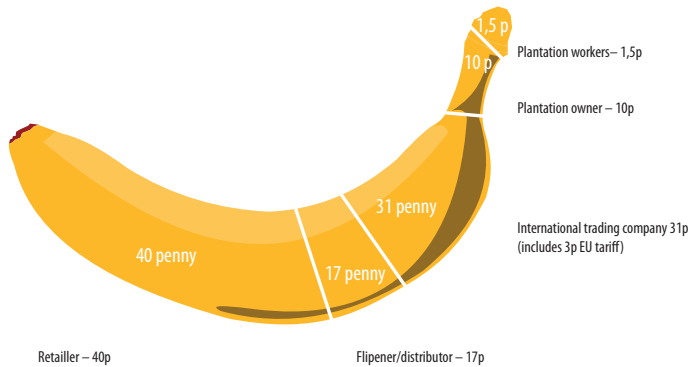
⁴⁷ www.globalreporting.org, date of reading: July 2007.

green tree stuck to packaging by some manufacturers, or the inscriptions such as 'environmentally friendly glass' - as compared to the comprehensively grounded certifications awarded by an independent body, or a valid multidimensional label. This book has already described green labels. With the following I would only like to give some slight guidance through the jungle of labels by introducing two of them, the Fair Trade and the Forest Stewardship Council (FSC) logos.



Charles Kernaghan

It is a well-known fact that producers working in economically-marginalized areas like the Far East, or South American countries are paid a small fraction (a couple of thousandths) of the retail prices of their produce. Joel Bakan [2004] refers to the findings of Charles Kernaghan, director of the American Labour Committee. According to these findings, out of the 23 USD retail price of a sports shirt from a world-famous brand, 8 cents are given to the teenage seamstress who makes it in Honduras. This share is 3.5 thousandths (!) of the sale price.



Source: Bill Vorley [2003]: Food, Inc. – Corporate concentration from farm to consumer, UK Food Group – ILED.

1. Fair trade,

**The price of bananas:
1.5% goes to the
workers**

Figure 21: The Banana Split – how much of £1.00 retail value of loose Ecuadorian bananas stays with easy chain actor to cover costs and margin



Bill Vorley



Source: Bill Vorley [2003]: Food, Inc. – Corporate concentration from farm to consumer, UK Food Group – ILED.

Figure 22: The commercial cross-section of the banana trade. The global banana bottleneck – from Latin America/Caribbean to the UK

These disadvantaged workers and producers all over the world are helped by the Fair Trade movement and Fair Trade labelling. It was initiated with the goal of guaranteeing fair prices, and constant, reliable access to the market. Some importers and traders operate alternative trading organizations (e.g. Oxfam and so-called 'World Shops'); others take part in Fair Trade through independent certification and labelling (e.g. Transfair, Fair Trade Mark, Rattvisemark). In Hungary, the NGOs Conscious Consumers and Protect Our Future are in the vanguard of propagating fair trade, and in Budapest the first outlet marketing such products was recently opened⁴⁸.



2. sustainable forestry

Environmentally-aware buyers of articles made of wood or paper prefer those displaying the FSC logo. FSC stands for Forest Stewardship Council, which is an international not-for-profit organization founded in 1993. The council inspects the whole chain of production of forest products and, if they meet the FSC principles and criteria concerning (environmental, social, economic) sustainability, they can be certified by independent, FSC accredited certification bodies. There are other certification schemes for sustainable forestry.



⁴⁸ World shop: 10, Deák Ferenc utca, opened december, 2006. Typical retail products: coffee, tea, juices, biscuits, folk art artefacts, furnishings, musical instruments, bags, pullovers, etc.
⁴⁹ According to the CSR ABC of the European Commission, see EC[2004].

8. SRI

SRI (Socially Responsible Investment) is a scheme for conscious investors who are concerned about how their money is used, as well as how it is performing financially. There are two main approaches for assisting them in their investment decisions: screening and shareholder engagement. Quite a few institutions are involved in these processes (none in Hungary, regrettably) such as Ethibel (Belgium), Fundación Ecología y Desarrollo (Spain), Avanzi (Italy), the Triodos Bank (the Netherlands), EIRIS and Pirc (both United Kingdom)⁴⁹. Screening criteria vary depending on types of investments and institutions but are typically based on the stringent evaluation of investment portfolios on ethical and ecological grounds. An ethical requirement, for example, is a preference toward generally-accepted environmentally-committed industries (such as alternative energy production) and the exclusion of certain industries (such as armaments, gambling, alcohol and tobacco). The latter negative criteria unluckily do not differentiate, for example, between environmentally-committed, responsibly structured tobacco manufacturers and others, or between wine and beer manufacturers whose products, when consumed in moderation, can have positive physiological effects, from those of strong spirits. A somewhat 'less green' SRI trend is represented by stock exchange sustainability performance evaluations led by bodies like the American Innovest. Nowadays, several sustainability indices operate at leading stock exchanges all over the world (again, not in Hungary, regrettably). These indices are comprised of certain investments in companies, the performance of which has been found to be in accordance with the norms of sustainability within their industries. The most outstanding indices are the Dow Jones Sustainability Index (DJSI), the FTSE4 Good in London, the Domini 400 Social Index and the Ethibel Sustainability Index. Happily, in Hungary in the summer of 2007, the asset management affiliate of a commercial bank announced the launching of a new open-investment portfolio. This covers worldwide investments in companies involved in alternative sources of energy, water supply and treatment, and investments aimed at the elimination of the unfavourable impacts of global climate change. In the USA – the ancestral home of the business – the sum of socially responsible investments rose to 2.3 trillion (!) USD in 2006 (Social Investment Forum [2006]).

**Where should
a conscious investor
keep his money?**

2.3 SPONSORING, THIRD LEG AND THE CRITICISM OF BEING TOOLS-ORIENTED

When a company wishes to improve its social performance quickly and visibly, it usually turns to sponsoring. The charitable donations of companies are an enormous help to charitable organizations and a vital component of the work done by countless different foundations and associations serving noble causes. There are huge differences in how the measures of sponsoring are resorted to. To mention two extreme examples, we can bring up the manager who, on a whim, chooses a likable NGO from among the current incoming requests for support, and immediately transfers a sum of money. This may be quite an effective method, for instance when the donation aids the victims of natural catastrophes. The other extreme would be the operation of a strict corporate strategy for charitable giving with a set of well-defined objectives and procedures. In some cases enterprises maintain separate foundations for the coordination of charity work.

**Let's give
to charity, and fast!**

Causes to be sponsored are usually connected in some way to the enterprises' main profiles (e.g. the sponsoring of health-consciousness and public health institutions by drug manufacturers), or, contrary to this practice, absolutely different fields are sought (as in the case of the tobacco and alcohol industries, where companies want to avoid even the appearance of sales promotion lest their truly charitable actions be labeled hypocritical by opponents). Most of the time, however, the more spectacular needy causes are the ones most generously donated to.

A new, ad-hoc welfare system?

This phenomenon itself raises a couple of questions. On the one hand, companies very seldom lean towards sponsoring objectives connected to preventive measures of environmental protection, since children suffering from cancer or animal shelters are, naturally, thought to be of more immediate concern than eroding mountain sides or the thinning atmosphere. On the other hand, the state should primarily be responsible for the enhancement of objectives like protection of the environment or far-reaching socio-economic changes – since they all concern welfare issues. We are not trying to insinuate that private donations are pointless (they are clearly needed!) or the two systems of sponsoring (state and private) contradict each other. All the same, private donations cannot serve as a replacement for a lack of state support or sponsoring. With the weakening of the state and strengthening of the corporate sector, the latter may take over some of the responsibilities of the former, but this is done more or less on a completely ad hoc basis. This is what we feel to be the main problem with such tendencies: We can be sure that healthcare financing is not perfect in every country, but this does not refute the fact that it is organized and institutionalized with its own logic and framework developed over decades or hundreds of years. The very structure of such institutions for public welfare works in absolute contrast to a system in which the sharing of corporate resources depends on how cunning subsidized public institutions and civil organizations are at obtaining corporate funds, or on just the blind chance of securing funding from companies.

How much should we give?

There is a more serious problem with an enterprise's social responsibility being comprised solely by charity. If it gives too little it might be considered marginal or even ridiculous (see page 18: How much have we given exactly?), but giving away too much might endanger profit. 'Win-win' is the solution, we could say, and go on to elaborate on this at some length, – the solution when a company chooses schemes which are advantageous both economically and socially.

CSR=good business?

At first glance, CSR advisors' and theorists' honorable efforts to prove the winning marketability of socially responsible companies seem logical and worthwhile (Porter and Kramer [2006]). We would rather not discuss here how meager – beside reported gains in eco-efficiency and some hearsay beliefs – the empirical proofs of this hypothesis are (Economist [2007]), since this is something which does not need proving. If a responsible company really does make more profit, then the efforts of the CSR movement are superfluous – companies will do anything for greater profit. If the axiom is proven wrong however, repeating it will, if anything, diminish the chances of spreading the idea.



Another problem with the 'CSR=good business' ideology is that causes and effects are easily reversed, and though we originally said "be responsible because it leads to better business results (and does good to the conscience besides)" we shall soon end up saying "be responsible where it leads to better business results (and conscience should be left for the weekend)". Let's keep in mind the old saying 'those who do everything for money will sooner or later do anything for money'. This process would bring about the devaluation of CSR to a fashionable management trend which in ten years nobody will remember (this happenstance, though, can only come about if we are wrong about our assessment of a crisis of legitimacy existing in our global economy dominated by giant firms).

Those who do everything for money...





Jennifer Abott,
Mark Achbar és
Joel Bakan

Figure 23: Corporations and/or
capitalism in legitimacy crisis?
Scandalous front pages:
The Corporation, book and film,
and Time magazine



Even the
question is bad.

We can neither conclude that corporate responsibility can always be harmonized with short-term business interests, nor that abiding by it would always result in higher costs. What we do claim is that responsibility is not a question of money. Being honest as a person usually does not put me at a disadvantage, and if it does, as can happen sometimes, it is still not a matter of finance. If I calculate the costs and benefits to help me make decisions about being honest, are my claims to honesty not ill-founded?

Four types of decisions

In order to get closer to the core of corporate responsibility, let's examine decisions and types of decisions according to their impacts on business results, society and the environment. For easier understanding we illustrate our concept through decisions made in an imaginary hypermarket retail chain. Theoretically, there are four distinct possibilities in corporate decisions:

Figure 24: Four types of business
decisions – two types of
corporate responsibility

ECOLOGICALLY AND SOCIALLY	COMMERCIALY	EXAMPLE FROM TRADE	WHAT DO WE DO?	WHAT DO WE CALL IT?
ADVANTAGEOUS	ADVANTAGEOUS	Optimization of transport routes, improvement of energy efficiency in shops (EM tools)	We are for it	Environmentally conscious: yes; Socially responsible: no (SR is beyond business interests)
ADVANTAGEOUS	DIS- ADVANTAGEOUS	We sponsor local initiatives for collecting garbage and the foundation for autistic children; we adapt EM and CSR instruments.	We can be for it to some extent	Realise it is 'shallow CR' (operative approach)
DIS- ADVANTAGEOUS	ADVANTAGEOUS	We build a new hypermarket on a green field, adding to urbanization, generating extra transport and consumption.	Business as usual	Not realizing it is 'deep CR' (strategic approach)
DIS- ADVANTAGEOUS	DIS- ADVANTAGEOUS	We swap transport companies even though the original worked with shorter distances, better quality, more profit for us.	We are against it	Realizing it is corrupt or brainless

Let's not forget that the above analysis concerns corporate responsibility targeting sustainable development, which can be achieved only within a system. This, in our table, means that besides the interests of the company the external economic impacts and the positive and negative externalities should also be considered during the evaluation of advantages and disadvantages. Among the social impacts of the building of a new hypermarket, for example, we should note that while 100 new jobs would be created, in the next couple of years at least twice as many will be lost at local competitors. They will become less competitive. We should also consider the quality of work and workplace in a big hypermarket as poorer (Schumacher [1979]). From the point of view of creativity or self-attainment alone, it is a different proposition sitting for days on end in an artificially-lit sales mart reading barcodes, from creating ones own independent business and running it, encountering all the hardships and pleasures such a venture can yield.

Let's just stop for a moment! Are we really trying to say that a socially-responsible company refrains from putting fellow competitors out of business and, rather, is attentive towards them, and even helps them out? Isn't this contrary to the most basic principle of the market economy, which is free competition? An enterprise must, of course, strive for higher efficiency, profitability and competitiveness. This, however, should not regress into a fanatical or even maniacal obsession which will lead to the destruction first of nature, then society and finally the economy itself. Efficiency, competition and profitability are of a conditional nature, therefore possess optimal levels. We can and should evaluate to what extent I cooperate with my competitors; where and how we are involved in competition.

Profit is never an objective in itself. For most people, a company's profitability is a requirement for job security and existence; in other words the fulfillment of basic needs. Extra income is expected to be turned into goods which benefit our lives, giving us more free time and, ultimately, happiness. Following this line of thought it is easy to conclude that enterprise is made for humans, and not vice versa. The socially responsible enterprise, as an economic actor, is practically functioning on the basis of good economy⁵⁰ and is in the meantime, even if subconsciously, fighting against economism⁵¹.

A responsible enterprise aims at becoming a useful member of the local economy, with a positive sum of externalities concerning society in the settlement, region or country it operates in. Growth undoubtedly serves this end for a while, but after a certain extent begins to undermine it.

NB: Externals!



Ernst Friedrich Schumacher
1911-1977

**A fellow competitor
friendly company?**

Not economism,

but economy!

⁵⁰ The careful management of resources in the service of a household – be it private, organizational or national, as in the original (Greek) meaning of the word.

⁵¹ Obsession with being economical, trying to apply profitmaximizing everywhere, including inadequate areas. The phenomenon was best described by Ernst Schumacher [1973] in his now classic work *Small is beautiful*: 'In the current vocabulary of condemnation there are few words as final and conclusive as the word 'uneconomic'. If an activity has been branded as uneconomic, its right to existence is not merely questioned but energetically denied. Anything that is found to be an impediment to economic growth is a shameful thing, and if people cling to it, they are thought of as either saboteurs or fools. Call a thing immoral or ugly, soul-destroying or a degradation of man, a peril to the peace of the world, or to the well being of future generations; as long as you have not shown it to be 'uneconomic', you have not really questioned its right to exist, grow and prosper.'

**The leg thought
to be the most
muscular is the least
sufficiently developed!**



Herman Daly

**Farther then
indicators,**

The firm gradually 'grows out' the local economic structures in the process and starts to sap economic vitality from other places (according to the law of 'Money Gravity', material resources always flow towards the greater concentration – meaning more developed, wealthier areas⁵²).

