Legal Responsibilities

RAMSBOTTOM, Olivia, DUFFY, Marc, O'DOR, Jules and WATTS, Joanne

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Dr Olivia Ramsbottom, Dr Marc Duffy, Dr Jules O'dor and Dr Joanne Watts

https://orcid.org/0000-0001-7305-5086

https://orcid.org/0000-0001-7341-7382

Jules O'dor

https://orcid.org/0000-0002-1110-3297

Abstract

Legal issues in a PESTLE analysis are often challenging to delineate due to their overlap with political and economic dimensions. Legal responsibilities are shaped by political contexts and economic expectations, making them integral to strategic thinking. While strategic thinkers can rely on expert advice, understanding the legal constraints and enablers that shape strategy is essential. This chapter adopts a balanced sustainability framework to categorise legal responsibilities into economic, social, and environmental domains. Economic responsibilities relate to trade, costs, and profitability; social responsibilities pertain to stakeholder interests; and environmental responsibilities address ecological impacts.

The analysis reveals a gap between legal responsibilities and responsible strategic thinking. This stems from varying political and legal contexts, inadequate legal coverage of social and environmental concerns, and instances of non-compliance. Drawing on Carroll's Corporate Responsibility pyramid and Visser's Ages and Stages of CSR, the chapter proposes a process model for integrating legal and ethical responsibilities into sustainable strategic thinking.

Chapter Outline

The Legal issues in a PESTLE are often quite difficult to distinguish as they overlap with other areas (political, as that is the environment in which legal responsibilities are developed and economic as it is the economic system that sets the expectations for how we do business) but here we present a selection of legal responsibilities of which the responsible strategic thinker needs to be aware. A strategic thinker has the benefit of being able to call on expertise in this area (a lawyer, accountant and a myriad of local and national and international governmental bodies) and it would be wise to take advice if required, but when thinking about strategy, it is a good idea to have an overview of the constraints and enablers related to legal issues by which a strategy will be shaped.

To give some structure to this chapter, we have used the balanced sustainability approach to categorise legal responsibilities: some issues are more to do with **economic** as they cover trade, costs, prices, and impact on profit maximisation. Then there are those that affect the **social** (the organisation's stakeholders) and the **environmental**.

What emerges from this discussion of legal responsibilities is that there is a potential gap between legal responsibilities and responsible strategic thinking, for many reasons. Legal responsibilities are framed, and therefore confused, by different political and legal contexts so a universal approach should be sought; laws are broken; and laws do not cover social and environmental responsibilities adequately. This chapter uses Carroll's (1991) Corporate Responsibility pyramid to discuss the potential absorption of legal responsibilities into ethical responsibilities as a way to optimise the likelihood of sustainable strategic thinking, and draws upon Visser's (2011) Ages and Stages of CSR to contrast Carroll's theory, before concluding with a new process model for responsible strategic thinking.

Key Points

- A strategic thinker will always have to operate with the constraints and enablers of legal expectations in their countries of origin and operation.
- A strategic thinker can scan developments in trading, company set-up, tax, and competition to get an idea of economic impacts.
- A strategic thinker can scan developments in employment law, health and safety and consumer law to get an idea of social issues.
- A strategic thinker should be aware of the increasing prevalence of environmental legal actions challenging organisations in the light of the climate change crisis.
- Whilst legal responsibilities are important, an emphasis on acting ethically and sustainably would, by its very nature, encompass the required legal requirements. A restriction to thinking to legal requirements may in fact prevent responsible and sustainable practice. Indeed, organisations can fall foul of legal systems where responsible and ethical practice has been overlooked or ignored as highlighted later in the chapter.
- Ethical and Responsible thinking is intrinsically linked with responsible leadership and relationships with stakeholders as discussed in Chapter 6.

Legal Responsibilities

All strategic thinkers must operate within the legal framework of which they are a part. Legal responsibilities represent the rules and norms their society considers to be important to the smooth functioning of their society. Of course, those rules and norms will be different depending on where the organisation is based, and that is one of the difficulties organisations are facing now, in the increasingly globalised and therefore complex environment of which we are a part.

