

## Forum

# Back to Basics: What Is the Purpose of the corporation?

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## Introduction

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This section of *Notizie di Politeia* 117/2015, devoted to “Back to Basics: What is the Purpose of the Corporation?”, collects some of the papers delivered at the Tenth Politeia Forum on Business Ethics and Corporate Social Responsibility in a Global Economy, held on 3 October 2014 in Milano, Italy. In addition, other relevant essays are included.

The Forum was organized by the Research Centre Politeia, in partnership with the Department of Social and Political Sciences of the University of Milano, the IÉSEG Center for Organizational Responsibility, Fondazione Eni Enrico Mattei, and the Global Compact Network Italy Foundation, under the patronage of INAIL, and with the support of the Promoting Committee, composed of several well-known Italian companies.

This publication is particularly important for Politeia, because on the one hand it marks the tenth anniversary of the Forum, on the other hand it consists in the tenth volume of the proceedings of the Forum, witnessing the success and the consolidation of both over time. The Forum is a reference point in the community of scholars and practitioners in the field of business ethics and CSR: from 2004 onward, some of the most important scholars and experts in this fields worldwide have offered a contribution of knowledge and experience to an international public through the Forum, discussing a number of vital themes related to the ethical challenges emerging in the global economic system<sup>1</sup>. The series of special issues of *Politeia*<sup>2</sup> is a valuable tool for all those who work in the field. Moreover, the series is thought as a further contribution to the fulfillment of the main aims of the Forum: those of providing the theoretical support necessary for

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the programmes on ethics emerging in an ever increasing number of companies, and of raising the awareness of companies on their ethical responsibilities, through an approach meant to fill the gap between ‘experts’ and ‘practitioners’.

The Tenth edition of the Forum is in continuity with the Seventh (Milano, May 2011), the Eighth (Milano, December 2011) and the Ninth (Milano, December 2012), respectively on “The Corporation as a Political Actor: A New Role of Business in a Global Society”, on “Business and Human Rights: in Search of Accountability”, and on “Corporation and Global Justice: Should Multinational Corporations Be Agents of Justice?”.

The focus of the Seventh edition was how, in a globalized world, multinational corporations (MNCs) and NGOs play an increasingly active role in the formulation and implementation of regulation in policy areas such as the protection of human rights, the implementation of social standards, the preservation of the environment, the struggle against corruption, and the production of global public goods: this trend results in the promotion of positive social changes and thus in the assumption of direct *political* responsibilities which traditionally belonged to governments (Crane, 2011; Palazzo, 2011). The Eighth edition developed the theme of the new role of business in a global society, by analyzing in particular the impact of business activities on human rights. The debate on the legal and ethical responsibility of multinational enterprises to respect human rights is one of the most significant recent developments in the field of business ethics: credit for this goes to the research carried out by John Ruggie, the ‘Special Representative of the UN Secretary General on the issue of human rights and transnational corporations and other business enterprises’, and to the publication in 2011 of the UN *Guiding Principles on Business and Human Rights* as the concluding work of his mandate (Santoro, 2012; Wettstein, 2012). The *Guiding Principles* are based on the conceptual groundwork of the UN *Protect, Respect and Remedy Framework*, and are meant to implement it, thus fulfilling the need of practical guidance much felt by MNCs which are pressured to uphold human rights in countries where the rule of law is weak and abuses are commonplace (Bonfanti, 2012; Jagers, 2012; Muchlinski, 2012). The Ninth Politeia Forum explored the grounds and scope of MNCs’s duties in order to frame their role in the quest for global justice. In political philosophy, the issue of global justice concerns “the just redistribution of global resources and the legitimacy of the global institutional order in light of global poverty” (Arnold, 2013: 127; Pogge, 2010). According to some scholars, the very concept of CSR is inadequate to address issues of global justice, as it generates only little impact on the structural root causes of injustice. An alternative perspective based on justice would account better for the increasingly prominent political dimension of corporate responsibility (Wettstein, 2013). One of the Ninth Forum’s main results has been to show how a perspective based on global justice entails a new reflection on the fundamental purpose of MNCs, and of for-profit corporations in general, which may have a responsibility to serve as agents of justice (Hsieh, 2013).

