

# **Corporate Social Responsibility and the Social Doctrine of the Catholic Church**

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## **0. Greetings**

Good morning, I want to thank "Saint Joseph Society" for the invitation and all of you for letting me share some personal reflections this morning. The topic is "Corporate Social Responsibility [CSR] and the Social Doctrine of the Catholic Church". In essence what I will talk about is how I have decided to approach my responsibility as a business leader from a Christian perspective.

## **1. Introduction**

I have always had the conviction that business executives have a social responsibility. This thought was completely unstructured for many years of my professional life. By chance or by fate, one day I decided to buy a small book that I found in a bookshop. The small booklet was called "Laborem Excersens" (On Human Work) and it had been published by John Paul II on 9/14/1981. At that time, I was already member of the Corporate Social Responsibility committee for a Fortune 500 company.

That same day my approach to understanding my role as a business manager and leader changed. What I read in the book helped me connect my faith with my concern for social issues and my responsibility as a Business Executive. I was amazed, and somehow upset, that having been an active member of a structured body like the Catholic Church for so long, I had not come to discover earlier the teachings of the Pope and the Church on social issues.

My immediate reaction was to find out if there was more than "Laborem Exercens" in the teachings of the Catholic faith addressing the social question. My discovery was stunning. There are more than 1000! documents compiled in the Compendium of the Social Doctrine of the Church, published by the Pontifical Council for Justice and Peace.

I decided to write my doctoral dissertation about this subject and, from that research, to write a book on a more personal note about a moral approach to CSR.

It is not my intention to preach to anybody. My goal is to bring the teachings of the Church to the debate on Social issues and make it **present** as an important stakeholder in Human Development. I learn from the Magisterium of the Church and the teachings of the Popes. I like to reflect and extract my own conclusions from what these Holy Fathers of the Catholic Church, also humans and sinners, like all of us, came to believe as true. Their teachings on Social issues are usually not dogmatic. It is OK to respectfully disagree with some of their proposals. I am sure they would feel fulfilled just by knowing they provoked in me a lengthy reflection and internal analysis. Even today I go back and reexamine my thoughts on certain issues as they evolve over time.

As I said earlier I have the experience of having been a member of the Corporate Social Responsibility Committee for two different Fortune 500 companies. In my role as a business executive, I have managed thousands of people in the global marketplace and I have come to realize that companies succeed if they have a purpose, a vision, a lot of passion and energy and the right combination of people, process and technology. Success, certainly, does not happen spontaneously.

I also learned through my professional career that machines, facilities, operating procedures and the like are enablers. They don't have passion. They don't have a soul. It is only the willingness of a person that says "I can and I will" that creates the force and momentum necessary to even move mountains. Only people that align their interest with the interest of the team, the interest of a company, can make or break the performance of any enterprise. And the alignment dilemma is rooted deeply into human spirituality but we try not to mix both, work and faith.

I know that bringing the Church as a reference for any discussion nowadays is controversial in many circumstances. I am used to what I call the "Separation" that I witness in many aspects of our lives:

- Faith and reason
- Faith and culture
- Science and religion
- Church and State
- Spirituality and work
- Work and God

Like oil and water, far apart from each other. It seems that we are concerned with the explosive nature of combining those aspects of our lives together.

Same thing happens with the concept of Corporate Social Responsibility in one corner and Morality and Spirituality in the other corner. It is no business for the Church to enter in some debates related to the world of economics, some say.

**The fundamental questions are, first, can companies succeed in the long term if they neglect not just their ethical responsibilities, but their moral and social responsibilities? Second, does the Church have anything to say that can help corporations meet the charter of social responsibility people are asking for? I will show you that the framework of the Social Doctrine of the Catholic Church is more comprehensive, sound, and logical than any CSR charters. I am not saying that the Church should be writing company policies, but that we, as individuals and business leaders, should have into consideration the Church's teachings when deciding our values, our behaviors and those of the teams and companies we lead.**

Answering the first question, current economic theory says they companies can't be successful in the long term if they neglect their moral, ethical, and social responsibility. One single mistake seriously affecting any of the stakeholders and the corporation will likely struggle, and possibly disappear. Many examples abound lately. Nowadays, social media allows news to spread instantly creating group behavior in favor or against of companies and products and public opinion is formed with the speed of thought.

For some time, the scope of social responsibility has been limited to environmental issues. This is adequate and legitimate but it makes me very uneasy. I can't help thinking all the time that at the heart of the issues there are people that provoke or suffer the consequences of companies' behavior. For me, the human development aspect of Corporate Social Responsibility has been GROSSLY underestimated. Fortunately, more topics are present nowadays regarding human rights in CSR charters, issues such as child labor, fair amount of working hours, elimination of bonded labor, progression through training, Safety/Health & Environmental. The list is improving and expanding and this is a good thing.