The legal issues to be addressed when strategy-making are many and varied, and examples are as follows (not an exhaustive list). There is a danger for the strategic thinker here in getting waylaid by detail whilst trying to formulate something that is meaningful and long-term, but we do have to be aware of two things. Firstly, as Chapter 2 explained, all strategy must be implemented, and awareness of the potential pitfalls will be key to formulating something applicable and worthwhile. Secondly, legal responsibilities remind us of the wider impact of our strategic decisions and could therefore lead us to more responsible strategy-making, to be discussed later in this chapter.

Economic

The following impact on an organisation's ability and capacity to make a profit.

Tariff policies and trade agreements

Who can you do business with and what are the constraints on that business? Brexit changed the rules and regulations under which British companies could operate in the European Union. For example, events companies found there were restrictions on their ability to travel and work within the European Union and their ability to move equipment and workers. Donald Trump, as of the time of writing, has become President-Elect of the US and has promised a tariff on imports to protect the US automotive industry, launching a 'trade war' between the US and China.

Company set-up and governance

When a business/organisation begins, there are decisions to make about how it is set up and therefore the legal rules by which it will operate. Sole proprietors, partnerships, limited companies, social enterprises, community interest companies, corporations (not an exhaustive list and there are different terms used in different countries) are all options for set up and this will govern the checks and balances which are incorporated into the organisation's practice. Different organisations, led by industry-specific compliance standards, will also have unique needs in terms of accreditation, qualifications, and liability insurance. For example, an organisation operating with volatile substances or issues, from gas to people (!), will be expected to be qualified in certain areas and recognised by the trade bodies or professional standards in that area. The choice of organisation set-up will balance risk, liability, formality and of course consider the purpose/value of the organisation as discussed in Chapter 1.

Company taxation

Companies will pay tax on their earnings. There may also be (depending on country of origin) national insurance to pay, VAT, sales tax, local and national taxes. The change in government from a more liberal tax regime to a stricter one often leads to companies threatening to move their operations to other more lenient locations. A strategic thinker may want to consider whether this movement would compromise their social responsibilities.

Competition laws

Open and free competition is a fundamental pillar of the capitalist economy, and so in societies operating within this philosophy, one could expect to comply with laws that are designed not to stifle competition or to create monopolies. Linked to this is the issue of protection of an organisation’s intellectual property, and the trademarks, patents and copyrights, logos, domain names, business names, symbols, or specific illustrations that ensure that an organisation’s unique selling point or competitive advantage are maintained.

Our increasingly globalised, open, and technology-led world is challenging both concepts (of open and free competition and protection of intellectual property) that have previously been fundamentals in strategic management. Examples of this challenge are as follows:

- In Chapters 5 and 6 it was discussed how ‘coopetition’ (two or more competitors working together to complement each other’s resources and capabilities) is an alternative way of doing business and potentially counter to the traditional idea of competitive rivalry in business.
- Another feature of our globalised and open technology world is the ease with which organisations can access and copy ideas and products, and the difficulty in cross-border legislation to deal with this. For example, Chinese-made replicas of products are big business.
- Finally, another aspect is the unstoppable domination of certain (technology-based) companies. Recently US regulators accused Amazon of being a monopoly (Clayton & Espiner, 2023). The critical point about competition laws is that they are intended to prevent prices being driven up for consumers, but one might argue that Amazon’s success is based on quite the opposite: Amazon have created a level of competition by driving costs and prices down.

Are existing competition laws capable of dealing with a VUCA (Bennett & Lemoine, 2014) environment?

Social

All the following impact on an organisation’s ability and capacity to make a profit whilst maintaining their commitment to their stakeholders.

Employees - Employment laws/protection and minimum wage

Around the world, there are different laws regarding how people are employed, what their conditions should be and how much they should be paid.

This is a complex issue. All strategic thinkers will be aware of the resources that their organisation has or can access and will be aware of the cost of those and sometimes the need to cut the cost of those resources to stay in business. One of those resources in human resources, and despite laws being in place, these are often bypassed to the detriment of workers.

