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Dear Reader,

Do you know the fable of the elephant that was tied to a post in his infancy, and as he grew up never considered he had more than enough strength to free himself? This month we feature an article by author Simon Mainwaring, which shines a light on the opportunities we all have to shape the world we want. How? Keep reading to find out.

Isabel Rimanoczy
Editor

Quote of the Month

"Never doubt that a small group of thoughtful, committed citizens can change the world. Indeed, it is the only thing that ever has."

Margaret Mead
US anthropologist (1901 - 1978)

LIM India Inaugurated

LIM is pleased to announce its entry into the Indian market with a newly opened office in Mumbai. Vithal Nayak is heading up the operation as CEO and Regional Director, SAARC and Middle East. He joins LIM from SKF, a leading Swedish bearing manufacturer, where he was Director of HR for over 9 years. He has more than 20 years' experience in Human Resources & Development and has held senior management positions in firms such as Pillsbury, Arvind Mills and Tata Consultancy Services (TCS).

With over 10 years of HR experience, Eras Lodhi has also joined LIM India as Senior Coach & Consultant; her previous post was with Wipro as Senior Manager, HR.

Over the next 6 months, LIM India is looking to expand with the addition of six more coaches and consultants to the India operation. Aside from Leadership & Team Development, Executive Coaching and Team Coach Certification programs — all LIM portfolio offerings — Vithal and Eras bring in a wealth of expertise in the areas of Assessment & Development centers as well as other aspects of Talent Management; these will also be offered as part of the India operations portfolio. The India office will also manage the SAARC and Middle East markets.



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The Corporate Social Contract^[1]

By Simon Mainwaring

Can you imagine a world in which the majority of leading corporations accept a higher level of social responsibility, where they voluntarily support and work towards sustainability, fair trade, ethical conduct, human values, and purpose over profit? A world in which Wall Street investors support altruistic companies that miss their quarterly profit projections by one or two cents? A world in which CEOs pay themselves only 50 or 100 times what their average employee makes instead of 500 or 800 times? A world in which delivering prosperity to as many people as possible is the persistent goal of capitalism?

My guess is that your answer is "No." Yet I am among those who believe that capitalism can be reengineered to become a vibrant economic engine that, working in tandem with democratic policies, can bring prosperity and peace to the majority of the world's population.

This belief is based on an emerging dynamic that gives consumers far more power to influence corporate behavior. It is fueled by social technologies that are connecting consumers into vast networks and communities based on shared values. Through social technologies like Facebook, Twitter, FourSquare, YouTube, and smart phone apps, ordinary citizens and consumers are gaining a voice to express their opinions and talk back to irresponsible companies and the bad actors among CEOs, executives, and boards.

Social media also facilitate on-the-street social activism, providing consumers with new capabilities to launch widespread protests, boycotts, and buycotts to punish or reward companies depending on their conduct. Smart phone apps like the *GoodGuide* give consumers the ability right in the shopping aisle to make smarter, more mindful purchases by being able to scan a product's bar code and immediately retrieve information on a brand's ethical and social responsibility footprint.

Consumers can reject products from companies known to have unsustainable or environmentally unfriendly practices, or that treat employees or suppliers unfairly. On the other hand, brands that reach out to consumers and demonstrate their commitment to social responsibility can capture consumer respect and purchasing loyalty.

Lobbying for Corporate Social Contracts

But consumers can go much further to persuade or cajole corporations into real change. Using the organizational and lobbying power that social media affords them, consumers can begin insisting that corporations declare and abide by some type of "social contract" or terms of agreement they are willing to offer society. Any company that does not publish a social contract clearly stating their philosophy regarding the role they will play in society becomes fair game for consumer pushback pointing out their duplicity and anti-social posture.

Social contract theory posits that every citizen on the planet has inalienable rights, but to live among

others in society, each of us must tacitly agree to yield some of those natural rights in exchange for the benefits of mutual peace and prosperity. Everyone living under the social contract has a duty to act responsibly, to obey the laws, and to abandon certain natural self-interest rights that conflict with the general good.

Since the origins of free market capitalism, however, many corporate founders and investors have argued that their companies are entities, not citizens, and so do not owe anything back to society. If you were to study the history of corporate social responsibility, you would see that when the corporate form of business began to take off in the last two decades of the late 1800s, federal laws, as well as the laws of every state in the United States that granted corporate charters, expressly forbade corporations even from contributing to charities, because the money belonged to investors. In the first decades of the 20th century as well, corporations strongly resisted the notion that they had a responsibility to society. Only during the Great Depression did Congress finally pass a bill authorizing a tax deduction up to five percent of corporate income for charitable donations.