I affirm that humans and corporations need a comprehensive and solid set of rules that, respecting their individual freedom, provide a way to make things right for all their stakeholders. They both need a moral foundation that addresses human development.

We will get back to this later. First, let's understand first CSR.

## 2. CSR

Corporate Social Responsibility (CSR) is actually becoming an intrinsic component of every company's way of doing business. It arose as a reaction by the business community to many cases of questionable executive behavior, more demanding consumers who are quite aware of sustainability issues and climate change, a broader global market, and the push for human rights from many different organizations. **The main issue that CSR must solve is to provide a balance between short term profits and sustainable long term growth**

Corporate Social Responsibility is a frame of reference. It is a compendium of all the moral and social obligations borne by corporations— with employees, the community where they live in, the state that regulates their functioning, their customers that buy and use their products, their suppliers that provide the raw material and, at the top of the pyramid, the shareholders who provide them with the capital to keep the engine running, and who expect a return on their investments.

Corporate Social Responsibility defines the way members of a corporation must behave when conducting business for the corporation; it also provides a moral foundation for social behavior that is expected to be followed by all employees of a corporation at all times. Those behaviors are founded on a set of values that every member of a corporation should live by. Violating those moral and social commandments in or out of the job will result in direct or indirect penalties.

The core aspects of any CSR statement are usually based on the following ideas:

- Human development and the recognition of human dignity
- Employees as the most important asset of an enterprise
- Contribution, solidarity, and community development
- Sustainability and a concern for the environment
- The need for transparent corporate governance
- The need to recognize profitability as a tool for society's advancement.

CSR is not enjoying a free ride, anyway. Many companies are developing the concept out of a fear of being left out of current business trends. These companies have not yet internalized the real meaning of CSR and, of course, are more worried about their public image and formalities than the actual benefits that CSR can offer. It is not uncommon to read in papers today how company have moved from villain to heroes and they have been able to "Turn PR woes into brand value". As Nike stated recently, "Indeed, creating and building business models that not only recognize and accommodate, but thrive also, on the constraints of the natural world is the only way we can achieve growth in the present that won't compromise our ability to grow and succeed for decades to come". Companies are starting to get it. And, if it is for real, even better.

Of course, there is a context for everything, and in this day and age it is very clear that many economic systems and companies follow the teachings of Milton Friedman, whose central belief was that "the business of business is business": the only goal of business is to maximize shareholders' value; anything else is socialism. The belief that the end justifies the means, the world is for the fittest and an-eye-for-an-eye or as sometimes happen a thousand eyes for an eye. These are the same beliefs that today are fueling the gospel of the wealth in the Christian world, and the individualist approach to life and society.

What will the future of CSR be? The answer will have to do with how corporations deal with the following challenges:

- The widening gap between rich and poor people
- The widening gap between rich and poor societies
- The growth of underdeveloped communities within developed countries
- The issue of immigration

- The global challenge of fundamentalism and terrorism
- The certain death of individualism
- The spread of social and spiritual relativism
- The inability of governments to provide human and social development

The truth is that the future of CSR depends on its ability to deliver on its promises. Is it too late for CSR to really make a difference? And again, has the Church something to say on how to address present and upcoming issues?

### **3. Social Doctrine of the Catholic Church**

Now let's review what the Church has to say about these issues.

From the Compendium of the Social Doctrine of the Church (2004), we learn that the permanent principles of the Church's social doctrine constitute the very heart of Catholic social teaching. These are the principles of:

- The dignity of the human person, "respect and worthiness" which is the foundation of all the other principles and content of the Church's social doctrine.
- the common good, "we all benefit", to which every aspect of social life must be related if it is to attain its fullest meaning, stems from the dignity, unity and equality of all people.
- Subsidiarity, "the principle of devolving decisions to the lowest practical level", by which all societies of a superior order must adopt attitudes of help ("subsidium") — therefore of support, promotion, development — with respect to lower-order societies.
- Solidarity, "unity or agreement of feeling or action", which highlights in a particular way the intrinsic social nature of the human person, the equality of all in dignity and rights and the common path of individuals and peoples towards an ever more committed unity.

The Church of Christ have carried forward His mission, and the Popes, Christ's representatives on earth elected through the inspiration of the Holy Spirit, have intervened and, according to the signs of time, adapted Christ doctrine to provide light to men in all aspects of human life.

The Popes have written letters to the universal Church and to all man of good will addressing many issues that concerned them at different stages of their tenure. Some of those letters, called Encyclicals, dealt front and center with the "social question".