For example, outsourcing of production can be a way to cut human resource costs and move production to a cheaper country. Workers there will take work that contributes to their family income, and companies can still operate within the law whilst paying what a (normally Western) consumer would not consider to be a minimum or living wage. In fact, whilst child labour laws exist in many countries, they do not in others, and children are expected and needed in poorer countries to contribute to household incomes. This is not illegal, but it may be unethical. Global attention was drawn to worker exploitation in 2013 after the collapse of the Rana Plaza garment factory in Bangladesh killed over 1100 workers (Ferguson, 2020). Exploitation is not reserved to poorer countries, with exploitation exposed in Leicestershire in the UK in 2018. Modern Slavery has become a focus of many, with some motivated to deal with the fallout from that (a Derby based company called Just Ice (https://www.just-ice.org/) has made it their mission to employ people who have escaped modern slavery and draw attention to its prevalence).

Other examples of operating within the law but unethically regarding employment practice are fire and rehire (where mass dismissals are enacted to bring in terms and conditions more favourable to the business or organisation), and the gig economy where workers are self-employed and offered work with no job security.

Other employment laws/protection includes attitudes towards and support for maternity and paternity leave, prevention of discrimination on grounds of sex, race, sexual orientation, promotion of quality, dismissal, redundancy and will be different according to country.

Health & Safety

Whilst health and safety regulations are different, and differently applied the world over, one could assume an interest in maintaining a safe place to work. Safety training, protective gear, maintenance of machinery, temperature controls, breaks, hygiene facilities will all contribute to this, and in many jurisdictions, there are regular safety checks.

Other Stakeholders - Consumers/Customers and Suppliers

Our stakeholders: customers, suppliers, and those we do business with should be able to expect certain services from us. We must stipulate carefully what we will and will not do, and the price for that product or service. Attention to weights, measures, contracts, terms and conditions, and credit agreements must be clear, and our customers have the right to reliable and quality services (or at least the quality that was promised). There are watchdogs and regulators in key fields that keep an eye on transactions and relationships in this area. There is also law regarding our collection, use and storage of data as the result of our interactions with our stakeholders. This has received increased attention in our new world which relies so much on technology and where data is power. We are still to a certain extent figuring out how to ethically deal with data. In 2018, this issue came to prominence in the Cambridge Analytica scandal where data collected for academic purposes was used for other purposes. In certain jurisdictions, organisations can face significant fines for inadequate data protection. For example, Facebook's owner, Meta was fined €1.2bn (£1bn) for people's data when transferring it between Europe and the United States (McCallum, 2023).

Environmental

Chapter 9 concentrates on environmental responsibility. Suffice to say that there are often rules on waste management, emissions, and resource usage that affect businesses and organisations. But the most pressing issue here is the wider climate change challenge and Chapter 9 looks at some of the movements, from COP conferences to the Global Compact to encourage business and organisational positive performance in reducing emissions and resource usage. One of the crucial issues currently is often the voluntary nature of these movements, and the lack of commitment from certain governments to act and move a 'nice to have' into law. However, there are areas of action, for example 'The High Seas Treaty' provides a framework for setting up marine protected areas, to protect 30% of the world's oceans by 2030.' (BBC, 2023) and the European Commission has brought in a Regulation on Deforestation-free Products (EC, 2024). There are also examples of where organisations are being challenged, and strategic thinkers need to be aware of these issues as part of their environmental scan and in their efforts to move towards more responsible strategic thinking. For example, Bateman (2021) drew attention to 'a snowballing of court rulings in favour of environmentalists around the world' and in 2023, noted that Danone (with brands such as Evian, Activia and Volvic) and PepsiCo (maker of Pepsi, Doritos) were being challenged regarding plastic pollution (BBC, 2023).

The Issue with Restricting our Attention to Legal Responsibilities

One of the key problems with discussing legal responsibilities is that all of us know of situations where businesses and organisations have either broken the law in the pursuit of economic success or found ways in which to circumvent the law in a way that does not seem to honour the intention of the law. Some examples have been given above, and then there are the international scandals such as Enron, WorldCom, Tyco International, Arthur Andersen, Qwest, Global Crossing, Parmalat, Barings Bank, Systembolaget, Skandia, and Lehman, and see the case study in Box 8.1.

