



Leadership And Corporate Accountability

Lecture 12



Lecture Overview


◎ To develop and understanding of both corporate governance and CSR:

- what are they?
- why are they important?
- how are they implemented?
- what do they offer to business organisations?

◎ Scrutinise the social contract between business and society (and role of CG and CSR in this



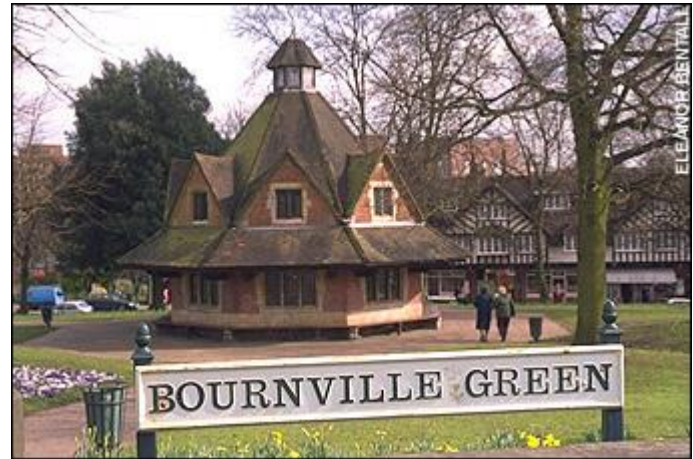
Trust in business

- ◎ Often consumers buy products without worrying about the impact of that product's manufacturing upon societies and the environment because they trust businesses to do this for them.
 - ◎ Business organisations do (or should do) this through activities such as corporate governance and CSR.
 - ◎ When this fails trust can be damaged...
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CSR & Corporate Governance



Early examples/foundations




Business and society

- ◎ Businesses are part of societies (locally, nationally, globally) therefore have a duty to act within their expectations and norms.
- ◎ By doing so they are able to operate successfully without harming the societies, communities and environments in which they operate (Sethi, 2003).



Corporate governance

- ◎ An essential aspect of ensuring confidence in democratic market economies (OECD, 2004).
 - ◎ Managing the relationship between management, board members, shareholders and other stakeholders (OECD, 2004).
 - ◎ Central to attracting and maintaining investment.
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Corporate governance defined?

Corporate governance is the system by which companies are directed and controlled. Boards of directors are responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place. The responsibilities of the board include setting the company's strategic aims, providing the leadership to put them into effect, supervising the management of the business and reporting to shareholders on their stewardship. The board's actions are subject to laws, regulations and the shareholders in general meeting.

The Cadbury Report (1992, paragraph 2.5).



Corporate governance

1. Leadership
2. Effectiveness/capability
3. Accountability/transparency
4. Relations with shareholders
5. Sustainability

...but this is an evolving concept and organisations must react to this.





CSR

◎ **Difficult to define:**

- Because it is an evolving concept;
- Because there is disagreement amongst businesses, governments, NGOs.

◎ **Variety of models, measures and frameworks**



CSR's evolution

- ◎ Early definitions (1950s-1970s): broad and heavily rooted in the 'social' element
- ◎ 'Conceptualisations' and models (1970s-1980s): efforts to produce a model of CSR and its institutional role
- ◎ Business case grows (1980s-): research turned towards analysing the financial impacts and competitive advantages offered.

(See Carroll, 1999)