Returning for a moment to the concept of the triple bottom line, to our surprise we find that the apparatus of environmental management is quite extensive, CSR instruments are under development, but economic sustainability hasn't even got any instruments of its own to claim of. It is repeatedly omitted from everyday speech by switching it elegantly for 'sustainable growth'. In contradiction with the similarities between the sounding of the two terms 'sustainable economic development' and 'sustainable economic growth', their meanings are just the opposite. As world famous economist Herman Daly [1991] put it: "Sustainable development is reaching constantly higher social welfare without growing at a speed overriding ecological carrying capacity. Growth means we become bigger, development means we become better."

In CSR reports we find that the 'leg' of economic sustainability is generally buttressed by indicators of long-term profitability, growing market share and positive results. These, however, can again result from either 'good economy' or 'bad economism'. It is possible, for example, that a company sells its fleet of motor vehicles and then rents them back. It is not rare for companies to adopt a practice of billing using an eight-day payment period, but paying contractors on a ninety-day period as a matter of policy. This way, contractors have to resort to the services of factoring companies⁵³. It is also widespread among companies to intensify the cutting of cost even at high levels of profit⁵⁴.

⁵² Illustrative examples are the agricultural subsidies in the EU. Among the latest tendencies we find that wine production is thought to be too expensive on the old continent, so clearing of vineyards is subsidized. In the name of equality any producer within the EU gets the same amount (currently about EUR 10 000) per cleared hectares. This is the equivalent of approximately a year's income for a producer in Germany or France, for which sum he is not very likely to rush to cut out the vines, whereas in Hungary (not to mention Romania or Bulgaria) a hectare would yield this income in five or six years. There is also another consideration: in western societies wine producers or farmers enjoy esteemed positions in local economic life, while in Hungary the countryside offers no attractive alternatives to young people leaving the initiative to older generations who feel doubly challenged. The result: economic concentration is further enhanced, the stronger, already overproducing countries produce more. Staying at wine production, the distribution of more positive (given for development rather than clearing) subsidies is also interesting. Here new members lobbied for equal, area based distribution, but the more dominant half of the EU pushed through the policy of sharing according to the rates of previously called financial aid – for us since 2004, for them ever since such subsidies have existed. The stronger are always turning the scales, whether in the name of equality or not. (Based on a lecture by Sándor Font, MP, Director of Agricultural Committee, held on Wine Production Trade and Show Day, Keszthely, Hungary, August 3, 2007.) Quite a number of other examples could also be quoted for money gravity.

⁵³ This of course would be no problem in case of a generally honest corporate behaviour. Sadly, it goes together with not acknowledging the costs of credit (which, moreover, is greater for a small deliverer than for a big buyer). Often it also does not allow for the incorporation of risk costs, is not voluntary, and, worse from the point of view of social responsibility, is not legal – e.g.: the contract specifies 30 days but the "policy" is to pay only after 90. To make things worse, here (after 30 days) even factoring is impossible.

⁵⁴ This was verbalized by an alternative entrepreneur: "In certain situations – let's call them Murphy's cases, - people or companies working at full capacity will hit the skids. Companies functioning with moderation will have unused capacities to ensure mobility even in Murphy's cases. "Stepping on it" and driving at full speed with engines falling apart we can't accelerate any more to take over or eliminate danger while, by the way, consuming and polluting the most.

Here again we encounter economism instead of economy. Such steps as the examples mentioned above are usually economically detrimental (e.g. it would be cheaper to retain ownership of the vehicles and have them repaired ourselves) but such a move might be supported by fans of economism (ROA improves). And with this, the market position of the firm also improves – in the eyes of market analysts ignorant of the background of better-looking indicators. Notwithstanding, shares also go up.

**but not so far,
far away**

Serious criticism of tools-centered CSR also questions the ‘responsibility guaranteeing’ role of stakeholders. This is taken for granted by most CSR interpretations, which supposes corporate executives and managers to be selfish and unconscious in their actions, while outside stakeholders all possess the positive traits of unselfishness and enlightenment (consciousness). When we draft a typical stakeholders’ chart (Figure 25) and try to identify actual representatives of these groups we meet with a number of difficulties. First of all: it is impossible to even identify all stakeholders. Second: actual representatives identified, we find their interests to be conflicting or inarticulate in many cases. Third – and this is the main problem – why do we presume that the summation of stakeholders’ opinions is in line with the principles of sustainable development? Such opinions are always the outcome of subjective elements, power relations, and the turn of events or arguments.

**Stakeholders:
CSR joker?**

Yet sustainability remains an objective principle in the face of, for instance, the extinction of species or the growth of environmental footprint (see chapter 1.3). The different groups of stakeholders do not necessarily know better or more about these problems than the executives or owners of the company, and are definitely less aware of the actual possibilities within the company’s reach than the managers. The only ground for their inclusion is distrust: based on their assumed independence we lay our trust more readily in them than in the prepossessed managers. Why don’t we trust the latter though? Why is the CSR theory built on the presupposition of corrupt, narrow-minded managers as a prime factor instead of, say, the opposite?

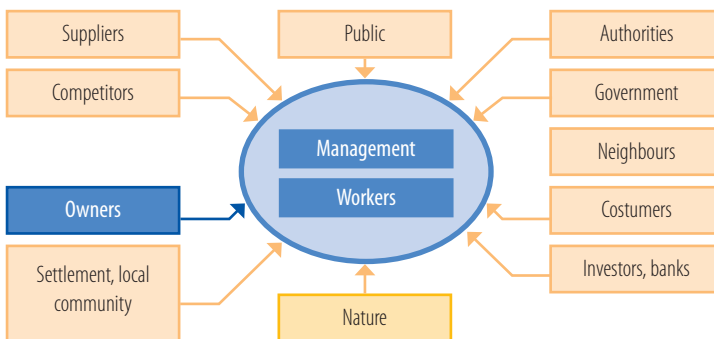


Figure 25: The company (inner ellipse) and its stakeholders

**Let's choose
maximum
3-4 weak groups!**

Still, if we want to involve stakeholders meaningfully against all odds, we should start out by differentiating between inside and outside groups, 'stakers' and 'stakeholders' that is. The first group comprises the owners, managers and, passively, the workers. The next step is to choose the 3-4 weakest involved outside groups which are in need of protection. Nature (future generations), the easy-to-lead crowd of consumers or weaker competitors could be some, to name examples. Their welfare should be concentrated on. We must not forget before the beginning of this procedure that our company's interests will not necessarily comply with theirs - which means we shall have to make choices. If we are successful (having truly understood them - which might not be easy considering how difficult it is to find knowledgeable speakers for these groups, let alone 'make them work') in incorporating the long term interests of just one of these groups in our decisions, we have already taken a step towards becoming more responsible.

**Necessary,
but not enough**

As in the case of environmental management and CSR instruments, we do not disregard the stakeholder concept, but in fact we welcome the 'democratization' of companies, yet by no means share the view that the utilization of previously described instruments or the engagement of stakeholders can automatically solve the problems of social or corporate irresponsibility and unsustainability.

SUMMARY

We found much value during our analysis of environmental management and corporate responsibility tools. Such tools are useful and needed and enable a conscious consumer to appreciate a pioneering company which utilizes them much more than other enterprises. Still, the deepest and most integrated utilization of these tools or the most structured inclusion of stakeholders cannot be the equivalent of strategic social responsibility. Based on our experience up till now we can state that these tools cannot be expected to solve the problem of unsustainable development. We can understand the urging of corporate executives that there is no time for delay. "We accept," they might say, "just give us the exact measures." It still needs to be stated very clearly that, regrettably, this is not how it works.

I began this chapter by praising the efficiency of enterprises. Here I would like to clarify that this efficiency can easily become the doom of companies. That we don't always like an efficient person is less of a problem⁵⁵. Recalling plants' and animals' characteristics of growth we might continue with the biological comparison. Living organisms are very efficient, but not always and at all costs. If a sportsman overexerts himself, his performance starts to decline - which can even lead to losing consciousness (it is just this self-protecting mechanism that some amphetamines 'turn off', often causing fatal tragedies). When a dog living in the wild is sick it takes shelter somewhere, and does not eat until it gets better. Perennial plants have seasonal resting periods, their growth is cyclic and, most importantly, slow.

Machines designed for efficiency, on the other hand, know no respite. Even if used properly, they still wear out and become redundant, not to mention that they can in some cases continue to work even when they are badly used. When a toy car bumps into the wall and cannot continue on its way, its engine might burn out. The excessive focus on efficiency in a company can result in such a crash. Even strategic planning becomes routine and the company loses its ability to abide by the rules by which it was created. The rules (e.g. the toy car must move ahead, driven by the engine) under some circumstances turn from useful to destructive (we described just this change of circumstance in chapter 1.3). The target is not profit maximization via cheaper and better-quality mass production any more, but the creation of an economy which can help people retain their humanity without continuing to exploit nature.

Embedded efficiency does not let corporate strategies change so radically, however. In other words, firms do recognize the problem of unsustainability and even try to adopt better practices, but these tiny changes are piteously slow compared to the global environmental decline. Is it still possible that a shifting of strategies can prove sufficient? This is what we seek to find out in the next chapter.

**Lots of values,
but not real wealth**

Fatal efficiency?

The limits of efficiency

To be continued...

⁵⁵ A case of efficiency out of hands for example, is when a boss pushes workers around with no considerations for human limitations. If someone as a friend or family member „uses“ people, his/her efficiency is again misused. S/ He is being friendly, but not a friend, negotiates but can't talk. A good example of making business out of personal relationships is multilevel marketing. At first glance it seems a win-win situation but in truth the gains of one (business) are made at the losses of the other (communal, unselfish personal relationships).

3. THE STRATEGIC APPROACH

*“Problems cannot be solved
by the level of awareness
that created them.”
Albert Einstein*

*“Yes, it is daring hearts and deep love and honour of life
we urgently need for a new form
of rejoicing to spring up for us.”
Pilinszky János*

Legitimacy crisis?

In the previous chapter we saw that tools attempting to harmonize aspects of economy, ecology and responsibility have serious limitations. Also, there is a more serious fault to be found as regards “CSR = good business” rhetoric: it legitimises – typically big, international – companies which partake in such attempts, while the need itself for corporate responsibility might be perceived as the legitimacy crisis of the very same enterprises. The crisis originates from both employees and conscious customers of these firms who live in developed, western countries, and also from destitute people of poor areas. Being senior director of a big company, for example, brings with it grand possibilities and almost unbearable constraints at the same time (see Bokor Attila, Radácsi László [2006]: Aranykalitkában).

When managers and the starving share opinions

It is quite an odd situation where a contemplative American manager and a starving African hold the same thoughts deep in their hearts. It is also odd that the free market economy should meet with such a moral crisis just when having won the cold war it has seen off its last serious antagonist (not counting extreme ideologies such as radical Islam) and is able to provide a standard of living never previously dreamed of to a great number of people.

A moral crisis easily turns economic

If there really is a crisis, it has two consequences. First, it cannot be obviated through such weak measures as CSR standards, inclusion of stakeholders, independent certifications or CSR reports while ‘business as usual’ simply continues. Second, moral crises – which some might claim interests moralists only – can quickly evolve into economic and existential crises. In the Roman Empire centuries passed until the final collapse, but a global collapse could now happen at an unbelievable speed. To give an open-and-shut example: a bad night for Vladimir Putin can make me penniless by morning (means of transmission being the stock exchange or change in energy provision, whereas in the time of Stalin or Peter the Great a whole army or the conquest of a continent was needed to have the same effect).

Strategic question

The top-down phenomenon named sustainable development and bottom up approach of corporate responsibility is a strategic challenge. Going further: this is the most outstanding challenge of our times – having incomparably greater impacts for all humanity than any challenge before. A strategic question then for economy; in other words for the totality of enterprises. It may be that for some individual companies (corporate groups) this is not of strategic importance or at least not immediately so, but such companies are the ones trying to steal a ride. Game theory proves that

freeriding can provide only short term gains - even for the individual - and is fundamentally damaging to free competition and the very living basis of the community. This accepted, it is easily understood that an honest and progressive enterprise will more readily use a strategic than an operational approach.

Although the number of sustainability reports and CSR strategies grow daily there are still only a few companies to which we can unquestioningly award the title of "Truly Responsible Enterprise". The explosively expanding Wikipedia, often seen as a new quasi-encyclopaedic phenomenon says the following about criticism of corporate responsibility⁵⁶: "Critics dismiss these reports as lip service, citing examples such as Enron's yearly Corporate Responsibility Annual Report and tobacco corporations' social reports. ... Critics of CSR will attribute corporate CSR actions to other business motives, which the companies would dispute. For example, some believe that CSR programmes are often undertaken in an effort to distract the public from the ethical questions posed by their core operations. A conflict can arise when a corporation espouses CSR and its commitment to Sustainable Development on the one hand, whilst damaging revelations about its business practices emerge on the other."

Janus face and Truly Responsible Enterprises



Janus
??? – around 476

A few years ago we worked on an assignment for an international tobacco company. The company had been a member of our association for years; we rated them from a sustainability perspective. We made close to a dozen interviews with employees from physical workers to top executives. Though we are not one of those public organizations who refuse even to communicate with tobacco manufacturers⁵⁷, we did hold some green prejudices toward them (Kapusy Pál [2004]). I myself never could countenance my very talented and decent classmate climbing the career ladder at such a firm since graduation. Getting more deeply acquainted with the aforesaid company, however, we were genuinely surprised. The employees could largely be characterized as well-meaning, modest and talented, the working environment excellent. Everybody started the interview by stating they knew they worked "in a controversial industry" but they try to remain honest while satisfying existing market demand. In addition, a discussion with an international banker whose firm is one of the main financiers of the tobacco industry shed light on new aspects of this field; namely, that in the case that tobacco factories were all closed down, the only alternative at present for South American tobacco producers and farmers would be turning to the production of narcotic drugs. Another interesting consideration is that if the tobacco industry was banned in Europe the industry would most definitely be taken over by the Ukrainian mafia, strengthening it considerably, while the tobacco market would shrink only -to a minor extent.

Good people in "controversial" industries

⁵⁶ Read: August 3, 2007. We omit to mention company names, as we are interested in phenomena: http://en.wikipedia.org/wiki/Corporate_social_responsibility

⁵⁷ Because where could we put the boundaries between destructive and undestructive doings? As can be seen in chapter 2.2 / 8. (SRI – Socially Responsible Investments) some financial analysts aspire to undertake this but, as in alcohol industry, with ambiguous oversimplification.

Structures are not sustainable

On the other side are all the surveys attesting to the highest-level consumer consensus against the tobacco industry. Still, we must agree that the world is less black-and-white than it ever was: there is no tyrant emperor or oppressed people, no free Hungarian counties and ravaging Turkish troops, no heroic freedom fighters and no state terror from the oppressive Soviet Union⁵⁸. It would be too easy if the world could be divided into cruel multinationals and poor heroes. Present-day structures are not sustainable but it is increasingly difficult to identify those at fault; either personal or institutional, making it also harder to find remedies to the problems. As far as we are topically concerned, however, big enterprises have both sunny and dark sides; human rights and pollution scandals are likely to originate from least a grain of truth, while genuinely unselfish and truly devoted corporate initiatives exist.

The essence of the enterprise is what's essential.