This is why we should now consider the relationship between the legal and ethical in relation to strategic thinking and consider a novel approach to responsible strategic thinking that subsumes the legal within the 'higher' ethical approach.

<Figure 8.1 here>

Figure 8.1. The Corporate Social Responsibility Pyramid (simplified from Carroll, 1991)

Here we use Carroll's Corporate Social Responsibility Pyramid (1991), represented in Figure 8.1 as a framework for this discussion. This is a well-established tool for considering an organisation's actions, and its constituent parts. The pyramid takes us from Friedman's perspective at the bottom of the pyramid, 'economic responsibilities' through legal responsibilities and ethical responsibilities to the 'pinnacle' of corporate citizenship and philanthropic responsibility. Carroll expected an interrelation of the components and that for a company to be considered socially responsive it must meet all four components (Henry, 2021).

Discussing each of the layers will help examine the ideas, and then we can re-set those ideas in the light of what has been discussed so far.

Economic Responsibilities

Economic responsibilities are to gain and sustain competitive advantage and Friedman (1970) said that a business' economic responsibilities were 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 fraud. Thus, Friedman referred to the first two layers of Carroll's pyramid: economic and legal responsibilities. Friedman also said that a business' economic responsibilities were its social responsibilities (Friedman, 1970) given his belief that successful businesses had beneficial effects on all of those around them.

Legal Responsibilities

Some, but not all, ethical responsibilities are covered by law as laws are manifestations of the ethical expectations of the society in which they are based and in which businesses and organisations operate. However, laws can never be fully comprehensive (Schnebel & Bienert, 2004) not least because we are operating in an increasingly globalised business and economic environment, managed by many different legal systems, and if we rely on laws to dictate our responsibilities, we cannot guarantee a coherent approach when the laws in one area in which we operate might be different from another. Neither can laws be fully up to date (Schnebel & Bienert, 2004) as the complex environment in which we are operating is dynamic and political and legal responses are notoriously lagging.

Add to this discussion the many examples of illegal behaviours in businesses and organisations in order to make money (or gain competitive advantage) and which resulted in many negative economic and societal impacts (personal, business and job losses, expensive and time-consuming court battles, reputation and brand equity loss, lack of confidence for governments, shareholders and therefore society also) and this suggests that supposed legal responsibilities are insufficient to promote good and effective practice. We therefore look to ethical responsibilities, the next layer of the pyramid, to see if acting ethically would guide us to better practice and encompass the legal responsibilities we have discussed.

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Case Study: The Law and Stakeholders - Oil Refineries and Ogoni Land

In the 1950s, oil was discovered in commercial quantities in Nigeria. In the west of the country, the Niger Delta region became a site of significant exploration. The area was largely dominated by the Ogoni People, who live in a homeland they call Ogoniland. The Ogoni 'wealth' was, and continues to be, supported by farming and fishing the area - one of the largest mangrove ecosystems in the world (UNEP, 2017). Shell discovered the sites rich oil resources in 1958. Overtime, the Niger Delta accounted for a large proportion of national exports and in the 1980s and 90s, formed some 80% of government revenue (Kline, 2010).

The prosperity of the oil companies and Nigerian Government came at a cost to the Ogoni people. In the early 1990s, protracted social injustice and environmental degradation led to public unrest in the area. Revenue for the oil industry mostly benefited the government and multinational oil corporations, notably Shell. Little of the wealth trickled down to the Ogoni people. Activists, including Ken Saro-Wiwa, a playwright and poet, challenged oil companies about the impact that drilling was having on the livelihoods of farmers. As well as economic implications concerns mounted about the destruction to the environment rendering it wasteland. They accused Shell and the Nigerian Government of 'economic genocide', arguing that the environmental devastation was tantamount to a systematic marginalization of the Ogoni people (Lauwo et al., 2023),