"Following on the Second Vatican Ecumenical Council a renewed consciousness of the demands of the Gospel makes it [the Church's] duty to put herself at the service of all, to help them grasp their serious problem in all its dimensions, and to convince them that **solidarity in action** at this turning point in human history is a matter of urgency" [PP-1].

The Popes have offered to the world their thoughts on a vast array of business issues, from the perspective of Christian discernment. They have talked about property, human work, globalization, unions, health coverage, ecology, energy, finance, government, common good, fair wages, diversity, employee participation, consumerism, work-life balance, etc Would you not be interested in knowing what they have to say?

I would like at this point to shed a little light on this. It is impossible to list all recommendations from the Popes in a 30 minutes talk, but just let me read for you some of those recommendations to give you a little window on what powerful and impactful Popes' teachings have been through history. I will start with Leo XIII at the end of the XIX century, 50 years after the end of the first industrial revolution (1760-1840). Don't you find these assertions still applicable 125 years later?

- A. The Seven Laws of Social Justice by Leo XIII (1891)
  - 1. Men have the right to own land, means of production and companies.
  - 2. Men always work harder and more readily when they work on that which belongs to them.
  - 3. Give men the opportunity to find prosperity in their own land and eradicate the need to migrate if not desired.
  - 4. Men should not be deprived of more than is fair through taxation.
  - 5. Men have the right to have a system that takes care of those much in need.
  - 6. The right to association.
  - 7. The right to have men's religious duties and morality as the most essential component of any social betterment.
  
- B. The Eleven Laws of Protection for the Working People by Leo XIII (1891)
  - 1. The right to rest on Sunday connected to religious observation.
  - 2. The right of the worker to be protected from the cruelty of men of greed
  - 3. The right to work a reasonable amount of hours
  - 4. The right to rest and break based on job requirement and season.
  - 5. The right of women to have a job according to their strength.
  - 6. The right of children to have a proper developed body and mind before starting their working life.
  - 7. The right to leisure proportional to the wear and tear of his strength
  - 8. The right to a decent wage to support at least a frugal and well behaved wage-earner.
  - 9. The need to have social agents to regulate and intervene in clear cases of injustice and the role of the state to sanction and protect
  - 10. The right to earn enough for himself, his wife and children and to save money.
  - 11. The right to ownership and private property
  
- C. The Seven Economic Sins by Pius XI (1931)
  - 1. Unquenchable thirst for riches,
  - 2. Use of means, fair or foul, to protect their wealth against changes of fortune,
  - 3. Buying and selling of goods with the only aim of making quick profits with the least expenditure of work,
  - 4. Raise or lower prices rapidly according to their own caprice and greed nullifying the wisest forecast of producers,
  - 5. The lack of conscience or accountability of directors,
  - 6. Hiding behind corporate name, directors of business companies, forgetful of their trust, betray the rights of those whose savings they have undertaken to administer,
  - 7. Crafty men, unconcerned about any honest usefulness of their work, do not scruple to stimulate the baser human desires and, use them for their own profit.

I invite all of you to learn more. If we say as Catholics that the Truth is revealed and explained through the Sacred Scriptures, our Tradition and the Magisterium of the church, let's make sure that we honor it. Let's read the Popes!

My main point of this talk today is that **Corporate Social Responsibility is an incomplete approach** to ensure long term business sustainability. I believe that the CSR charter must follow the path toward integral human development if it is to become an important asset of every company. In this aspect we are far behind. Morality and social responsibility have not come together yet but that situation is changing, albeit slowly. The Church has not written yet a compendium on Corporate Social Responsibility, but she has certainly addressed all the components of a CSR charter and has developed a complete definition of the concept of social responsibility for all humans, not just for Catholics. **We should use the Church teachings as a valuable input in our analysis and decision making as we lead our teams forward.**

**The social doctrine of the Church already provides a comprehensive framework to enable all humans to reach their full potential, and for all human societies to enable it. No need to invent a solid foundation for human development.**

Personally, I also find in the Catholic Magisterium the perfect tool to fight what I call the five most devastating economic cancers:

- Financial speculation and usury.
- Corruption
- War
- The lack of respect for human life
- Lack of social conscience

All these concepts overlap with the premises, actions, and consequences of CSR.