These for me – if I may be so explicit – are of almost no importance. True, the Union Carbide chemical factory exploded in Bhopal⁵⁹ due to rotten mismanagement, but I still cannot suppose the company premeditatedly based a volatile factory in India out of vile contempt.

Marginal CSR initiatives

It is the same perspective that allows my unusual tolerance in overlooking the terrible catastrophe which claimed so many human lives that I qualify previously-described instruments – so called CSR initiatives - as marginal. Marginal from a strategic aspect. Corporate responsibility strategies will never be credible in my eyes if there exist conflicting business strategies for the same company. I highly appreciate, say, an oil company's efforts at improving labour, health and safety and environmental protection and rejoice in the realization of the noble causes they pursue - but if I want to find out about its measure of responsibility concerning the sustainable development of the world it is not the "Corporate Social Responsibility" tag I click on its homepage but the section designed for investors. There I can find the real strategy of the company - which consists of tripling its rate of hydrocarbon exploitation and doubling sales of refined products in the next five years. In the meantime, of course, improving efficiency, meaning a 190-280 per cent rise in its environmental burden instead of the business-as-usual 200-300 per cent...

It is not the means we lack

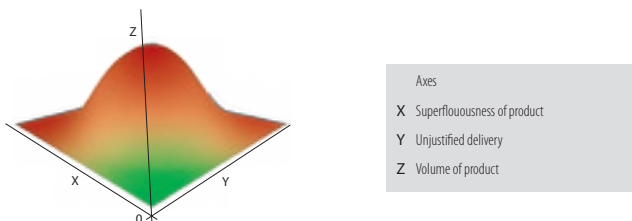
The strategic approach, therefore, does not mean that a smoothly-functioning firm which has recognized the CSR imperative starts with delegating responsibilities, allocating budgets and forming a 'strategy' of adopting CSR instruments. Let's presume for the sake of simplicity that machine guns are socially destructive or useless, and bicycles are useful products. If our intention is to make a company which manufactures machine guns responsible, we have to convert it to bicycle production. The way to do this is not by equipping it with newly-developed high-quality instruments, because those have been at hand for a long time, but remain unused. We also need to realize that if the enterprise has concentrated all its efforts on making guns, as the owners and managers are firmly convinced that this product is essential for their

⁵⁸ We are not trying to state that the world used to be black-or-white. It was probably blacker and whiter though because dissatisfied groups had distinct enemies embodied in another nation, institution, group, etc. Who could the antagonists of globalization raise their flag against nowadays? Where would they march peacefully or armed with the list of their demands had there not been G8 summits from time to time?

⁵⁹ The environmental catastrophe probably most frequently referred to in the literature: on 03 12 1984, in the morning hours, in the center of Bhopal in India 40 tons of methyl-isocyanite (MIC) escaped into the air at the Union Carbide chemical factory. Close to 3000 people died immediately and the number of fatal victims since amounts to 12000-19000.

existence, we first have to reason them out of this belief. Reasoning that they could gain useful experience for arms production by fabricating a bicycle from time to time, or that their weapons sales could be underpinned in the process would probably not be the most effective. Rationally, it is of course better if the firm now uses only 99 per cent of its resources for machine gun production instead of the earlier 100; dedicating 1 per cent of resources to the noble aim of mobilizing the poor on two wheels. But it is here that we should switch from a rational to a strategic point of view. That one per cent of bicycle production might suggest to the management and to conscious customers who read the company CSR report that at least some developments are underway. Something really has started – and let's add this is not some commercially irrelevant, passive charity or partially self-interested cleaner production initiative – it is the commencement of a new, sustainable branch of production. Its longevity and impact depend upon whether, 20 years from now, strategy dictates 99 per cent bicycle and one per cent machine gun production. This is what the owners should be convinced about, because they are the ones who define the mission from which an enterprise cannot deviate in the long term. And, if this mission is all about increasing profit, then that is what will be done, at any rate.

We should also like to clarify that, nowadays, the gravest problems are not always caused by those industries more generally condemned. Only a small fragment of global production is dedicated to the making of machine guns, rockets and land-mines but the same can also be said about more obviously responsible products like non-manipulated bread, organic vegetables or (neither luxury nor quick to fall apart) bicycles. If anyone took the extraordinarily massive efforts that would be required to draft the Gaussian curve of socially responsible products, she or he would most probably find a very small percentage that could be unequivocally condemned - or praised (the task would harder by having to make the graph three dimensional - since we can have no objections to decorating our home made garden pond with pebbles from the nearby river⁶⁰, but if the same decoration is transported from China by sea and road, we can definitely raise objections).



There are only a few products clearly good or bad “ab ovo”.

“Indispensable” consumer goods from the other side of the world

Figure 26: Product distribution from a corporate responsibility aspect (theoretical graph)



Figure 27: Made in China: Chinese products bought in Hungary: plastic eggs, battery-powered nail dryer, decor pebbles, garlic with the national flag

From the collection of the students of the University of Pécs and the University of Pannonia

⁶⁰ Provided that this is not general practice leading to deconstructing the riverbed – we can agree that those pebbles are best left where they are (the idea complies with radical animal rights activists' who are right about a fox's hide looking best in its own back.)

There are too many sandcastle builders.

To use a metaphor, companies are in most cases not manufacturing machine guns, but building sandcastles. Sand, thus, is diminishing although it is needed for real construction work. Most products are in themselves of neutral value – yet they are slowly engulfing us. Mobile phones (with their supplementary manufacturing plants, transmission aerials and shops), motor vehicles (with assembly lines, unbelievably complex supporting industries and connections to road construction), and non-basic foods (with aromas, preservatives, supermarkets, and a supply and advertising industry to promote them).

Basic foods?

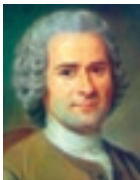


Figure 28: Cat milk, cooking butter spray, cream of wheat powder – Are these really basic? (Sign: "Basic Foods: snack, pretzels, chips")



From the collection of the students of the University of Pécs and the University of Pannonia

Less and less sand



Jean-Jacques Rousseau
1712-1778

Our world is flooded by such novelties, leaving less and less space for nature and, let's admit, less space even for the non consuming person. And here is the snag: we are consumers and yet non-consumers at the same time. Before beginning to rise to Rousseauian heights [1754] to proclaim the salutary ideal of the enlightened and happy son of nature – now a conscious buyer who has opted not to use a mobile phone, uses their bicycle for mobility and exclusively eats organic food – let's stop for a moment and confess that this ideology demands greater and greater efforts and will never have more than a small percent of people among its followers⁶¹. The Gauss graph could be displayed again but, this time, at one extreme would be a person opting for a simple life of conscious consumption; at the other extreme would be "homo consumicus". He is wasting, polluting and swaggering with the feeling of squandering horsepower and resources.

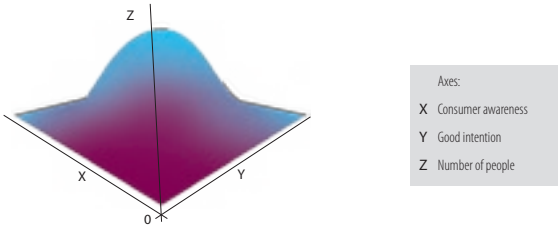


Figure 29: From conscious consumers to homo oeconomicus (purely theoretical ideals)

⁶¹ The Association of Conscious Consumers [2007] sums up the results of the research done by GfK Hungária in the following: Two-thirds of respondents - about 76.5% - never buys organic products and another 13.4% only very seldom. Only a 3.1% of respondents buy alimentary products coming from controlled ecological farms on a weekly basis.

Since only a person can be responsible, there are no responsible products – only responsible manufacturers and consumers. And, because they are impersonal abstractions, there are no responsible enterprises either. There may, however, be owners and managers who do not delegate notions of corporate responsibility to get it over with, but take it seriously, in extreme cases by altering even their basic products and strategies.

What can we suggest then to owners and managers of companies who would like to adapt social responsibility strategically instead of just using well known CSR tools? We offer five basic principles, the foundation of new ventures and a lack of advertising/promotion – knowledge of their good conduct will arise naturally. These statements are quite radical, but I hope to make them obvious for those who have kept with us so far.

3.1 FIVE BASIC PRINCIPLES

This book might give the impression that we are throwing all EM and CSR instruments out the window, together with the stakeholder concept, and trying to fill in the gap with five little principles. On the one hand we should stress that we don't throw out the tools: the progressivity of these tools cannot be overstressed. On the other hand, I feel that less is more here; instead of wasting words, simplicity serves the purpose. I am also convinced that each company has at least one or two basic sustainability issues to be dealt with which are not standardizable. From our standpoint it is more valuable to consider and incorporate just one of these basic principles in the business strategy of an enterprise than to use a dozen of the previously described instruments. Adapting such instruments is naturally desirable and positive, but will not substitute for adaptation of the following five fundamental principles.

A "soft drink style" advertisement for the Truly Responsible Enterprises would look something like Fig. 30. For a more detailed explanation I summarize the five basic principles in a table. The difference of the treatment of these issues at 'traditional' and responsible companies will become clear.

The limits of conscious consumerism: a different economic structure is needed

Let's be brave and start from the bottom!

5 principles. Is this it?

TRE add, or rather basic principles



Figure 30: The advertisement for the Truly Responsible Enterprise

	TRADITIONAL ENTERPRISE	TRULY RESPONSIBLE ENTERPRISE
TRANSPORT	Transport distances matter only as cost drivers; the aim is cheap supply and the largest possible market.	Transport burden is to be minimized, long distance deliveries only when absolutely justified. Endeavours to source and market locally.
JUSTICE ⁶²	Achieving this is not a duty of the company but of the state, churches and charities. Efficiency is the main target, via producing cheaper and better quality products.	Although the main trading purpose is not justice, the company cannot increase injustice with its actions. Fair trade, wages and working conditions.
ECONOMISM	The concept is incomprehensible. Economic actors naturally aspire to be as economical, as possible.	There is a clear difference between economy and maniac economism. Being economical is an important condition, but not the central aim.
SIZE	The objective is growth at any rate. Competitiveness and market power grow along with size. According to the law of the economies of scale, growing decreases relative costs. You either tread or are trodden upon. An annually increasing income is needed.	The objective is optimal size. Excessive growth is just as dangerous as being dwarfed. Find the place in the market and adding long-term sustainable value is important. Income needs to be more-or-less constant in the long run, not necessarily accelerating.
PRODUCT	We produce whatever is marketable. Anything not forbidden by law is allowed. Active efforts to boost market demand for our product are compulsory.	We seek products and activities which fit into a sustainable world. Not everything that's allowed is right. We satisfy real needs and enter into healthy competition, but do not create new demands.

Figure 31: The five basic principles at responsible companies

1. Transport little!

The degree of general agreement with the propositions formulated in the table is most likely to decrease from top to bottom. There is general consensus about the **increasing transport of people and goods** becoming a greater and greater burden on natural environment. If we recall the ecological footprint explained in chapter 1.3 (Fig. 10 on page 25) we can observe its dramatic growth. However, almost all components of the ecological footprint are in decline – except the emission of carbon-dioxide. The cause increasingly is traffic and transportation⁶³.

Less CO₂ from plants and buildings, more from exhaust pipes

Viewing the carbon-dioxide emission of the main sectors in the EU 25 between 1990 and 2004⁶⁴ is interesting. The rate of the contribution of power plants stagnated while contribution from households showed a 5 per cent, services a 10 and industries a 20 per cent decrease while that of traffic grew by 30 percent.

⁶² We do not use the word in its utilitarian sense "economic justice", which means that actors get their material benefit based on their contribution to the value creation. I do not deny this logic, but consider it inferior to "justice", which means fraternity, solidarity and righteousness based on love. This latter sees extreme property differences unallowable, or the long-term, significant and eye-catching coexistence of the starving and the overweight. As deep ecology does not only determine the value of animals and plants based on their utility for man, a love-based justice wants to see man happy because he is a human, and not because of his accomplishments.

⁶³ EEA [2006]: "The transport sector is the fastest growing contributor to Europe's growing energy demand and CO₂ emissions. Worryingly, this trend is expected to continue in coming decades. Air travel in particular is expected to double its share of overall transport between 2000 and 2030." (Executive Summary, page 3.)

⁶⁴ Based on the statistics of Eurostat and the European Environmental Agency, cited by András Lukács (Clean Air Action Group): Macroeconomic Realities of the recommendations of the Stern Review, Economic Consequences of Climate Change – Workshop on the Stern Review, Budapest, British Embassy, March 28, 2007.

Here we might still reason that the needs of people grow together with their numbers, and supplying these needs generates undesirable side effects like CO₂ emissions which lead to global climate change (and of course those other effects not generally in the limelight: noise, accidents, other air pollution, roads, areas taken up by car-parking and the impacts of the automotive industry, etc.).

There are two simple figures which give us a completely different picture. If we summarize data concerning global demography, material output and commerce from 1950 to the present day we get astonishing results. Everybody keeps referring to a demographic explosion while the number of people grew from 2.5 billion to 6.5 billion - which is 'only' a 159 per cent increase. GDP - though we have to underline, with ever-growing levels of inequality - grew from 5300 to 48100 billion dollars (an 800 per cent increase), but it was the amount of international commerce that really exploded, from 126 to 24400 billion dollars (20000 per cent growth!). David Korten's captivating book [1996] confirms these accounts: "Between 1965 and 1992 the ratio of internationally-traded manufactured goods rose dramatically: from 9 to 19 per cent. It can be stated in general that the growth rate of international trade is approximately double of that of economic output. Between 1983 and 1990, foreign investment grew four times faster than world production, and three times faster than international trade". And how long ago was 1992...

Once again: while in the last 56 years population almost tripled, GDP increased nine fold, and the volume of world trade increased by two hundred times. Comparing this with the ecological footprint, it is easily noticeable that earthly resources are not being used up by the growing populations of developing countries to satisfy their needs, but by decreasing populations in developed countries to meet their boundless demands. We cannot find better words here than Gandhi's: "Earth provides enough to satisfy every man's need, but not every man's greed."