Prior to this period, Shell was selective in their dealings with stakeholders in the area, concentrating efforts to leaders in the community who were compliant with Shell's position, ignoring activists, the Movement for the Survival of The Ogoni People (MOSOP) led by Ken Saro-Wiwa (Wheeler et al., 2002). Over time, the movement gained recognition by key groups such as Amnesty International and Greenpeace, The United Nations as well as organisations sensitive to the plight of the Ogoni people including high street retailer, The Body Shop. Despite gaining international legitimacy, Saro-Wiwa, along with nine other key representatives of MOSP, were imprisoned and subsequently executed by the Nigerian Government. This led to global condemnation and highlighted the issue of oil interests and profiteering at the expense of human rights. Operations were suspended and have since remained largely dormant because of public unrest.

In 2009, Shell faced legal ramifications associated with a failure to recognize MOSOP as legitimate a civil society organisation, key stakeholders in the area, As bystanders who failed to intervene in government exploitation of MOSOP members, ignoring the concerns of the group, Consequently, Shell were forced to pay a €10 million out of court settlement to the families of Sara-Wiwa and other executed activists (Crane et al., 2014). The challenges of law, ethics, human rights, and environmental degradation continued. A further landmark case positioned Shell as complicit in Hunman Rights abuses including torture and killing s perpetrated by the Nigerian military.

The historical, legal case of the Ogoni continues to rumble for Shell. In 2023, the High Court in London ruled that farmers and fishers from the areas could bring claims against Shell for 'alleged breaches of the environment' (The Guardian, 2023). It was argued that pollution continues to undermine the Ogoni's human right to a clean environment. Though Shell are preparing to divest operations from the area, the case may continue. In February 2024, a report published by the Center for Research on Multinational Corporations claimed that Shell were avoiding responsibility to clean up the area given the company's historical profiteering, falling short of Nigerian Law (SOMO, 2024).

For organisational leaders, the case highlights the implications of violating 'soft' law in the context of human rights and the environment. The case demonstrates the short- and long-term impact, devastation, and consequences where strategic thinking fails to take account of civil society stakeholders.

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Box 8.1. Case Study: The Law and Stakeholders - Oil Refineries and Ogoni Land

Ethical Responsibilities

We need to understand what ethics is and what acting ethically entails. Carroll (1991) describes ethical practice as doing what is right, just, and fair. This assumes that we are being right, just and fair to people, to stakeholders, to members of our society. Businesses and organisations are inextricably linked to the people and their associations that make up society, from using those people as resources to produce outputs and impacts to expecting people to use and purchase what they have to offer. If you want to have such impact or influence (and impact and influence is assumed with the business or organisation's existence as part of society), then Demartino says you necessarily take on ethical obligations (Demartino cited in Raworth, 2017, P161).

This relationship between businesses, organisations and people is a social contract or psychological contract (Rousseau, 1995), where a stakeholder is willing to enter a mutually beneficial relationship with a business or organisation on the basis that certain standards will be respected, and a stakeholder does not expect to be treated badly or put in a subordinate position: ‘ethics necessarily requires the preservation and increase of legitimate options available to others as well as to oneself. Legitimate options are those that do not reduce the options available to others’ (Ackoff, 1996). Good and ethical behaviour contributes to collective benefit and establishes a win-win relationship.

Ethical behaviour also supports the economic responsibilities of an organisation. It saves on costs (a straightforward relationship of trust is less time-consuming and involves less effort in terms of contracts and agreements or breaking those contracts and agreements). Also, if we do not act ethically, our very structure of capitalism will be broken. Schnebel & Bienert (2004) argue that unethical and illegal behaviour undermines capitalist society making it no longer fit for purpose.

But how do we design ethical strategic thinkers and ethical organisations? We could expect strategic thinkers to employ Rawls’ (1971) concept of the ‘veil of ignorance’ which posits that only a person ignorant of his or her own identity is capable of a truly ethical decision’ (Rawls cited in Banaji et al., 2003, P181). This means making a conscious effort to be aware of one’s own unconscious bias and to be objective in one’s approach. This ties in with personal mastery and establishing objective mental models (Senge, 1997; Higgins, 2015) which assumes a self-awareness and a desire and ability to understand external realities objectively, and to try to abandon the individualistic, selfish and egotistical approach of the ordinary human being who is seen as prey to short-term thinking and consumerism, the latter supporting and funding the emphasis on economic success over societal and environmental issues.