The Tenth edition of the Forum has sought to explore more in-depth this last issue, by posing the following questions: What is the purpose of the corporation in today’s economy and society? How should corporations respond to the competing stakeholder

pressures of corporate social responsibility and shareholder value maximization? How should we think about corporate obligations and responsibilities? The long-standing traditional view - the so called *shareholder primacy* - holds that a corporation must pursue the interests of its shareholders by maximizing profits. Thirty years ago, the seminal work by R. Edward Freeman (*Strategic Management: A Stakeholder Approach*, originally published in 1984 and reprinted in 2010 by Cambridge University Press) introduced *Stakeholder Theory*, the most prominent alternative to the traditional view, according to which managers of for-profit corporations are called to pursue not only the interests of shareholders, but those of all the organization's stakeholders (Freeman *et al.*, 2004). The Tenth edition of the Forum offered scholars and practitioners the opportunity to discuss the stakeholder approach with its founder, reflecting on how Stakeholder Theory can help us rethink the purpose of the corporation. These proceedings seek to offer a basis to further this discussion.

This issue of the journal collects contributions by leading business ethics scholars and by CSR/ Sustainability managers and experts who examine from different points of view the purpose of the corporation. Main idea of the Forum is that "The old story that the purpose of business is to make profits for financiers is only partially helpful, and it often gets in the way of leading a great business in the 21<sup>st</sup> Century" (Freeman and Gineña, in this issue).

In the essay "Rethinking the Purpose of the Corporation: Challenges From Stakeholder Theory", R. Edward Freeman (Olsson Professor of Business Administration, The Darden School of Business, University of Virginia) and Karim Gineña (The Darden School of Business, University of Virginia) move from a review of management theory literature on, and a reflection on the importance of, the purpose of the firm, to the analysis of four challenges posed by Stakeholder Theory to the Shareholder Primacy View. Stakeholder theory poses (1) legal; (2) entrepreneurial; (3) ethical; and (4) human complexity challenges to the standard account of business. The Authors conclude by acknowledging the emerging view on business not as merely aimed at profits.

In the essay "La massimizzazione del profitto? Un'idea controproducente. Due contributi recenti dall'economia e dal diritto societario" ("Shareholder Value Maximization Is a Counterproductive Idea: Two Recent Insights from Economics and Corporate Law"), Simone de Colle (Professor of Business Ethics and Strategy, IÉSEG School of Management, Paris) reminds us that criticism on the shareholder value ideology recently included contributions by some "insiders". The Author illustrates the key points of the contributions by feminist economist Julie Nelson and by corporate law scholar Lynn Stout, and reflects on their importance in the light of the Stakeholder Theory.

In the essay "Lo scopo sociale dell'impresa" ("The Social Purpose of the Enterprise"), Davide Dal Maso (Partner and CEO, Avanzi Sostenibilità per Azioni) and Giovanni Pizzochero (Senior Consultant, Avanzi), after criticizing the vision of CSR based on the "business case", provide arguments in favor a democratic and sustainable business model, that is, in favor of a enterprise whose purpose is to maximize value for stakeholders involved (measured through a multi-bottom line), and that "shares with stakeholders means and ends of entrepreneurial action".

In her essay “Il rapporto tra un’azienda energetica e le comunità locali: Edison e l’approccio al valore condiviso” (“The Relationship Between an Energy Company and Local Communities: Edison and the Shared Value Approach”), Francesca Magliulo (Corporate Responsibility Manager, Edison) offers an account of the sustainability strategies implemented by Edison, Europe’s oldest electricity company and one of Italy’s main energy providers. The principle behind sustainability is that a company’s role in society is not limited to the creation of economic value. As an open system engaging with its stakeholders, Edison is implementing a new approach of redesigning the business-society relationship by creating economic value while delivering value to society and addressing social needs through business.