**Start from
the bottom, be brave!**

**Is the explosion
really demographic?**



David Korten

**Greed.
Overconsumption.**



Mohandas Karamchand Gandhi
1869-1948

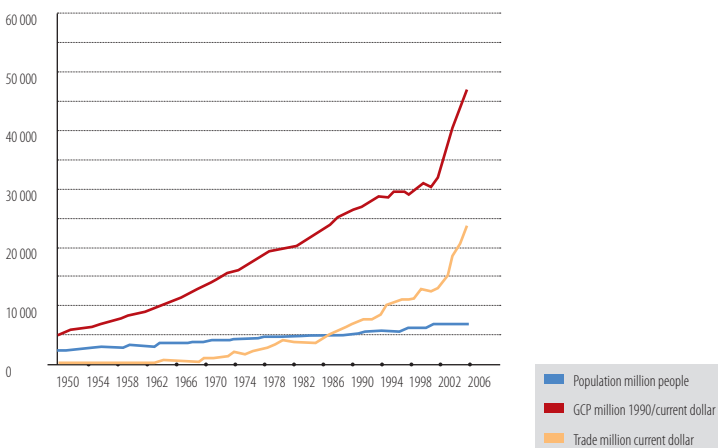
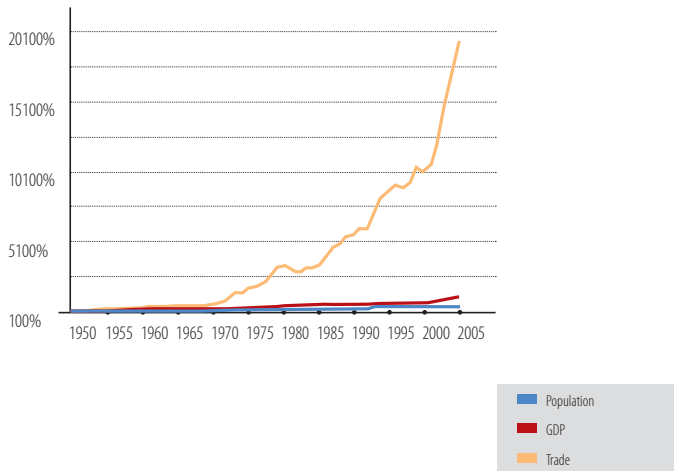


Figure 32: The global growth of population, production (GDP) and trade - in absolute numbers

Sources: U.S. Census Bureau, WTO, IMF and Maddison [2003]

Figure 33: The global growth of population, production (GDP) and trade – compared to 1950 levels

Sources: U.S. Census Bureau, WTO, IMF and Maddison [2003]



Structural sin⁶⁵

I believe unlimited long distance transportation to be a sin in this situation, and quite a serious one at that, to which we are all accessory. A Truly Responsible Enterprise therefore makes efforts to minimize its contribution to the transportation and traffic load, should it come from its own vehicles or from its contractors'. It tries to stay close to its markets, workers and partners. Somewhat theatrically we could claim that either assembly lines in China or the icecaps will disappear within two decades. The latter would definitely be less pleasant – not just for polar bears and Bangladeshi lowland dwellers. Beside heroic personal (corporate) behaviour, more determined actions on the part of states and international collaboration appear necessary to internalise externalities through steep increases in long distance transport fees.

2. Do not enhance unjust distribution!



Aristotle
384-322 B.C.

We do not need to step back too far in history to find theoreticians and 'business professionals' (then merchants) for whom it was obvious that an enterprise must not result in **unjust distribution and inequality** over a certain, so called 'natural' size. It is a well-known fact that the Church which dominated Medieval Europe prohibited the collecting of interest. For this reason, only non-Christians (usually Jewish lenders) legally pursued the business of credit and loans. Charging interest was considered unethical both by Aristotle and St. Thomas Aquinas.

⁶⁵The official definition of the Structures of Sin:, are rooted in personal sin, and thus always linked to the concrete acts of individuals who introduce these structures, consolidate them and make them difficult to remove.⁶⁵ And thus they grow stronger, spread, and become the source of other sins, and so influence people's behavior. (Ioannes Paulus PP. II [1987]), and „Whenever the Church speaks of situations of sin, or when she condemns as social sins certain situations or the collective behavior of certain social groups, big or small, or even of whole nations and blocs of nations, she knows and she proclaims that such cases of social sin are the result of the accumulation and concentration of many personal sins. It is a case of the very personal sins of those who cause or support evil or who exploit it; of those who are in a position to avoid, eliminate or at least limit certain social evils but who fail to do so out of laziness, fear or the conspiracy of silence, through secret complicity or indifference; of those who take refuge in the supposed impossibility of changing the world, and also of those who sidestep the effort and sacrifice required, producing specious reasons of a higher order. The real responsibility, then, lies with individuals. A situation - or likewise an institution, a structure, society itself - is not in itself the subject of moral acts. Hence a situation cannot in itself be good or bad“. (AAS 77 [1985], p. 217.)

Contemporary thinking viewed unearned gains as immoral gains⁶⁶. Interestingly enough, this ethic was not applied to the nobility who enjoyed the huge revenues of their lands. Still, they were not at liberty to draw incomes from other commercial or business activities; for example, in France, it was only the extremely risky long distance sea trade in which they could benefit from interest charges without breaking the general rule.



Saint Thomas Aquinas
1225-1274

We have to make quite a leap forward in time to see similar concepts of unearned and unfair profit recurring in Marxist teachings. The theories of class struggle and exploitation classify work as real only if, speaking vulgarly, it smells of sweat. This makes the proletariat first and foremost among the classes, closely followed by the peasantry, while the burghers are barely tolerated and nobility and priesthood are legitimately extinguishable, anachronistic classes. The source of the unfairly-gained wealth of burghers ('bourgeoisie') is extra profit, an unjustly high rate of return created explicitly by exploitation. Marx and Engels, who were born in capitalist families at the dawn of the age of capitalism, knew the fundamentals of their theory from experience. A curious turn of events resulted in their and their followers' doings bringing about the construction of a system more unjust and inhumane than the one the transgressions of which it was supposed to overcome.

**Marx, sweat,
extra profit**

The ethics espoused by the Roman Catholic Church's secular power or Marxist ideals are, to say the least, currently seen as quite eccentric views in the developed world. But in other social systems throughout human history justice has often been considered a higher good than profit. Do not try to find nostalgic implications here, though. Those systems were neither necessarily better nor more righteous than the free market economy. Human sins brought forth 'system errors' (wars, atrocities, exploitation) and certain practices thought unacceptable today were often thought rightful, just or even virtuous – consider the use of the death penalty, torture, crusades or the use of aggression in the name of religion.

**Past systems were not
more righteous...**

Capitalism, however, through exacerbating tendencies to moral relativism, is practically eliminating the idea of righteousness from economic thinking. Its theory, economics, not only elevates homo economicus - profit maximizing man - to a central position but, going further, implicitly infers and creates (and organizes society accordingly) so that every human being is a consumer in their entirety. This, in parallel, means that utilitarianism always wins over righteousness; that's just how we are⁶⁷.

**...but did not ques-
tion the determinant
principle of justice.**

⁶⁶ This is probably due to the letter-by-letter understanding of a Psalm, which we might consider too strict with our understanding of centuries later: "Lord, who may dwell in your sanctuary? Who may live on your holy hill? He whose walk is blameless and who does what is righteous, who speaks the truth from his heart and has no slander on his tongue, who does his neighbor no wrong and casts no slur on his fellowman, who despises a vile man but honors those who fear the Lord, who keeps his oath even when it hurts, who lends his money without usury and does not accept a bribe against the innocent. He who does these things will never be shaken." (The psalm of David, Ps 15)

⁶⁷ This is the mainstream theory at least: in practice we know many controversial trends, civil society initiatives, tax exemptions for charity, and other community initiatives, which are also part of (although not mainstream) capitalism.

Smith would object!



Adam Smith
1723-1790

It is worth noting that Adam Smith, father of economics who worked out the above theory, did not dream up or put down these thoughts in the current form in his fundamental work [1776]. He and contemporaries fiercely attacked the notion of limited liability because of the South Sea Bubble scandal at the London Exchange. What we now understand by a Ltd. or Inc. company was actually prohibited in England between 1720 and 1862. “Smith therefore argued that the existence of joint-stock companies is in fact a barrier to the existence of competitive markets, and he condemned them as similar in impact to government regulation on trade or government grants of monopoly status to an individual company. . . Smith believed that self-interest was only benign when it operated in small, local communities and on a local scale” (Sparkes [2001]). For us this means two things: The enterprise is subject to the force of ‘fairness control’ of the community, and to the complete judicial, moral and economic responsibility of the owner/ director.

Inverted relationship

From the point of view of sustainability, the relationship between economy and society is still right. This is the structural framework set down by a famous Hungarian economist, Károly Polányi, showing the historical and hierarchical order of the three systems. Economy is a part (subsystem) of society and that in turn is a subsystem of nature. And not the other way around!

Today utilitarianism
is not questioned.

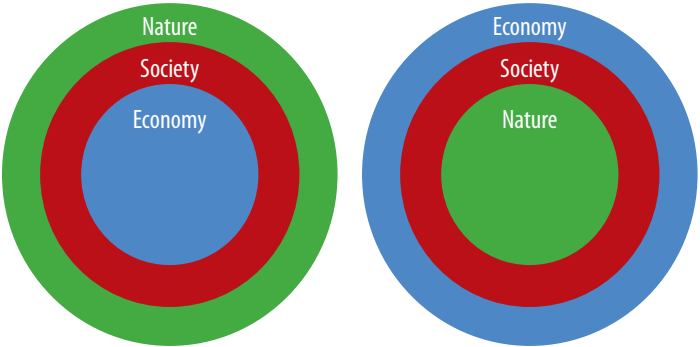


Figure 34: The inverted order
of systems and subsystems

Economy and sustainability – the original order of the world

Economism and unsustainability – the current world order

A basic characteristic
of TRE: striving
for fairness

Before the reader assumes that I yearn for a glorious past, I emphasize that I am not saying there used to be fairness where there isn’t today. We firmly believe, however, that a Truly Responsible Enterprise should strive for fairness; its managers can by no means banish it to the dominion of the courts, trade unions or churches. As we have seen, this behaviour is out of harmony not only with all earlier social systems, but originally with the very spirit of capitalism too.

But how?

A more difficult question is the how. Unfortunately, here we cannot form definite statements as we could in the case of the first basic principle (i.e. the less polluting transportation the better), since justice is not measurable; it is rather a matter of intuition and delicate balance. “Let’s make everybody equal” type of resolutions have been highly unsuccessful so far; they are also impossible to implement due to differences between us in inherent talent and external circumstance.

We have to understand that, contrary to the first principle, neither this book, nor any other theories can define the optimal or ideal level of principles two to five. We can only make vague estimates as to the maximum size of responsible companies (around 100-500 people?), or the allowable difference between the highest and lowest salaries within a company (1 to 9?).

How great is the allowable inequality?

I still hold that such measures and limits do exist. These can probably vary in certain cases but it is still much better to have inaccurate estimates than to believe they do not exist. We cannot accept that South American plantation workers who produce bananas receive 1.5% of the developed world retail prices in return for their work (see Fig. 21 on page 47). Nor can we accept that teenage seamstresses produce branded sporting articles in sweatshops in the Far East for a couple of thousandths of Western retail prices (Radin, Calkins [2006]).

The boundary is elastic and difficult to define but it exists!

Consequently, an exact catalogue cannot be compiled of socially responsible products, just as the size of sustainable companies cannot be standardized. Justice and equity in distribution cannot be defined exactly either; we must be able to feel the permissible differences in wages and working conditions at a company, and must be able to tell where the main activity of the company helps or hinders social justice. We should not consider good returns of interest on personal loans to individuals who are already socially degraded, and in my opinion, the executives of companies which produce luxury articles cannot be too proud of themselves when considering the principle of social justice. It is this principle which is violated by the suppliers of products and services which lead to addiction.

We must feel it!

The wealth of the three richest people in the world is greater than the GDP of the 48 poorest countries taken together. The fortune of the most affluent 225 totals more than a thousand billion dollars - the equivalent of the annual income of about three billion people - half the global population. If they, and of course the enterprises owned by them, are not the primary supporters of sustainable development they are not to be considered socially responsible.

What, for instance, is unacceptable

This is also true for the top executives of large firms: while in 1980 the income of a chief executive official (CEO) in the USA equalled that of 42 factory workers, in 1998 it equalled that of 419 factory workers. 5 percent of global population consumes 96 per cent of global wealth, while 1.3 billion people have to make do with less than a dollar per day⁶⁸. 24 000 people die of hunger each day; one person every 3.6 seconds in average. 75 per cent are children under five⁶⁹. At the same time, 43 per cent of Hungarian citizens are overweight. Is this global responsibility? Or are only the advantages of globalization, like cheap bananas and exotic trips, ours to enjoy?

419 times smarter, braver and more diligent?

⁶⁸ The summary of Hungarian daily Népszabadság for the World Poverty Day, based on the 1998 World Bank Review: Tovább mélyül a jóléti szakadék, Népszabadság, Világtükör, October 16, 1999. p6.

⁶⁹ The UN World Food Program: www.thehungersite.com

3. Money should serve man and not vice versa!

Profit is the blood of the enterprise.
Is more blood better?

“Health is not everything but without it everything is nothing”



Arthur Schopenhauer
1788-1860

Would you live in a place where people were maniacally occupied with only their own health?

A little of something bad can't hurt you...

...but too much good can do you bad.

The strive for profit is the fundamental living element, the 'blood' of an enterprise. This is why it is extremely difficult to differentiate between still healthy and already pathological motivation. The latter is economism, which, according to our third principle, the Truly Responsible Enterprise must avoid (such a company is named temporarily an 'Alternative Enterprise' which will be clarified in the next part).

Let's return to the 'blood' metaphor for a moment. To keep healthy we need the right amount of fresh blood, just as enterprises need financial resources. Nevertheless, nobody seeks to perpetually increase the amount of blood circulating in his/her body, no matter how important this substance is. Blood and health are things of which the upkeeping of an optimal level is vitally important, but having achieved prime status we turn to other, more important issues. Much like this, if we build our business solely on maximizing profit we confuse vital conditions with life-targets.

Vital elements - in our case the increase of profit - may take priority during accidents or emergency situations. When our health is seriously endangered - for instance if we are bleeding - we forget not only about our amusement, work or self attainment temporarily, but about all our other needs as well. Our interest in the other sex diminishes and we have no appetite until we are secure.

At the economic enterprise, a permanent state of alert becomes inbuilt. No matter if, via growing efficiency or better market positions, a record profit is attained, cost cutting continues. Employees are irritated by petty penny-pinching, witnessing large-scale squandering in other areas. But this is the smaller problem. The bigger is that these actions are contrary to a basic principle of enterprise.

According to this basic principle we should keep a functioning organization which 'runs' on money (capital) in vital condition. The main characteristic of vital elements is having an optimal level. No matter how good vitamin C is, too much of it is harmful (the opposite is also true: cyanide might be a lethal drug, but a miniscule dose does no harm).

If we pursue vital elements excessively, for example by turning an enterprise into an ever-increasingly efficient money machine, we eliminate the very purpose of entrepreneurship: human pleasure in work, and joy in consumption. This is economism, the mania of ever-increasing efficiency and a preoccupation with being economical.

Our third basic principle implies that in decision-making situations a Truly Responsible Enterprise will not necessarily tend to opt for greater short term gains. What's more, it will not only sacrifice short-term gains on the altar of long term profit, but considerations of humanity will sometimes take priority over profitability motives, so there will be no perpetual state of alert all the time.