Organisations should also, in their strategy-making process, establish the values that strategic ideas need to be filtered through (see Chapter 2) with a set of key questions about what they want to achieve and why, and what their ethical and social responsibilities are. These questions are returned to in Chapter 10 with a model of how a manager can best place themselves to think in a responsible, strategic way. However, this setting of values could still miss what is ethical, depending on the culture and leadership of an organisation. Thus, each strategic thinker would need to engage the veil of ignorance and it will be extremely important to engage multiple perspectives in standard-setting, as discussed throughout this book and largely, an open, honest approach to raising issues will encourage more of an open and honest organisation (an integrity-based ethics approach as opposed to a compliance-based ethics approach) (Dess et al., 2019) as governance controls curb bad behaviour.

When we talk about ethics, these are the moral principles guiding us and our decisions. There are obvious signs that we are not acting ethically, and these obvious signs fit within the legal expectations (i.e. we should not commit fraud for our own gain) but it is where those legal commitments end that there may be ‘grey’ areas and where we may start to favour ourselves and those who we know rather than thinking about the wider impacts of what we do. This is where the guiding principle of thinking ethically returns. We should not intend to impact on the choices of others and the generations that follow, only to increase the quality of our lives today.

Transparency (Flynn & Asquer, 2024, P134) is a good control mechanism for ensuring moral behaviour. ‘Transparency, which is commonly understood as ‘the ability to look clearly through the windows of an institution (den Boer, 1998; Meijer, 2013)’ is surely a good check. If someone were to see what we were doing, would we be proud, or would we want to hide it away? ‘The very prospect that others are informed of one’s conduct can induce individuals to self-discipline themselves to high standards of integrity, which makes employees adhere to ethical principles and values of honesty, impartiality, and selflessness’ (Flynn & Asquer, 2024, P134). The only problem with that is if we have personally questionable morals, and another check is the Rawls veil of ignorance and the ability to step outside of one’s own mind and think in terms of society’s expectations (Svensson & Wood, 2008). Additionally, in Chapter 6 we discussed the role of stakeholders as an accountability mechanism, where, following Laasch (2024) the aim is to publicly and transparently explain and justify the organisation’s strategic actions, judgements, and omissions.

Of course, this transparency only works if society’s expectations are sound! And often we see paradoxes in society. Whilst in Chapter 5 we recognised the growth of social enterprise, in response to a growing sense of social responsibility, society is, it seems, willing to put up with quite a lot. There are indeed scandals from time to time, and it can take time for certain issues to be exposed, but there is certainly no universal protest at how certain issues are dealt with, even if they seem unjust or unfair. There is a certain amount of defeatism, of ‘what can **I** do?’ about issues of the day.

An ethical perspective of what is right, just and fair would create better businesses and organisations than a narrow focus on what is legal. Ethical behaviour should encompass legal responsibilities, ensuring fairness even if the legal structures of any country or society are inadequate in protecting all its citizens.

Philanthropic Responsibilities

Finally in the Corporate Social Responsibility pyramid is a layer called ‘philanthropic responsibilities. Included in this discussion regarding ethical issues encompassing legal issues should be a discussion of whether philanthropy should be required in its current form. It is seen as doing good, and many wealthy people have been admired for being philanthropists in the past, whereas some have been accused of greenwashing or care washing, especially when their often excessive profits have been built on questionable business practice or on anti-environmental activities (such as the Sackler family’s connection with the US opioid crisis). Dean (2020) retells a revealing story about Donald Trump who ’always wanted people to believe he is generous; he spent years constructing an image as a philanthropist by appearing at charity events and making very public, even nationally televised promises to give his own money away, which he never did’ (Farenthold, 2016).

We might ask whether philanthropy or charity should be required in the modern world. This sort of action is a sign of failure, by the state certainly, but we would argue by the economy also. If organisations are not employing people, if they are not paying enough for people to live, and if they are not creating value for their communities and societies then they are not necessarily fulfilling their responsibilities. One might argue that if the system worked properly, philanthropy and charity would not be necessary.