In her essay “Sviluppo sostenibile: il ruolo delle imprese in un mondo che cambia” (“Sustainable Development: the Role of the Corporations in a Changing World”), Sabina Ratti (Executive Director, Fondazione Eni Enrico Mattei) acknowledges the role of the private sector in the achievement of sustainable development, as it owns the main resources – financial and non-financial - needed to bring sustainable development to concrete realization. But to fully comprehend the contribution by the private sector and enhance it, it is necessary to align sustainability and business, both in the “goal setting” and in the metrics for measuring progresses and results, by using a stakeholder-oriented approach.

In his essay “Local Content 2.0. A New Concept Based on the OMV Petrom Community Program ‘Made in Andrei’s Country’ in Romania”, Wolfgang Kraus (CSR consultant, working as Senior Associate with IPIECA, London; registered expert at the Bureau of Crisis Prevention and Recovery of UNDP, New York; and OMV, Vienna), by reporting on the case of OMV Petrom in Romania, examines the dynamics related to the promotion of local content via employment creation and supplier development – strategies that companies pursue to meet society’s expectations on the benefits related to their businesses. The enhancement in industry has reduced the need for hires, and most importantly local content needs to be redefined in the context of a developed country. The Author examines the “Made in Andrei’s Country” program, which was developed to tackle the issue of local workforce and supplier development by looking beyond the needs of the oil and gas industry and provide support for communities and suppliers to prepare for opportunities outside the industry.

The essay “I CSR manager si raccontano: vissuti personali, retoriche e aspirazioni a confronto” (“CSR Managers Tell Their Story: Personal Experiences, Rethoric, and Aspirations”) is co-authored by Stefania Bertolini (CSR Manager Network), Luca Carollo (University of Milano), Marco Guerri (University of Milano), Matteo Pedrini (Università Cattolica of Milano) and is the outcome of a research on the field promoted by CSR Manager Network Italia. In this essay, the Authors adopt an “internal point of view”, by interviewing CSR managers who are actively involved in promoting CSR policies and practices within companies and by exploring their personal values, motivations and aspirations, in order to study the evolution of the role of CSR manager. By that process, the Authors identified six recurrent images that CSR managers use to describe their work, and reconstructed the career paths characterizing the role, the current work experience, as well as the possible future developments of this managerial occupation.

I would like to conclude with a few acknowledgements.

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I wish also to thank the many persons who gave their precious contribution to the success of the Forum and to the making of this publication. First of all, a special thank goes to all the Authors for making this issue possible, and to Simone De Colle and Nicola Pasini, for their precious contribution to the scientific organization of the Forum.

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Last but not least, I wish also to acknowledge Maria Beatrice Vanni, and Elisa Milani and Giulia Petrolito for their organizational contribution to the Forum and for their help in the editing of the proceedings.

## Note

<sup>1</sup> Further details about the Annual Forum past editions are available in the web page: [www.politeia-centrostudi.org/forum](http://www.politeia-centrostudi.org/forum).

<sup>2</sup> The proceedings of the First, Second, Third, Fourth, Fifth, Sixth, Seventh, Eight, and Ninth Forum, edited by Emilio D’Orazio, are published in *Notizie di Politeia*, respectively under the title “Business Ethics and Corporate Social Responsibility in a Global Economy” (n. 74, 2004), “New Perspectives on the Stakeholder View of the Firm and Global Corporate Citizenship” (n. 82, 2006), “Corporate Integrity, Ethical Leadership, Global Business Standards. The Scope and Limits of CSR” (n. 85/86, 2007), “Restoring Responsibility: the Accountable Corporation” (n. 89/2008), “Corporate and Stakeholder Responsibility. Theory and Practice” (n. 93/2009), “Corporate and Stakeholder Responsibility for Sustainability”(n. 98/2010), “The Corporation as a Political Actor: A New Role of Business in a Global Society” (n. 103/2011), “Business and Human Rights: in Search of Accountability” (n. 106/ 2012), “Corporation and Global Justice: Should Multinational Corporations Be Agents of Justice?” (n. 111/2013).

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