**Humans before profit:
not only at charity
organizations**

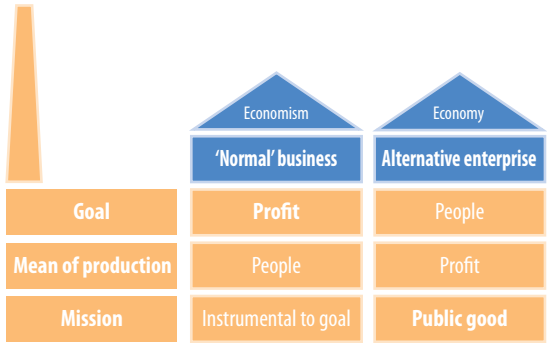


Figure 35: Economism and economy at the level of economic actors

In our case-studies of alternative enterprises⁷⁰ we find such examples again and again (KÖVET [2003-2007]). One company is pleased when female employees take their maternity leave and then accepts them back readily. This is because they appreciate the order of life more than temporary economic efficiency, and finally this is honoured through loyalty. Also, diverting from usual labour-market practice, they willingly employ older workers who happen to be the most experienced and steady colleagues. At another company a worker started drinking and neglecting his appearance and his work. Against all odds, and even customer complaints, the executive director did not fire him but sat down to talk, only to find out that the worker had been left by his wife and two children. He was given vacation, to rest, to think and see his children. The man chose a sober return to work instead of giving up his position, and as a bonus for the employer, he is now one of the most dedicated workers.

**Uncompetitive on the
labour market: mothers,
the elderly and those
drowning their sorrows
in alcohol**

We must interject the remark here that such philanthropic behaviour cannot be incorporated into management system standards because it is situational. If we would still like to standardize the treatment toward alcoholics or shirkers, the procedure would most likely be a first warning notice followed by dismissal. After all, this was the procedure followed in the case above but the notice was so humane and affectionate that it solved the problem.

**Love instead of stan-
dards, empathy instead
of e-management**

⁷⁰ Alternative Enterprises / Entrepreneurs is only a working title, we also call these actors as Business for More, Alternative Capitalists, Autonomis, Social Enterprises. The most well-known international examples, like the Body Shop and Ben & Jerry's are described in the excellent book of Pataki György and Radácsi László (Alternatív kapitalisták). The concept and the subtypes will be clarified in Chapter 3.2.

4. “Small is beautiful”
E. Schumacher

We have arrived at the fourth important principle, which is **the size issue**. The basic dilemma is the following: is a bigger company automatically more or less responsible than a small one? The spirit of our age – supported through positivism - stops short in anguish at such a question: in the brave new world of equal chances how can such discriminating differentiation occur? Yet we accept such a differentiation automatically elsewhere, for example in the case of an – inadequately proven – axiom of economics called Economies of Scale. This claims the greater business is more economical. Is it possible to formulate the axiom of Responsibilities or Irresponsibilities of Scale?

Everybody should
pull hard, but the

One should not be satisfied with the sham compromise that small enterprises have to make CSR efforts just like the bigger ones. Let’s suppose – like the mathematician of the joke⁷¹ – that there are two companies similar in every respect – same product, same region, similar ownership and management system – except for their size⁷².

Irrelevant activities –
the CSR advantage of
the biggies

Do the two different size companies (*ceteris paribus*)⁷³ differ in responsibility? Consultants and official analysts have a ready-made empirically confirmed answer: the bigger enterprise is more responsible⁷⁴. This, however does not mean that this is really so, but that the operationalized⁷⁵ definition of corporate (social) responsibility is abjectly poor. As we set forth in the previous chapter, the operational, or shallow, definition of CSR could be: the more activities you do bearing the stamp ‘CSR’ (awarded by ‘CSR experts’) – otherwise completely irrelevant to the basic operation of the firm – such as adapting management systems, reporting, delegating responsibilities, sponsoring, and dealing with green PR, the more responsible you are.

Beauty pads...

This is, first of all, a tautology, since a larger organization is inevitably more apt to introduce extra procedures around its main operations. But more importantly it is far worse if a basically irresponsible company uses such beauty pads to look more responsible.

...and real beauty.

We have discussed the issue of size several times in this book. The notion of environmental footprint has been brought up, the growth of which is clearly due to the seemingly unstoppable increase in individual and organizational consumption. We have analysed the extinction of species due to the ever-increasing territorial demands of our civilization. I don’t believe we need more proof to understand that in a – albeit flexible but still – limited ecosystem, the Earth, unlimited growth is impossible.

⁷¹ Three volunteering scientists are closed hermetically to three separated rooms, they are only given paper, pen, and a canned fish. If they can open it, they survive. After the test period they open the doors, and the theoretical physicist is alive. “How could you open it?” This is very simple. I quickly calculated by which degree and power I need to throw the can to the wall, and it opened.” The practical physicist is also alive and happy: “I kept on throwing the tin to the wall, and finally it opened.” The mathematician is alas dead. The can is unspoiled, there is only one sentence on the paper: “Let’s suppose it is open!”

⁷² Let’s forget about the very hard (see the mathematician in the joke) little part of truth for a moment, that such a situation does not exist in reality. There will come no completely identical job applicants, one Roma and one not, just to show, whether the potential employer is discriminative or not. People tend to set their mind at ease by saying they would most surely chose the Roma national in such a theoretical case. It cannot be else, because they are so tolerant, that they do not even call on their name the gipsy people, so how could discriminate?

⁷³ “Provided all other factors are identical.”

⁷⁴ According to a survey of the British Chamber of Commerce in Hungary respondents evaluate the ‘CSR performance’ of big companies as 4.7, middle sized companies as 4.4, small companies as 3.7 on a scale of 5 (source: CSR Research, BCCH CSR Yearbook, 2006).

⁷⁵ In this sense: translated to the language of practice.

Or rather, it is possible temporarily, firstly without any problems, and then later causes damages, first to humans and later to the whole globe.

To illustrate this issue, I finally show a table displaying the largest economies in the world. It appears from the list that 58 out of the 100 largest economies are national states and 42 are international corporations. The annual turnover of British Petroleum is larger than the annual GDP of Finland or Greece (Hungary was beaten by Allianz by a neck), and 70-90 per cent of the food product markets are controlled by 4-5 firms. Taking the 150 biggest economies into consideration, multinationals are in the majority. The balance is 83 companies and 67 countries⁷⁶.

Top 100+50.

COUNTRY OR CORPORATION		GDP OR SALES (MILLION USD)
1.	European Union	13 446 050
2.	USA	12 485 725
3.	Japan	4 571 314
4.	Germany	2 797 343
5.	People's Republic of China	2 224 811
6.	United Kingdom	2 201 473
7.	France	2 105 864
8.	Ireland	1 997 222
9.	Italy	1 766 180
10.	Canada	1 130 208
11.	Spain	1 126 565
12.	South Korea	793 070
13.	Brazil	792 683
14.	India	775 410
15.	Mexico	768 437
16.	Russia	766 180
17.	Australia	707 992
18.	Netherlands	625 271
19.	Belgium	372 091
20.	Switzerland	367 513

Figure 36: The top 100 economies in the world

Source: List based on IMF and Forbes data

⁷⁶ I adapted the idea of largest economies from David Korten [1996], who writes so (p. 270.): „Statistics show a clear concentration of power: out of the 100 biggest economies in the World 50 are corporations, and the total business turnover of the top ten corporations were more in 1991, than the GNP of the smallest 100 countries.“ However, alas he does not enclose the full list, and it should be update anyway, so I recomposed the list based on the data of IMF (International Monetary Fund, World Economic Outlook Database, April 2005) and Forbes (<http://www.forbes.com>). A similar list can be found at the homepage World Largest Economies: Countries and Corporations Ranking: <http://www.combusem.com/WORLDEC.HTM>.

COUNTRY OR CORPORATION		GDP OR SALES (MILLION USD)
21.	Turkey	362 461
22.	Sweden	358 819
23.	Taiwan	346 141
24.	Saudi Arabia	307 770
25.	Austria	307 036
26.	Poland	300 533
27.	Norway	296 017
28.	Wal-Mart Stores	285 220
29.	BP	285 060
30.	Indonesia	276 004
31.	Royal Dutch/Shell Group	265 190
32.	ExxonMobil	263 990
33.	Denmark	259 746
34.	South Africa	239 144
35.	Greece	222 878
36.	Iran	196 409
37.	Finland	193 491
38.	General Motors	193 450
39.	DaimlerChrysler	192 750
40.	Portugal	183 436
41.	Argentina	181 622
42.	Hongkong (PRC)	177 723
43.	Ford Motor	170 840
44.	Thailand	168 744
45.	Toyota Motor	165 680
46.	General Electric	152 360
47.	ChevronTexaco	142 900
48.	United Arab Emirates	133 768
49.	Venezuela	132 848
50.	Total	131 640
51.	Malaysia	130 796
52.	Czech Republic	123 603
53.	Israel	123 526
54.	Columbia	122 269
55.	ConocoPhillips	118 720
56.	Pakistan	118 472
57.	Singapore	117 882
58.	Chile	113 956
59.	Allianz Worldwide	112 350
60.	Hungary	109 483

COUNTRY OR CORPORATION		GDP OR SALES (MILLION USD)
61.	New Zealand	108 547
62.	Citigroup	108 280
63.	Nippon Tel & Tel	106 300
64.	Algeria	102 026
65.	Nigeria	99 147
66.	Romania	98 566
67.	AXA Group	97 920
68.	Philippines	97 653
69.	IBM	96 290
70.	American Intl Group	95 040
71.	Siemens Group	93 490
72.	Egypt	93 045
73.	ING Group	92 010
74.	Carrefour Group	88 660
75.	Hewlett-Packard	81 850
76.	Ukraine	81 644
77.	ENI	79 310
78.	Peru	78 576
79.	Honda Motor	78 200
80.	Kuwait	74 598
81.	Berkshire Hathaway	74 210
82.	Generali Group	73 200
83.	Home Depot	73 090
84.	Verizon Commun	71 280
85.	Nissan Motor	71 170
86.	Nestlé	70 950
87.	Deutsche Telekom	70 240
88.	Bank of America	65 450
89.	Aviva	64 610
90.	France Telecom	63 980
91.	Altria Group	63 960
92.	Crédit Agricole	63 350
93.	HSBC Group	62 970
94.	Fortis	62 270
95.	UBS	62 220
96.	Bangladesh	61 218
97.	Credit Suisse Group	58 780
98.	Zurich Financial Services	56 300
99.	Kazakhstan	56 088
100.	Renault Group	55 240

But even big companies come up against limits to growth, after a while. This can be observed with the case of the biggest American retail chain. Wal-Mart stopped growing, and its stock prices fell. Many see it as the main enemy of small shops, so it Wal-Mart was subject to a loss of 16 billion USD (Rickens [2007]). It is better if large corporations set an optimal size on their own at a lower level, then circumstances limit them. If they stop growth earlier, they will also not live up our world, the inheritance we got from our fathers and need to give to our children.

Respectable living instead
of profit maximization

Let's imagine a small
company living up to
the first four principles!

1. Transportation
2. Justice
3. Economical
4. Size
5. Product

But their business is
porno films!

Let's not make virtue
out of necessity!

5. My product should
be among the 20 percent
which have a place in a
sustainable world!

So the Truly Responsible Enterprise should ensure a respectable living to its employees and owners but not a constantly increasing profit – but where should this income come from?

To introduce the fifth basic principle let's imagine a new enterprise servicing hotels. Nowadays, good hotels must supply every room with a television. The device can be used not only for watching satellite channels, but also for listening to the radio or – at an extra cost - watching videos. Let's suppose that our company specializes in video rentals and maintaining such systems. They enter the ring in a niche market, meaning they aim at the hotels of one region only, partly because of tough competition and partly because the owner knows many people, but only in his own region. They do not strive for greater size since current size is adequate and provides a long-term living for the owner and the 15 employees. We can see that the first and the fourth principles are respected and the company shows excellent performance concerning the second and third also because as they mainly employ white-collar workers the income of the boss is only five times the secretary's. They have also withdrawn from business negotiations a number of times because they could only meet the demanded price reduction by a corresponding reduction in quality, which they were not ready to do.

Only the fifth principle remains to be observed. We should already welcome them to the group of Truly Responsible Companies. I did say that it is worth more to form an enterprise founded on just one of those principles than to use even a dozen CSR instruments superficially, didn't I? But let's add a new piece of information about our company: the films they offer for the amusement of the honourable hotel guests are for grown ups; to be more specific, adult movies.

It is quite clear that TRE qualification is out of the question, for two reasons. First, because of something we have not stressed before; in our imaginary example meeting the requirements of the first four principles is almost automatic, because of the pressure of circumstances, rather than from any merit. 99.8% of enterprises are micro, small, and middle sized and can never grow, because of restrictive circumstances - for them, therefore, limitations of size are not relevant. Second – and now we arrive at the fifth principle – **the main profile, the main product or service of the company** carries great weight and possesses a sort of 'right of veto' in consideration of designating a company as Truly Responsible.



Undoubtedly, we have come up against a very delicate issue. Where are the boundaries between a respectable game of cards and serious gambling? Is the alleged conservation of male virility more important than the horn of the rhinoceros (and the rhinos themselves of course)? Which firms satisfy our needs with the drinks they produce, and which – playing to the deepest strings of our souls – encourage us to buy their unhealthy un-thirst-quenching products? Where are the boundaries of sexual morality? With monogamy, loose sexual partnerships, group sex, homosexual relationships, sex-slavery, paedophilia, or further still? Whose rights are preferable; smokers' or non-smokers'? Most people feel lines must be drawn somewhere, but since nobody musters up the courage to do so, we act as if it were impossible.

Where are
the boundaries?

In a CSR training course of ours we used a case-study titled "Factory of Mine". We gave a one-page description of the imaginary Forland Technologies Company to participants, a description which was the sustainability policy and a personal declaration of the main owner/director at the same time. In this they found that the firm was founded by the grandfather of the director in 1936 with 70 workers. Today, the company – now with 3800 workers – is the greatest employer in an area otherwise struggling with unemployment. Details provided attest to the responsibility of Forland: ISO 9001, 14001, Department of Environmental Protection with twelve employees, vice director responsible for sustainable development, EHS, excellent performance indicators. The enterprise is a dedicated fighter of global warming; CO₂ emission was decreased by 23 per cent as compared to 1990 levels. They use 7 per cent less packaging per product unit than earlier and 14 per cent of their energy consumption is provided by solar cells and wind power plants. These improvements were achieved while in the meantime their turnover increased by an average 32 per cent over the last three years. Students have to place the company on scale from 1- 5 (1 - not sustainable, 5 - sustainable) on the basis of this information; then they can ask questions. Usually they catch on and ask what Forland produces (the description smoothly omits mentioning it). The double meaning in the title gives it away: Factory of Mines!

My responsible
arms factory

It is generally known that the weapons manufacturing industry is not a socially responsible industry. On the list of socially irresponsible businesses, illegal activities are recurrent; for example, we are continually informed about the crackdown on internet networks selling materials which could be of interest to paedophiles. Recently, a form of gambling (casinos) was prohibited, or banished to a couple of rural towns in Russia.