So the ‘pinnacle’ of the pyramid is not the nice to have, it should be what has variously been called corporate social responsibility, social purpose, conscious capitalism, adherence to the Triple or Quadruple Bottom Line and most recently environmental, societal and governance (ESG) responsibilities, or, given all our discussions, we can replace all these terms with ‘sustainability’ if we recognise, as detailed throughout this book, that sustainability implies an organisation’s responsibility to environmental, economic and societal responsibilities.

A sustainable approach naturally encompasses a philanthropic approach defined as giving, benevolence, welfare, altruism, prosocial behaviour and ‘doing good’ (Journal of Philanthropy and Marketing, 2023) because a sustainable approach would make these activities part of a business or organisation’s natural behaviour. A sustainable approach, given our definition of sustainability as ‘intra- and intergenerational justice as well as ecological limitations (WCED, 1987 cited in Neugebauer et al., 2015) and considering ‘the needs of the present without compromising the ability of future generations to meet their own needs.' (WCED, 1991 cited in Higgins, 2015, P2) encompasses an ethical approach: ‘the preservation and increase of legitimate options available to others as well as to oneself. Legitimate options are those that do not reduce the options available to others’ (Ackoff, 1996).

Philanthropy has the tone of being altruistic and an additional ‘nice to have’ rather than an essential. If we replace this with ‘sustainable’ and assume its importance alongside ‘ethical’ we have economic success as arising from ethical and sustainable actions. If you cannot act ethically and sustainably, then the reward (given that we are assuming a wider, system impact than just maintaining a profitably sustainable business), will not be yours.

Now let us complement our discussion of Carroll (1991), with Visser’s (2011) theory of an organisation’s age and stage of Corporate Social Responsibility (CSR), charting the organisation’s attitude and approach to social responsibility.

Business Age	Stage of CSR	Modus Operandi	Key Enabler
Greed	Defensive	Ad hoc	Investments
Philanthropy	Charitable	Donations	Projects
Marketing	Promotional	Public Relations	Media
Management	Strategic	Systems	Codes
Responsibility	Systemic	Models	Products

Table 8.1. The Ages and Stages of CSR (Visser, 2011)

Greed

In the first business age, organisations are greedy, defensive and engage with responsibility on an ad-hoc basis, the key barrier to progress is investments, and the culture in the organisation is reactive to change. Sustainability efforts are unlikely to be implemented unless in way of defence to some external threat. The business environment of 1950’s America is often cited as an example of this stage.

Philanthropy

In the second business stage, organisations are said to be philanthropic, and charitable, willing to provide donations to local charity for the purpose of virtue signalling. Organisations might make donations for local projects, while doing nothing to change themselves. Consider an organisation who pollutes the river as normal business, and continues to pollute the river, but then donates to the local Children's Hospital.

Marketing

In stage three, organisations wake up to the possibility of corporate social responsibility becoming a marketing strategy, one that enables them to create promotional materials and good Public Relations. The media are a key enabler of success in this phase, in the same way that stage 1 was discussed as being similar to the 1950s business environment in America, perhaps stage three is more representative of the late 1990s or early 2000s in terms of how a business might respond to public pressure for sustainability initiatives. Examples of this approach during that time might have included obtaining solar panels or recycling waste. Initiatives that were impressive at the time, but perhaps not particularly revelatory in terms of organisational development and attitudes towards corporate social responsibility.

Management

In stage four the organisation begins to change meaningfully for the first time, the management begin to make strategic decisions in relation to how the organisation operates, and how it might change. Stage four includes the organisation creating new systems new codes of practise and new policies, perhaps in this case it could include procurement policies for work life balance, strategies for meaningfully changing elements of the business to influence stakeholders. Examples of this approach to CSR include organisations who meaningfully engage with their employees, assess a genuine improvement in their HE policies, and change something genuinely about the business.