#### **4. CONCLUSIONS**

“The Thundering Voice” beliefs are contained in the following summary. I will tell you in advance that you will be shocked by some of the proposals that the Popes have made through history and that I cite in support of each of my own points:

1. **Social Leadership**. Companies must take a leadership position when addressing the issue of Human Development in all its aspects, in an integral way, physically, intellectually and spiritually, by investing actively their own free cash to secure sustainable growth for them and for the individuals they employ and communities they operate in. “Business management cannot concern itself only with the interests of the proprietors, but must also assume responsibility for all the other stakeholders who contribute to the life of the business: the workers, the clients, the suppliers of various elements of production, the community of reference.” (Caritas in Veritate [40])

2. **Self-Regulation**. Companies have to self-regulate themselves and base their future growth on adding real value to society. Companies must declare their mission in society, their values and have a code of conduct and governance that guarantees the successful implementation of these strategies long term. “The conviction that the economy must be autonomous, that it must be shielded from “influences” of a moral character, has led man to abuse the economic process in a thoroughly destructive way” (Caritas in Veritate [34]), “Hiding behind corporate name, directors of business companies, forgetful of their trust, betray the rights of those whose savings they have undertaken to administer.” (Quadragesimo Anno [7])

3. **Elimination of Speculation**. Companies must expel non-value-adding speculators, financial and non-financial, from the global economic system. Tax burdens should shift from productive activities to non-productive activities. “What should be avoided is a speculative use of financial resources that yields to the temptation of seeking only short-term profit, without regard for the long-term sustainability of the enterprise, its benefit to the real economy and attention to the advancement, in suitable and appropriate ways, of further economic initiatives”. (Caritas in Veritate [40])

4. **Sustainability**. Companies must balance short term profits and long term sustainable growth, paying attention to the responsible use of resources (energy conservation, alternative materials, and waste reduction/reuse/recycling) and the development of sustainable alternative manufacturing and distribution processes to guarantee their availability for future generations.” A true concept of development cannot ignore the use of the elements of nature, the renewability of resources and the consequences of haphazard industrialization - three considerations which alert our consciences to the moral dimension of development.” (Sollicitudo Rei Socialis [34])

5. **Tax Solidarity**. Companies should recognize that the economy is at the service of man and not at the service of capital. They should also recognize the social aspect of the taxes they pay and actively

ask and support the use of that money towards human development. "One possible approach to development aid would be to apply effectively what is known as fiscal subsidiarity, allowing citizens to decide how to allocate a portion of the taxes they pay to the State. Provided it does not degenerate into the promotion of special interests, this can help to stimulate forms of welfare solidarity from below, with obvious benefits in the area of solidarity for development as well." (Caritas in Veritate [60]) "Consequently it is unacceptable that citizens with abundant incomes from the resources and activity of their country should transfer a considerable part of this income abroad purely for their own advantage." (Populorum Progressio [10])

6. **Human Development.** Corporate Social Responsibility models should add a chapter on human development to commit the entire organization to lead the implementation of policies and strategies that benefit the entire human race. They should also create an index to measure and compare companies' actions on this subject. "The economy needs ethics in order to function correctly — not any ethics whatsoever, but an ethics which is people-centered." (Caritas in Veritate [5])

7. **People Value.** People should be the primary value in any business strategy. Values are characterized by the word "always" and companies should always measure their actions based on the final impact on their workers, their families and the communities they operate in, from their suppliers to their customers. "The urgent need to change the spiritual attitudes which define each individual's relationship with self, with neighbor, with even the remotest human communities, and with nature itself; and all of this in view of higher values such as the common good or the full development of the whole individual and of all people." (Sollicitudo Rei Socialis [38])

As Dr. J. Robert Ouimet writes in his paper "Reconciliation of Profits and Human Wellbeing, Is It Too Late?", "values that support the singular purpose to multiply goods, create profit and acquire power are not sustainable. It is the obligation of shareholders and management to support a second, more encompassing set of values that recognizes work as a powerful channel to serve people in their material, intellectual, social and spiritual needs. It is possible to foster values that support long term growth in human happiness and well-being, and also sustain profitability and productivity in any organization. Organizations can create viable, competitive businesses with long-term and high-growth prospects and at the same time, give primacy to human dignity, give meaning to work, and often give a meaning to life."

THANKS

The End

### **Legend**

- [RN] Encyclical "Rerum Novarum", on the condition of the working people. Pope Leo XIII (5/15/1891)
- [QA] Encyclical "Quadragesimo Anno", on the fortieth anniversary of RN. Pope Pius XI (5/15/1931)
- [PP] Encyclical "Populorum Progressio", on the development of peoples. Pope Paul VI (3/27/1967)
- [LE] Encyclical "Laborem Exercens", on human work. Pope John Paul II (9/14/1981)
- [SRS] Encyclical "Sollicitudo Rei Socialis", on the twentieth anniversary of PP. Pope John Paul II (12/31/1987)
- [CA] Encyclical "Centesimus Annus", on the centenary of Rerum Novarum. Pope John Paul II (5/1/1991)
- [CV] Encyclical "Caritas in Veritate", on Charity in Truth, Pope Benedict XVI, (6/29/2009)