'Unluckily' arms
factories are too few

There are 'not recommended' profiles too: A portfolio of the Dow Jones Sustainability Index, comprising stocks of sustainable companies excludes the alcohol, tobacco, gambling and arms industries (www.sustainability-index.com). An American public organization called Public Citizen rallies lawyers fighting for fairness, consumer rights and government transparency. Industries they inspect include airways, asbestos, drug and tobacco manufacturers, the energy, motor and gambling industries (www.citizen.org). Hungarian non-governmental organizations also keep the tobacco and soft drink industries, fast food chains and some members of the packaging industry on a 'black list' (see, for example, the periodical "Kukabúvár").

And unfortunately
local organic producers
are also very few

There are too many
redundant products,

though all products
find their buyers.

When having
a sustainability
super product list...

Unfortunately, this is quite a subjective issue. As such, only a small fraction of commercial activities can unequivocally be put on the CSR black list. And this is true for genuinely green, 'responsible' products too: The relative share of locally and organically-produced bread, fruit or even certified environmentally friendly products (as seen in chapter 2) is remarkably low as a fraction of world trade.

Extending the black list is possible; we could include absolutely unnecessary products, or those which are locally-produced but all the same transported to remote places. On some of my courses, students are given the task of collecting such 'commodities' and they return from shopping centres with fantastic finds. One can buy battery-powered nail driers, mysteriously diluted (but five times more expensive than regular) 'cat milk'⁷⁷ or DVD rewinders which make the 'realistic' sounds of a video cassette rewinding. In Hungarian grocery stores we can also find huge stocks of grapes from Brazil in the middle of the Hungarian grape-picking season, Chinese garlic shipped here by an importer from Makó (the most famous onion and garlic producing area in the country) decorated by pretty Hungarian flags. Pebbles for decorating aquariums are also available from China. This material – though it could be picked out from the gravel in the back yard – is packed in plastic boxes and conveyed thousands of kilometres, in the same manner as mineral water spray from the French Alps (see Fig. 23-24).

If we were afflicted earlier by the thought of the arms trade, we can at least laugh about the latter phenomenon. We must confess, however, that there are not too many among us who can say that they own no superfluous articles. And surely we couldn't single out one article to be made redundant without someone protesting - be they cat fans or beauty addicts. Actually, they are right, just as we are; the product for them is obviously not useless.

Our endeavours to be objective and consistent fail at this point. While, for the first principle it is clear that less is better, and about principles 2-4 it is at least theoretically acceptable that there are limits - even if we cannot set them - in the case of products we must own up to even the theoretical impossibility of putting together a global product list. Especially if we consider that the list should display all the products with a sustainability ranking, starting with items which are absolutely necessary (healthy, local, basic commodities) and ending with those damaging or destructive, immoral and luxury articles which are, to top it all, transported from the other side of the world.

⁷⁷ Script on the container of Cat Milk:

- Ingredients: milk and milk derivatives, oil and fat, derivatives of vegetable origin (min. 0,4% linulin), minerals, sugar
- Guaranteed analysis: crude protein 3,5%, crude fat 3,3%, ash 0,8%, crude fiber 0,4%, moisture 85%, lactose under 0,4%
- Additives: vitamin D, 70IE/kg, vitamin E 3,5 mg/kg, taurine 450mg/kg, iron 11mg/kg
- Recommended feeding: 40ml (1/5 part of container) suggested as a serve portion. The cat milk does not substitute the natural holistic food and is not suitable for bringing up kittens.(!)
- Advertisement text:
 - Cat Milk + inulin, vitamins, taurine
 - lactose reduced – can avoid diarrhoea
 - inulin added – can be digested easily
 - contains a natural source of vitamins – perfect for growth and maintenance
 - contains taurine – an essential nutrient necessary for a cat's heart and eyes

How nice such a list would be though... We should only have to add the eco-footprints or negative points of each product on the side of the packaging and check available global bio capacity. The latter is unfortunately low, so we should have to draw the line, say, a third of the way down the list – disposable plastic pen still O.K.; bendable plastic straw not. Excuse us; it should be banned... Though some people and some cocktail bars may suffer a while, the Antarctic and our grandchildren's bread are of still greater concern.

... would be so nice!

Well, we don't have such a list and can't have one. Even its potential emergence is unlikely, not to mention the fact that it would surely not be worth the effort. The main problem, however, is that it would be useless. A handful of rice in China is just as sustainable as a kilo of potatoes in Hungary. A handful of Chinese rice in Hungary is more questionable, but a handful of Chinese papyrus is definitely bad. Even papyrus would be acceptable though if there weren't over six billion of us⁷⁸, with the minority living in developed countries consuming boundlessly.

Cocktail bars
and Antarctica

In other words, products cannot be judged on their own accord, the problem actually is product dumping. Windsurf boards are luxury articles. Contrary to, for example, quads, they do not directly pollute or damage the environment but their manufacture, storage and transportation still consume energy and space. In a war, windsurfing would not occur to anybody, unless as a means of escape. Unsustainable development will soon bring about warlike situations, warn pessimists, in which 80 per cent of present day commodities will lose their relevance.

The main problem
is the quantity

It can, of course, be sustainable on the whole if a couple of hundred people live on an island and many of them surf or even ride motorcycles and drive (note the interconnections of the environmental footprint, biocapacity and population density of countries).

Surfboards and
depopulated islands

All in all we cannot realistically expect even the Eighth EU Research Framework Program or any of the best computerized American research centres to come forward with a database an environmentally conscious corporate executive could simply just log onto to find out about the sustainability of their product. There is no eco-point or environmental product qualification system which can be trustable and widely used at the same time.

Let's not anticipate
the Super Solution!

⁷⁸ I consider overpopulation (if we can use this term at all, when the desolate proliferate and the 'developed' decrease) as a symptom and not a cause of unsustainable development. The cause is the unlimited greed behind overconsumption, as Molnár Géza artfully formulated: "To understand the problem, let's imagine a manor. At the beginnings very few lived in this manor and everybody worked. Goods accumulated fairly. They some realized, that it is much more comfortable to take away from the common, than working. So they started to rob. People living in the manor grew steadily, and the number of robbers also increased. The instance was attractive, finally everybody became a robber. People see that goods are less-and-less available. But the solution they propose is not stopping to rob, but to be fewer, as we are too many. This is the typical robber way of thinking, the thinking of those people, who look only at their own status. They envy the goods left from the next generations, even from their own children." Molnár Géza: A fenntarthatóságról – „Az én paraszti eszemmel...”, Gondola, read on 21 June, 2007: <http://www.gondola.hu/cikkek/cikk.php?szal=54817>

Heart and brain

This is why we have to listen to the dictates of the heart as well as the brain at this point. The only, seemingly meager advice we can supply concerning the fifth principle, therefore, is that an executive (entrepreneur, owner and/or manager) in the process of launching a new enterprise should meditate some days on his or her product concept. S/he should consider whether this product falls into the top 10 - or maximum 20 - percent from ecological, moral and equity of distribution viewpoints. If it clearly does, the fifth principle can be put aside with an easy heart. If it is dubious, that is a problem - and if it definitely does not, the answer to whether the enterprise is socially responsible or not is given.

The myth of environmentally friendly services

Finally it must be seen that, although we keep using the term 'product', we include services in this concept. I do not hold true the generally accepted but superficially stated "axiom" that, since products contain material doomed to become waste, services are automatically and unconditionally more ecological. Services usually go together with energy consumption and waste production themselves and, from a more radical environmental perspective, they are often at least as pointless as products. Moreover, the pollution they generate is not restricted materially. A larger personal crime against sustainability could not be imagined than space tourism, which is obviously a service. People are often misled by superficial impressions: JIT (Just in Time: every required part should be supplied exactly when needed) might for example seem modern and green because of reduction in storage requirements. But only if we forget to note the environmental burden caused by storage capacity growing elsewhere, the increase in machine start-ups because of smaller production runs and, most importantly, the additional requirements of transportation and logistics.

3.2 TOWARDS THE TRULY RESPONSIBLE ENTERPRISE

Should we boast about it?

Before elaborating on the concept of the responsible enterprise we must briefly turn our attention to communication. It is all too often that companies are accused of superficially adapting CSR instruments just to manage their reputations and too many times are these accusations realistic. It is far too often that CSR=PR (equals, exclusively). Scrutinizing the organizational position of corporate responsibility we find that it is usually delegated to a manager responsible for communication. Its place, however, should be on the boss's desk. In company presentations the following types of approaches are distinguished (based on: Schmidheiny, Holliday, and Watts [2002]):

- 1. Talk the talk (We just talk about responsibility, "preaching water but drinking wine")
- 2. Walk the talk (We do things besides talking)
- 3. Talk the walk (First of all we do something and then we communicate to get a positive image and added value)



I would go further and establish a fourth stage - something like: "Just walk", meaning we should do our business responsibly and on the side notice the advantages this brings. If you want to be respectable just to be seen to be respectable you are not respectable at all. By the way, as experience shows, the benefit of doing good quietly gets around more readily than if you have advertised⁷⁹. And it is definitely more credible. We have found that while the 'good CSR practices' of big firms are publicized far and wide, both in the press and in their own publications, the owners of Truly Responsible Enterprises can hardly be persuaded to promote their activities (for instance by displaying their positive initiatives at conferences).

We have enumerated the principles a responsible enterprise abides by. However, voluntarily-assumed responsibility not necessitated by law does not separate companies into two easily distinguishable groups. The Completely Irresponsible and the Truly Responsible Enterprise exist only theoretically; they do not constitute disparate sets but can rather be imagined as two ends of a scale. Companies' positions are not fixed on this scale but can move as a result of their decisions.

To locate a company's position on this scale in simpler manner, we worked out an evaluation system. This is KÖVET's "Sustainability Ranking of Organizations". Local inspections, interviews, the analysis of documents and the opinions of stakeholders serve as bases for this classification. The method includes two important novelties. First, it classifies; that is, it does not throw dozens of unrelated indicators at users but evaluates and aggregates variables. The outcome is the ranking of the organization on a five-point scale (1. Sustaining; 2. Public-spirited; 3. Compliant; 4. Self-interested; 5. Destructive) from the perspective of local economic role, ecological impacts and social responsibility. Second, the classification brings up issues which necessitate value judgment.

Not black or white

Excellent, Average, Fail, in Sustainability

⁷⁹In other words: Only walk, others will talk!

Thus the system is built on using objective information, but the different variables included (e.g. the size of the firm) and their evaluation (e.g. the product's relation to sustainability) and in this way the final score obviously contains subjective value judgements – which can always be questionable. The problem is that, by eliminating these, narrowing the analysis to the factual, 'objective' information, we leave out the most critical considerations of the company's role in sustainable development. Such critical considerations are the impacts of the company's main products and procedures on sustainability, local control related to size, or the company's role in the equity of distribution. As we have previously seen, four out of the five basic principles are not measurable with rulers or scales.

Figure 37: The main points of our system of sustainability classification

SUSTAINABILITY	A. ECONOMIC	B. ECOLOGICAL	C. SOCIAL
1. VIABILITY	Profitability, efficiency	Legal compliance, env. responsibility	Working conditions, w. environment, remuneration
2. BENEFICIARIES	Distribution of economic benefit	Diffusion of ecological burden	Differences in working environment
3. PRODUCT	Quality, economic risks	Ecological impacts of product	Distribution. Needs, conscious effects
4. SYSTEM-ROLE	Size, dependencies, control	Site, activity, transport	Stability, origins, local role
5. SUBJECTIVE	Information reliability and impression	Information reliability and impression	Information reliability and impression

Three times
five aspects

The classification is based on an evaluation containing altogether 15 aspects, on a scale of 1-5, as outlined according to the table above (Fig. 37). As can be seen, only four of the five aspects of every dimension (economic, ecological and social) are defined; the fifth is subjective, corresponding with the reliability of the visually and otherwise attained information.

The Upstart and
the Eco-efficient

The above table is only a summarization; exact measures are to be found in the detailed table below (Fig. 39). With only a little exaggeration we can claim that by making use of this table anyone could classify an enterprise regarding its responsibility for sustainable development⁸⁰.

Figure 38: Meaning of scores in the sustainability classification

	THE ORGANIZATION ITSELF		FOR LIFE-SUSTAINING SYSTEMS
1.	Inadequate	or	Severely detrimental
2.	Bad	or	Severely detrimental
3.	Average, acceptable	or	Unfavourable
4.	Good or excellent	and	Acceptable, i.e. neutral
5.	(Good or excellent)	and	Beneficial, helpful

⁸⁰In practice the reliability of the rating is largely dependent on the expertise of the rater, how deeply s/he knows the company culture, the thinking of the managers and the other employees. So the tool is capable of making "low reliability" ratings, we tend to formulate our evaluation based on 5-10 interviews with the executives and the workers, site visits, data verification, and considering the opinion of a stakeholder forum summoned.

SUSTAINABILITY	A. ECONOMIC		B. ENVIRONMENTAL		C. SOCIAL	
1. VIABILITY	PROFITABILITY, EFFICIENCY		LEGAL COMPLIANCE, E. RESPONSIBILITY		WORK. CONDITIONS, WAGES, ATMOSPHERE	
	Unprofitable / destructive for the local economy	1	Severe breaches of the law, nature destruction	1	Black work, illegal exploitation of workers	1
	Normally no profit or predatory economic role	2	Strives to comply, but often irresponsible	2	Legal employment, but bad conditions	2
	Slight or very short term profit	3	Tends to comply, responsible within the fence	3	Proper conditions and wages, but stress, rivalry	3
	Good profit, but primarily for the firm	4	Totally complies with law, locally responsible	4	Excellent conditions, but money is the only motive	4
2. BENEFICIARIES	Highly strengthens the local economy	5	As 4 + global responsibility (e.g., suppliers)	5	As 4 + team, high commitment, helping private life	5
	DISTRIBUTION OF ECONOMIC BENEFITS		ENVIRONMENTAL BURDEN		DISTRIBUTION OF WORKING CONDITIONS	
	Illegal, black or grey economy	1	Severely polluting or very risky	1	Terrible, exploitation hinders the activity	1
	Inequitably high profits for a few	2	Polluting or risky	2	Huge disparities, exploitation	2
	Only non-working owners profit	3	Eco-efficient in the sector, or a bit better	3	Acceptable allocation of wages and conditions	3
3. PRODUCT	Wide range of owners profit (workers)	4	Best available techniques	4	Just allocation of wages and conditions	4
	Local community ("outsiders") also profit	5	As 4 + contributes to env. improvement	5	As 4 + the community can also use the infrastructure	5
	QUALITY, ECONOMIC RISKS		ENVIRONMENTAL IMPACT OF PRODUCTS		ALLOCATION, NECESSITIES, MENTAL IMPACT	
	Bad, unreliable, dangerous products	1	Severely polluting or very dangerous	1	Quickly obsolete dummy goods, no survival strategy	1
	Poor, faceless products, strong competition	2	Polluting, short-life, disposable	2	Dummy products supplying assumed needs, luxury goods	2
4. ROLE IN THE SYSTEM	Good quality, but strong comp. / slight demand	3	Long-life, repairable, reusable, recycled	3	Demand, but not a need, widely used comfort goods	3
	Excellent quality, little competition / high demand	4	Virtually only environmentally friendly products	4	Real need -real product	4
	As 4 + positively influences competition	5	Product improves the environment	5	As 4 + solves social conflicts	5
	SIZE, DEPENDENCE, CONTROL		FUNCTION / TRANSPORT, COMPLEXITY		STABILITY, ORIGIN, LOCAL ROLE	
	Giant with no local control (XL)	1	Overcomplicated, transport has high impacts	1	Growth-obsession, trouble-maker upstart	1
5. SUBJECTIVE	Large / medium (XL,L,M), with little local control	2	Significant, but justifiable complexity, transport	2	Demoralizing firm, quickly changing locations	2
	Dependent small (S), locally controlled large (M,L)	3	Proper complexity, transport	3	Bubble: settling Upstart or irresponsible local	3
	Totally independent local (S, M or L)	4	Simple, minimal transport, local needs	4	Settling Upstart or local, helping the local community a lot	4
	Independent small (S), serving local needs	5	As 4 + consciously simplifies the system	5	Local player, vitally helping the local community	5
	Maximum	5	maximum	5	maximum	5