In reality, whether it is accepted or not, most organisations sit in stage four, there are some attempts to change, some new policies, and some evidence of change. In a meaningful way, the organisation operates in exactly the same way, however senior managers can quickly pull out examples of strategic initiatives that the organisation has undertaken to become more sustainable. For sustainability experts, they can quickly see past the shallow efforts and are often frustrated by the lack of meaningful change in progress as evidenced by the final stage of this theory.

Responsibility

In the final stage, organisations begin to take responsibility and systemic change in their business. The modus operandi of the business begins to change, products might be cannibalised, discontinued, and new products created in their place. In reality, very few organisations have ever reached stage five, as it involves creating meaningful lasting and permanent change in business structure, product development, and in some cases even de-growth of the business.

The theory as presented by Visser (2011) is relatively straightforward to understand, but meaningful in impact. Organisations can easily and quickly assess where they are in their age and stage of CSR, and while organisations will be quick to place themselves further down in their stage, the most critical and forward-thinking organisations may admit they are still philanthropists or marketeers.

Having considered these theories, we suggest a change in the shape of this discussion. One must act ethically, legally, and sustainably to enjoy economic performance.

<Figure 8.2 here>

Figure 8.2. Responsible Strategic Thinking

Ethical Actions

- Follow all laws of the country and the business/organisational sphere of which you are a part, but go further.
- Be Objective
- Be Right, Just and Fair in one's practices
- Preserve and increase the legitimate options available to others

Sustainable Actions

- Understand the impact of decisions on society and environment whilst pursuing economic success.
- Collaborate and cooperate to understand others' perspectives

Economic Performance

- Thrive
- Re-invest

A Call to Action

But is this 'ethical and sustainable-first' approach realistic?

There is support. Compare Friedman's view in the 70s with research done in 2014: 'The tone of organisational purpose (as the combination of its intention and motives) has itself shifted. Jennifer Sindberg in Director magazine (Scott, 2014) reports a survey by Deloitte that asked a sample of millennials whether they agreed with US economist Milton Friedman's statement that the only responsibility of business is to increase its profits. Of the sample, 92 per cent said no, as did 93 per cent of the 300 directors (Scott, 2014)' (Haslam & Shenoy, 2018, P202). This highlights a shift in views of what constitutes organisational value for future generations from one solely concerned with economic growth to a society that have growing expectations of organisational ethics, responsibility to secure sustainability.

However, there is also doubt about changing our business approach from Friedman's perspective. Raworth published Doughnut Economics in 2017, and it has become the cause of much discussion in many forums. Raworth appeared in The Rest is Politics 'Leading' podcast with Alistair Campbell and Rory Stewart in June 2023. One of Raworth's main points is that the goal of constant growth is alarming and that we should seek to 'thrive' as opposed to grow. This supports moving the onus away from economic responsibilities as the basis for business and this move is reflected in the amended process of business/organisation responsibility as presented in Figure 8.2.

However, this change is a challenge to the economic and political systems of most countries and Campbell and Stewart, whilst supporting the ideal, saw it as that (idealistic) and asked how a politician could frame these ideas. Indeed, in chancellors' speeches the aim is always to be productive, to grow GDP. Raworth says that GDP is an invented human measure and that we cannot have, for example in the UK, a 2.5% GDP growth and manage our impact on the planet. She asks, 'in the context of today's social and ecological crises, how can this single, narrow metric still command such international attention' (Raworth, 2017, p31). However, Rory Stewart raised the issue that the state costs so much in the UK that if we reduced GDP, we could not afford our government, and politicians therefore will not and cannot challenge the growth mantra. Campbell argued that he cannot see this challenge to growth translating into political strategy and cannot see it working in a democracy However, we have already argued that by acting ethically and sustainably there would be less of a need for state intervention, as public sector bodies are filling the gaps left by private sector and capitalism and the economic and legal-first perspective has led to economic crises in the past (the 2008 global recession for example).

Chapter Summary

Whilst strategic thinkers must operate within the legal frameworks of the countries where they are active, focusing on ethical and sustainable practices inherently satisfies legal requirements and promotes responsible strategic thinking. Limiting strategic thinking to mere legal compliance may hinder sustainable and responsible business practices.

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