In the 1970s, the noted economist Milton Friedman, who eventually guided the Reagan administration's economic policies, launched an entire school of economic thought that famously insisted the only social obligation of corporations was to increase profits for their shareholders. He firmly believed that spending investors' money on social causes was a moral wrong, and that corporations should leave charity up to the individual investor and employees who should make their own decisions.

The fact is American corporate law has long been based on the premise that businesses exist only to make profits for their shareholders. As long as it is legal, companies can do whatever they desire to produce income for their shareholders. Meanwhile, by virtue of their legal status, corporations are protected from their mistakes by the grant of limited liability to their shareholders, except in cases of proven fraud or misconduct. Whatever effects corporations have on society, the shareholders are immune from liability.

Yet in the 21st century, the world has greatly changed. We are living in a complex, interconnected environment where the actions of one company or one executive can negatively impact millions of people in seconds.

We need a new approach to the issues of corporate responsibility. It is time for consumers to demand social contract theory be applied to corporations, binding them to act like responsible citizens in return for the tacit authorization society gives them to operate. The new logic must be that corporations are no different from individuals; since they exist within society, which grants to them the rights to do business among the people, they have an obligation to behave and give up some of their self-interest for the greater good.

Ironically, this argument has been greatly buttressed by the 2010 Supreme Court decision, *Citizens United v. Federal Election Commission*, that grants corporations the same rights as individuals when it comes to political spending on election campaigns. Given this court ruling, it is only logical that if corporations want the same rights as individual citizens, they should be held equally accountable when it comes to social responsibility.

Consumers must begin using social media to pressure companies to create a written document spelling out their agreements with society. If a company refuses, consumers can use their voices and purchasing leverage to create enough reputational damage that the company reassesses its decision. Consumers should never underestimate the persuasive power they have to promote greater social responsibility from companies in exchange for their loyalty and business.

A Sample Social Contract

Here is an example of how a social contract might read. The language in this contract can, of course, be modified in any way needed to accommodate the specific circumstances of an industry or an individual company.

Social Contract Between [Brand X] and Its Customers

We recognized that we live in a new world, where reckless profit and self-interest hurt our business, our own lives and those of people we care about, as well as millions of human beings around the world. We believe that a better future depends on an integration of profit and purpose within the private sector. To that end, our company and our customers must become partners in social change to build a better world. We agree that the following principles will guide our own behavior and in the relationship between us:

1. We believe our company has a right to innovation, entrepreneurship, and profit-making while our consumers have a right to a healthy society and planet for living.
2. We recognize an interdependent, global community requires an expanded definition of self-interest that acknowledges the needs of all inhabitants of the planet.
3. We define success through prosperity, which means the well-being of many, not the wealth of a few.
4. We believe that the future of profit is purpose. We will seek to value the purpose we can serve in the world as much as the profit we might make in the commerce we create around that purpose.
5. We believe that the interests of our company and our customers are best served through a sustainable practice of capitalism- economically, morally, ethically, environmentally, and socially.
6. We believe that our company and our customers owe each other an equal duty of transparent, authentic, and accountable communication.
7. We believe that social technology, business, and shopping have the potential to change our world through new modes of engagement, collaboration, and contribution.
8. We believe in these values to guide our daily practice of capitalism: sustainability, fairness of rewards, fiscal responsibility, accountability, purposefulness, engagement, and global citizenship.
9. We believe that our company and our consumers are duty-bound to serve as custodians of global well-being for this and all future generations.
10. We believe that the entire private sector must cooperate, collaborate, and coordinate with governments and NGOs to create a unified force for social good. To this end, we will undertake partnership and collaborations as possible to work with other companies in bringing out meaningful social change.

Your Consumer Social Contract

If you are willing to apply social contract theory to corporations, you must also be willing to apply it to yourself as a consumer. What actions are you taking to work for the general good in return for your membership in society? Are you being as socially responsible as you want corporations to be? Are you using some of your resources, expertise, and energy to help improve society?

Our society can only be as productive, creative, and prosperous as we collectively make it. If each of us is not fulfilling our own part in a social contract with society, we must begin taking some action to participate. If you are an executive or business person, seek to influence your company towards more responsible behaviors. If you are citizen, take part in political movements and campaigns to spread social justice, fairness, and equal opportunity throughout your community and in our nation. If you are a consumer (and we all are), become a mindful shopper by rewarding socially responsible companies and refusing to purchase from irresponsible ones.

Above all, start using social media to ensure your voice is heard. Join a community of concerned citizens, engage in online and offline social activism, write a blog, or organize a boycott or buycott that attracts others consumers in support of the causes you care about.

Social technologies present an extraordinary opportunity to build a better world, but as always, it turns on our individual commitment to fulfill our duties within social contracts that are binding on all of us.



[1] Source: CR Magazine, May/June 2011. Adapted from Mainwaring's book *We First: How Brands & Consumers Use Social Media To Build A Better World*



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