Figure 39: The exact evaluation system of sustainability classification

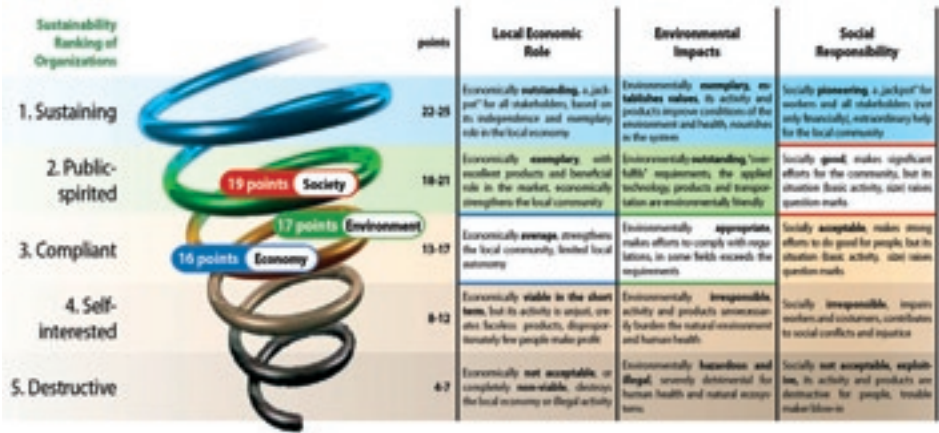


Figure 40: Sustainability classification graph

Spiral development instead of exponential growth

We have chosen the spiral as a symbol of sustainable development and classification which is worth giving thought to. The graphics typically used for symbolizing dynamic and often overstressed ‘development’ involve straight lines leaning from the left bottom corner to the top right, as can be seen in the logo of one of the world’s largest financial organizations.

On the other hand, probably the most well-known symbol of environmental protection is the green triangle made up of three arrows turning into each other to symbolize recycle and reuse (this is the so-called Möbius loop). The majority of people, however, would not like to stop development completely, even if we have proven the impossibility of endless development or ‘sustainable economic growth’.



Heart, nail, tumour

What is the solution then? It is worth recalling a sentence already quoted from Herman Daly [1991]: “Growth means we become bigger, development means we become better.” We have referred to analogies with living organisms: our bodies and body parts keep on growing for a while, then stop, except for the hair, nails and cancerous cells (Korten [1996]). Those which cannot be restricted or retrained from growing in some way can easily cause the downfall of the organism. This does not mean that our lives are terminated or lose purpose when we reach the age of 15-20, but that development from then on will be qualitative rather than quantitative.

The spiral and its colours (from muddy to metal, from metal to rust, from rust to gold, from gold to grass-green, from grass-green to sky-blue) stand for this slower, more balanced, and only for a while characteristically material development.

For easier understanding we sometimes use allegories from fairy tales for the different classes of companies. The lowest category of “Destructive” organizations can be likened to dragons. They are mean, scary, cruel, sly, and terribly greedy creatures from whom it is better to flee, or not to get in their way, because if you do, you must face battle. There are only a few. The second group of “Self-interested” enterprises are also destructive, but much less so. They are also less dangerous, because they are not as treacherous as dragons but stupid, rather. There are substantially more of them. The fairy tale archetype is a bad giant or a troll. The “Compliant” companies in the middle are like everyday man. Hesitating between good and bad, ready to do good, but leaning towards the bad too (remember the three brothers from the fairy tales, of whom the eldest two usually fail, but the youngest, who is the most modest and generous, succeeds). There are all kinds among everyday people but surely none of them as dangerously cruel as dragons or trolls. The fourth level, Public-spirited firms, are the hobbits from The Lord of the Rings. They live their provincial lives in peace, and are typically unwilling to solve global problems which do not even interest them too much. However, they do not generate problems either, living as simply, openheartedly and as devoid of a focus on power as is possible. At the top of the scale we find the Sustaining company, contributing actively to sustainable development by solving problems. They are efficient and smart but wise and unselfish at the same time. They are just like elves.

Most people think that society should be made up of ‘everyday people’, meaning that the main task of companies is compliance – with laws and probably also with the expectations of stakeholders. Some still believe that an economy can house only trolls and dragons; whoever does not tread and kill will be trod upon. A few ‘dreaming idealists’ think that the society should consist of hobbits, and we could do with some elves.

Is that a fairy tale? Or do such organizations exist in reality? As I mentioned earlier, while these types in pure form are obviously theoretical categories, we still can find companies and other organizations which fall into the top two labels. The upper categories can be further divided, as seen in the pyramid above.

Considering numbers, 99.8 percent of enterprises are micro and middle size. When we imagine the fauna of tropics we visualize elephants, rhinos, lions or giraffes, not the rodents or insects making up the bulk of the biomass. In very much the same way, if we say business or enterprise, we automatically think of huge corporations with well-known brand names - despite the fact that economies are overwhelmingly constructed from very small micro-enterprises which play a substantial role in employment and value production.

Elves and dragons

1. Elf
2. Hobbit
3. Man
4. Troll
5. Dragon

You either tread or are tread upon?

And in reality?

The biomass of economy and unlimited liability



Lányi András

Forbidden Ltds and joint stock corporations

Local small enterprises have unlimited liability. Not necessarily in legal terms, but because of having a known face: people know their owners and employees; no complicated ISO tracking procedures are needed for settling arguments. As Lányi András put it, having “Smith and Co.” over the gates will encourage me to do my work honestly even if only for vanity’s sake. My child could otherwise be slighted in school, or my wife talked about behind her back in the marketplace (KÖVET [2007]). Having my dwelling place in the courtyard of my own company, as in pre-war beer or porcelain factories or any other old, family-owned plant, it is only natural that I try my best not to pollute my environment.

As we mentioned earlier, the father of economics, Adam Smith [1776] was very much against the institution of limited liability. The world has changed considerably in accordance with the 300 hundred year old theory⁸¹ - basically constant since its creation - through reinforcement of the ‘profit maximizing above all else’ concept. These days it is not butchers and bakers who organize their lives by this principle, but global, oligopolistic corporations. This, in itself, would not matter if the fundamental principles of free market defined by Smith did not function completely differently in larger-scale, totally different economic and social systems. While the baker’s only responsibility is honestly provide bread of as good quality and reasonable a cost as possible to customers, this is not nearly true for multinational firms which are more and more characterized by economism. Besides, there is less need to legally force an ‘honourable’ baker, farmer or craftsman to obey regulations with regard to environment and health (who wants to pollute his/her own yard?) or quality (who would add suspicious materials to his children’s bread?).

You either tread or are tread upon?



Figure 41: The pyramid: the scales of Truly Responsible Enterprise

Small, honourable, local

The simplest form of the Truly Responsible Enterprise, therefore, is the **Fair Local Enterprise**. Here we exclude the current sadly common pejorative interpretation of ‘entrepreneur’- an aggressive and manipulative person, promising everything, then disappearing with the down payment; the first beneficiary of privatization and gaps in taxation. There is

⁸¹ Smith [1776]: “It is not from the benevolence of the butcher the brewer, or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity, but to their self-love, and never talk to them of our own necessities, but of their advantages. . . . He will be more likely to prevail if he can interest their self-love in his favour, and shew them that it is for their own advantage to do for him what he requires of them.”

also a popular opinion that there is a tendency among small companies for slackness in safety and other respects, that they are more apt to utilize illegal labour, provide minimal wages or enforce unpaid overtime. It is not a concern of our book to prove or negate the above statements; the consideration of size with respect to sustainability is based on 'ceteris paribus', the presumption of the similarity of every other circumstance (e.g. legal or regulational conformity).

The next category concerns the **Value-based Organization**. These are typically mission-controlled non-profit organizations. Legal terms do not automatically define the organization here. We find bad examples (foundations established exclusively for privatizing public goods) but more often good examples (schools working as Ltds, etc.) Aside from these differences, efficiently functioning non-profit organizations have every chance of being classified as Communal or even Sustaining, since they strive toward correction of market failures, and lessening of damages caused to the environment or society. They often give employment to disabled or otherwise disadvantaged people and are often focused on environmental protection or medical aid. While this is also true for drug manufacturers, the differences in the subordination of profit and healing motives are quite clear. Those non-profit organizations which conduct economic activities as a means of achieving their main targets may be included herein - such as associations and foundations for rural development, working towards this end by supporting traditional local activities.

Non-profit public organization

We now arrive at the next category of **Alternative Enterprises** brought forth earlier. Alternative enterprises could also be enterprises founded to achieve alternative goals to profit. They have to be economically viable, but they also have to have a morally higher mission and other objectives than maximising profit. The nature of this higher good can be social or environmental; for example the local production of total value food products; small-scale energy production for local – not luxury - use from renewable sources, or aid given to disadvantaged groups. There are also less 'elevated' targets. The most obvious common trait of alternative entrepreneurs is placing professional respectability and/or mission before profit. The alternative enterprise (functioning typically as a limited company or in some other nominally profit-oriented form) can not be seen to be independent from the people operating it.

For what do we enterprise? Only ourselves and money?

Returning for a moment to Figure 35 (page 71), showing the three main differences between alternative and traditional enterprises, uncertainty may arise. Though the difference is clear theoretically, it is again not measurable. Alternative enterprising may be something like love or friendship. We feel it is such, and whether it is coming or going, weak or strong, it cannot be defined exactly. For most of us these things are more important than, say, the width or temperature of railroad tracks, even if such measures can be given absolutely objectively and exactly. Our minds, trained toward favouring objectivity and facts, may meet difficulties in conceptualizing such 'poetic' categories.

The difference can be felt but not measured



Pataki György



Radácsi László

Still, acknowledged researchers in the field, like Pataki György and Radácsi László [2000] include such concerns in qualitative research when making deep interviews and quoting original texts in their and their students’ studies.



Nowadays everyone has a mission.

There are hardly any companies which have profit making explicitly in their mission statements: it is usually the high-quality servicing of customers or the satisfaction of some need that is formulated in this document. In reality, it is not mission statements written down that matter, but the spirit in which a company is run.

What’s the difference?

A large soft drink manufacturer, to use this example for the sake of illustration, might claim to have the mission of refreshing the world both in body and spirit. This is a beautiful cause, worthy of a UN organization or a recognized Church. However, if this is true, then the growth of profit and the main activity (making a product, which many consider not especially healthy or necessary at all, in combination with unrestrained marketing) are both subordinated to this mission. Is that so? Everybody can answer this question to their own satisfaction.

The leader and her/his mission



Henry Ford
1863-1947

On the other hand, a smaller enterprise might possibly have a leader with a mission serving some public cause. Let us suppose s/he uses the company as a means of providing employment. Provided the company is small enough and run by the owner it can be shaped as the company leader desires. This is almost impossible in the case of a multinational firm, even if they themselves started out attempting to be industrial heroes. However, these garage try-outs which become the best-known multinationals (e.g. Apple, Ford) somewhere lose their heroic narrative along the way.

There is no policy, standard, EU legal directive or management system which can guarantee the humane tone of a customer service operator. This is not a matter of customer service policy, but the committedness or, simply, the humanity of the operator. This can be easily done away with through the use of a computerized voice mail system, or by not dealing with the operator as a person, and typically cannot be improved by policies.

**Management
system and operator**

Alternative entrepreneurs can be recognized in the end by their specific behaviour in certain situations and the fruits of such behaviour. They typically shun price competition, if it pre-supposes low quality work. They maintain employment levels, even if they happen to go through some crisis and are temporarily made inefficient. They may readily give work to the elderly. There are some who only promise two from the “fast-cheap-trustworthy” three. These are all alternative approaches from a narrow understanding of the dominant economic paradigm, aimed at promoting economy, not economism.

**Alternative enterprisers:
alternative behaviour**

Finally we have come to the top of the Truly Responsible Enterprise pyramid, the Enterprise for the Community. Its main characteristic is well defined (with a “face”) ownership; it produces for the local market and uses local resources – the inclusion of external sources will never lead to long-term dependency (a start-up grant is acceptable, but not constant reliance on public aid. Occasional loans can be used, but not permanent operational financing. Involving venture capital is not recommended). The nature of work is an important factor; it must be purposeful in the way that Schumacher [1994] explains in his little book *Good Work!*

Economy for society

In one of our examples, economy serves a village. Over the course of some years the settlement gains ownership of the wind power plant (several megawatts) built with private ownership, a lot of voluntary work and an EU grant. After the first turbine has begun producing, 20 percent of the income goes to the village – which covers its public lighting – and, later, all local social expenditures are derived from this source (Tóth Gergely [2007]).

**For example, in the
community's
possession and interest**

3.3 NEW GENERATION

In the previous parts we have become acquainted with the characteristics of the Truly Responsible Enterprise, and a new type of classification which points to such a direction. We dedicate the last part of chapter 3 and also of the whole book to scrutinizing indicators of change from the present liberal form of capitalism to a more humanistic, more socially responsible form of capitalism. We might add here that this capitalism is not wholly new, but rather combines elements of tradition and innovation (Max Weber [1920].)

**A new kind
of capitalism**

Forwards!

Here I would like to clarify that I am not awaiting a revolution or a new social system to sweep away environmental or social problems. In spite of my previous, somewhat probably idealized references to the past I do not consider absolutism, feudalism or socialism to be better systems in the least than those we currently have. And I do not think forwards is backwards.

With reforming corporations

I even believe in large corporations, against all the odds, derived from their structural irresponsibilities and unsustainability; they are still far more efficient and better organized than weakening state beaurocracies or international organizations. Their aims and principles are in urgent need of renovation though, to say the least, because the world has changed around them, and they have also changed themselves. The 250 year old theory created by an economist who knew only small local communities and their strict moral standards, on which these economic giants base their self-interest and limited responsibility, cannot no longer be held valid.

New economics for the public

A new economics is needed which legally reintroduces unlimited liability, which makes limitless growth impossible by the abolishment of the institution of legal person, and which, last but not least, subordinates profit to man. This, however, is another story. Here I should only like to note that capitalism was totally different a hundred years ago and we have no reason to suppose it will not change in the next hundred years. Development is periodical, I don't believe that just by the theoretical extension of present day tendencies we can predict the future. In a hundred years the world will be different not only in the speed of our processors, the energy efficiency of our cars, or the memory capacity of data storage.

And not slaves of economists long dead!



John Maynard Keynes
1883-1946

I should like to quote the word of John Maynard Keynes to sceptics [1936]: "Practical men, who believe themselves quite exempt from any intellectual influence, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back. I am sure that the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas." Because of unsustainable development and the overwhelming presence of economic thinking the corporate responsibility is an ideal that will fundamentally change the world. Big corporations, the lords of our time, have the choice to lead this change or to be wiped out by it once and for all, maybe together with us of all (but being optimistic I will not deal with the catastrophe agenda).

Shouldn't we rather cry together with wolves?

But how can we achieve reform in a seemingly desperate situation where many signs show institutionalized egoism and exploitation increasing while nature and traditional culture are vanishing?

Is it worthwhile to deal with these issues at all, or should we, instead of utopian day-dreaming, rather enjoy the services of the current system while we can? Well, I, for myself, can not tell if we can muster enough willpower and cooperation to change or suffer catastrophe, but I do think it is not the latter we should work on. We should remember Mahatma Gandhi's timeless advice: "be the change you wish to see in the world". At the end of our time we will give account for our own efforts, and not those of others.

No!

How can the Truly Responsible Enterprise to be taken off the list of endangered species when it continually loses ground from global and local markets? We should not expect the solution to come from central regulation, financial aid, prohibition or law enforcement. Let's rather, redefine entrepreneurship by excluding dollar signs for a moment from our minds. Let's try to restructure the original meaning back into the concept of 'enterprise', with ideas of boldness, heroism the undertaking of significant actions, participation and dedication.

Let us redefine entrepreneurship!

Yes!

We should try to conduct our enterprises toward this end; in other words to arrange our sometimes petty tasks daily as if we were carrying out projects of importance requiring boldness and energy. Let us participate, commit ourselves and undertake assignments bravely, with an adventurous spirit. If we are decision makers in business, let us not only envision and be wary of shareholders crying for profit or some stern enforcer of regulation in Washington or Brussels (these archetypes exist in much smaller numbers than we might imagine), but listen to our own conscience. Let's refute the prejudiced public belief that the only concerns of corporate managers are profit maximization and customer demands, not long-term security.

**Enterprise originally:
boldness, dedication,
cleverness**

This way, truly responsible enterprises can reach a critical mass. At first it is not their numbers that matter, nor their ratio. It is just that they should be noted. To know that it is possible. To realize that they are not more vulnerable to bankruptcy than "usual" enterprises. To put them on the list of best employers, especially in the minds of talented youth. To make some banks proud of being able to offer credit to them. To make local governments eager to attract such enterprises to their region, and not the largest plants or hypermarkets which can cover the highest number of greenest square meters. It is also easier: alternative enterprises do not have to be invited and attracted, but to be noted and let live. They are definitely not going to move on after the amortization of the investment in five-six years.

Critical mass

Is there any chance of the diffusion of Truly Responsible Enterprises or of their becoming decisive players in the economy? First of all, as it has been shown, in less spectacular forms (fair local businesses) they are not rare at all. Second, the propagation of Truly Responsible Enterprises can be seen as a kind of fermenting agent.

Fermentation



This means that it is not regulations regarding responsibility dropped on current structures from above that is key, and moreover, nor is responsibility affected from below by aggressive movements of public organizations or conscious buyers. The move towards responsibility is of course needed but change must come from within: inner desire and successful practice should meet external forces.

Yeast!



Max Weber
1864-1920

Max Weber [1920] in his renowned book (Protestant Ethics and the Spirit of Capitalism) describes a similar transformation - nearly 100 years ago. No matter how enlightened absolutistic monarchs and some landowners had been or how grave the revolts and revolutions shaking Europe, the viable new system was rooted not in these but in the petty toil of burghers. The beneficial bacteria of that fermentation, the puritan entrepreneurs, worked not for their own enrichment with superhuman diligence and devotion, said the author, but for the glory of God. They were the ones who spread the spirit of capitalism, eventually fermenting feudalism's transformation to capitalism. Can Truly Responsible Enterprises serve in such a function in a new fermentation process? Is the mass ready to undergo transformation? We feel this is just what we need: yeast and awakening, not any more preservatives, artificial colouring or other additives.

The fruit is ripe

Social responsibility has begun to be demanded from companies because they are not held – due respects paid – responsible. They could become so by changing fundamentally. It won't happen overnight, but they might end up taking serious decisions differing from earlier ones regarding responsibility felt for an altering natural and social environment.

Is transformation possible on corporate level?

And is it possible for a firm, a manufacturer of articles of goods with limited worth, having far outgrown itself and infused by the spirit of economism, to be turned into a Truly Responsible Enterprise? Though far from underestimating human resource-

fulness which is capable of sometimes unbelievable achievements, I still have my doubts. It is a hundred times easier to launch a responsible enterprise and keep to the founding principle than to retrieve this spirit once it is lost. In our ranking there is a huge gap between grades 3-4 and 4-5. As we see, it is more difficult for a multinational company to become truly responsible than for a camel to pass through the eye of a needle. It can create new, independent units though – after all we can expect from enlightened businessmen, not from angels and elves, the foundation of new enterprises compatible with sustainable development.

Based on the writing above I could be seen to harbour ill-feelings against big corporations. As if I could forget about the thousands of small entrepreneurs (mostly un-) officially hiring at minimal wages or the fortune-hunters dumping their waste in nearby forests, all typical of small businesses. I would like to make clear that I do not share the opinion that firms and their managers are greedy and mean; it is extremist criticism which puts the blame for every ill at the feet of multinational corporations and their pursuit of profit.

Not against big corporations...



Figure 42: Picture from the film Alternative Entrepreneurs: the Green demonstrates

The big organizations are no guiltier of unsustainable development than little ones. Responsibility, in this respect, is not an adequate term, because our concern is not finding out who is guilty of what or whether they can be held 'responsible'; but that our behaviour and activities combined make the system unsustainable. Wilfully or not, consciously or not.

not a sin, condemnable responsibility...



Figure 43: By car and escalator
to the fitness room,
by elevator to the first floor

I might be a very good father, driving my boy to school in the morning and later in the day an important businessman who can only reach meetings by car, but that does not change the fact that in each case my car emits the same amount of CO₂ – regardless of any ‘eco-alibis’. My driving frequency and habits are far more significant than whether I use a hybrid or outdated car.



**but it will be more
difficult to become
a Truly Responsible
Enterprises because
of their structural
constraints.**

In all probability there are no more or less good people at small enterprises than at big ones, in general. All the same, whether my goodness can become manifest or not does depend to a great extent on the structure of the business. My environmental consciousness leads to nothing in a hotel without a stairway which could be used for climbing a floor or two. Ad absurdum, even the fitness room is only approachable by elevator so I must use electricity to get there, adding to climate change, then work on machines powered again by electricity to lose the kilos I saved with so much effort.

Contrary to this, a hundred years ago, one, regardless of how lazy, could have moved around in such an energy intensive way even in the most elegant hotels. And even if it was possible, the main staircase was the most attractive place, and certainly not with a safety exit sign posted over it.

Big enterprises are structurally inclined to strengthen institutionalized egoism. This, of course, has another name and is taught in schools as economic rationality. One can hardly fight against the structure even if s/he is the company director. Let's recall the words of the international CEO of Goodyear from the film, *The Corporation*. He complains about his lack of freedom in making decisions - yet people think the world is directed by executives such as him and his peers.

Manifestation of responsibility depends to a great extent on the structure and on the situation. Humanitarianism is possible in a concentration camp or the sinking Titanic, but undoubtedly more convenient in a church or at a Salvation Army gala... Once structures are created, they need long-term refinement. A factory, however polluting and exploiting, can be of greater burden when closed down, than when operational.

The wording of the rule is roughly this: being a small company you are not necessarily more responsible, but being a large one your excessive present and future growth is clearly bad for the sustainability of the system.

The main responsibility of great corporations, therefore, is to halt this growth. To put it positively: they should pursue optimal size, instead of maximal size!

The myth of the power of the Big Boss

Closing down, revolts? Hm...

Overgrowth

Halt!

ERRATA AND TESTIMONY

„Hate the sin and love the sinner.”

Mahatma Gandhi

*„First they ignore you,
then they laugh at you,
then they fight you,
then you win.”*

Mahatma Gandhi

I have been thinking of this book for five years, actively writing it for one and trying to finalize it for two months. Now we have to give it to the printshop, so it is going to be ‘final’ for a while in this form. During such a work an author reads many sources, tries to detect many questions, and listens to many opinions. I do not think that corporate responsibility is a thing in which you can become an expert, but your thinking definitely becomes more mature if you contemplate it for long.

This book created heated debates even in the embryonic (manuscript) form; some peer- reviewers criticized some points very intensively. One of the reasons for this was my supposed opposition to ‘multis’. I do not deny it totally: I most like to observe consumer society and its crowned monocrat, the modern corporation, from a respectable distance. But at the same time, due to my profession, job, and above all the age I was born to, I am a beneficiary of the – nowadays somewhat too – free market economy, as more-or-less everybody who lives today is. And of course I am also part of the problem. If really needed, I drive our car, accept plastic bags in the shop, ski abroad and if I thoroughly looked around in our house, I would probably find at least a dozen Chinese products which I could do without. What irritates me the most; I have become dependent on my mobile phone, and especially my notebook. As the American ex-president and the previous British prime minister roughly formulated: globalisation is like age, it is not a merit or a mistake, it is a fact.

So critical statements are doubtful from two points of view: first of all, critics are hypocrites themselves, but more importantly, do we have no chance to change? Not exactly - I would not be so pessimistic. On the one hand – although nobody wishes a return of the high child-mortality rate or to the public health level of medieval citizens – we can live consciously. We can move to a place where walking or cycling is not an illusion, we can shop with our own basket or textile bag, we can at least avoid superfluous or needlessly transported products and we can find a job where we are fond of our work besides earning money. Conscious consumption is more of a synonym of being modern than obsolete. On the other hand – and this is the more important question – the system develops constantly and we can develop it.

If I could not make my point clearly so far, I do it now: I consider capitalism as it exists today the best social system up to now, from the point of view of satisfying the needs of people. We don’t have to hit predators on the head with a

stone axe, we don't have to worship a sun king or a tyrant Caesar. Turks, Vikings, other believers, the Party or the secret service do not come too frequently to kill our families – basically we are very well off. Still, we cannot transfer these blessings to all our contemporaries. Peace, healthy food and water and public health is still a dream for so many people on Earth in our days. The benefits of capitalism have somehow reached their limits; they do not spread further. Money obviously behaves differently to material: it does not seek equal distribution. So, similarly to energy, we can attest it is a wonderful thing, but we should keep it under control!

But we also face a heavier problem: those enjoying the blessing of capitalism do not enjoy them so much; they tend to get used to it. Our developed societies show more and more signs of being against life: we are in a constant fight with other species, other social groups, those with other political or religious convictions, with our unborn children and most of all, with our very selves. Signs are unambiguous, their reading might be ambiguous. For me they mean that capitalism has to further develop into something better which maintains current benefits but corrects the mistakes. This has always happened during human history, and probably it will happen again. We can take for granted that the new system will also have mistakes we cannot even think of at the moment, but this should not discourage us from the struggle against current problems.

I see the modern corporation as a key figure in this development, through establishing a new wave of entrepreneurial spirit. I am convinced that the world will not change for better without the corporation. I also think that the corporation still has enough power to make the necessary, but sometimes painstaking steps forward. It can learn a lot from his own ancestor, the small company whose merits are not debated but which seems to degrade to a second-class hero in the modern economy. I am also sure that my views will seem ridiculous or subversive to the majority of businessmen, but we might find five to ten per cent who will take the lead in this big shift. Of course, the role of the government, NGOs, and conscious consumers is also important, but I personally do not feel a 'calling' towards them.

If you believe this, do your part in shaping the next 100 years of capitalism in this very exciting era. If not, look after yourself!

LIST OF LITERATURE

The source and recommended literature is listed in three groups. This makes searching simpler (you have to search maximum three times, by the name of the author).

Some smaller articles are not specified here, only in the footnotes.

In the case of important books, I try to specify the original publication. Where an online version is available, I also give its access and the date of reading.

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ABOUT THE AUTHOR

Tóth Gergely is a Hungarian citizen who was born in 1970. Together with his wife they bring up their four children. By education he is an economist and holds an M.Sc. in Business Administration, and a Ph.D. in environmental management. He has studied and worked for long periods in the USA, Holland, Germany, Romania and the Baltic States. He is fluent in English and German. With other colleagues Tóth Gergely established the Hungarian Association for Environmentally Aware Management (KÖVET) in 1995; he remained the executive director of this NGO till 2006 and has since then acted as secretary general. He also worked as the executive director and then vice president of the International Network for Environmental Management (INEM) between 2000 and 2005. Since 2006 he has been an assistant professor at the University of Pannonia in Keszthely, teaching economics, environmental management and global trade. Tóth Gergely holds 18 honors and awards, including the 'Pro Scientia' prize of the Hungarian Academy of Sciences, awarded in 1995. He has managed and supervised 20+ larger projects, financed by the European Union and other donor agencies. He has contributed to 30 books, has published 50 articles in professional journals and over the last 12 years has held 180 lectures in Hungarian and international conferences and training workshops. Beyond his children, his hobbies are writing, triathlon and other sports.

OPINIONS ABOUT THE BOOK

Boris Kovac
Coloplast Hungary

"With the bold questioning of the contemporary management paradigms, this book might give the best answer to the question of the executive 'How and which way further?' I would make it compulsory reading for all future decision makers, before they are lost in the faceless system of pursuing profit. No reader can remain neutral after reading this book, which stimulates us to think twice about whether our decisions are right, and what the wider implications are."

Gulyás Emese
Association of
Conscious Consumers

"This is a very readable book, written in a refreshing style and structure, setting – and luckily also answering – a fundamental question about corporate social responsibility: does it make any sense and how can we make it worthwhile? It really speaks about strategic questions, but not only the issues of business CSR strategy, but about the basics of how a company should be related to the environment and society: living conditions for us all. The book is very rich in authentic examples and quotes; its high virtue is that it offers a menu for both beginners and professionals. Conscious consumers need responsible companies and vice versa. I hope this book will help them to find each other."

Ostorházi László
Ostorházi
Bevonattechnikai Kft.

"This book requires a great deal of openness. If you set aside your potential prejudices and are willing to spiritually part from the 'ruling economic paradigm', you will definitely be enriched with some thoughts which will echo for long in your mind. As a business executive, you will have to rethink your enterprise from the basics, as a private person your habits and daily routine. The responsibility for others is very present in the life of all of us. Do you dare to act responsibly?"