

Critical Corporate Social Responsibility, and  
International Corporate Governance

# **Session 2: CSR; Carroll's Pyramid and Ethical Tensions**

Neil Fletcher FCA, FHEA  
Sheffield Business School  
Sheffield Hallam University  
United Kingdom

Carroll's pyramid of responsibilities

Economic responsibilities (and activity)

Legal and regulatory responsibilities (and activities)

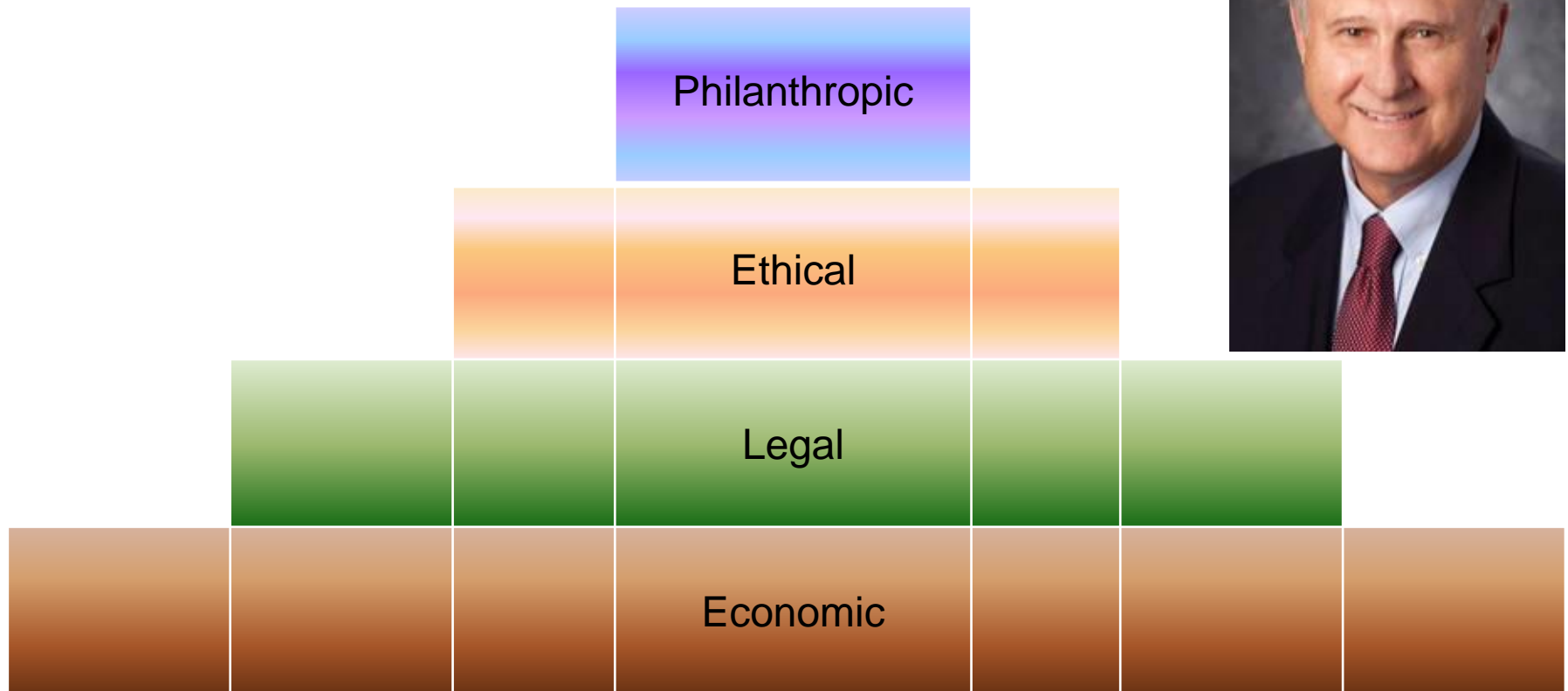
Ethical tensions and synergies (and activity)

Philanthropic responsibilities

If time permits, a critique of philanthropy: Porter and Kramer (2011) Shared Value

Additional activity: Next plc CSR report critique

## Carroll: pyramid of levels of responsibility



Carroll, A. B. (1991). The pyramid of corporate social responsibility: toward the moral management of organizational stakeholders. *Business horizons*, 34(4), 39-48.

# The main weakness of the pyramid

If "ethics" is about "right" and "wrong" then the whole of the pyramid is about "ethics." However, having one layer of the pyramid called "ethical" can confuse students.

It can be difficult to show links between the layers. The classic example is where a company has obeyed regulations or the law - but is presents this as "ethical" behaviour.

The pyramid is itself a morally relative view of business, and so can create a viewpoint that is morally relative without the student realising that this is the case.

# Economic responsibility

The Directors of a company have a responsibility to maximise the long term economic returns of shareholders - by engaging in capitalistic business practices that have an impact upon the wider economy.

N.J. Fletcher

## Learning objective: economic responsibility to shareholders

To realise that the key metrics that can be used to measure shareholder wealth directly are:

- share value
- dividend per share

*and to be able to **assess** and **critique** how a particular company has attempted to maximise shareholder wealth.*

TODAY

1 MONTH

3 MONTHS

6 MONTHS

1 YEAR

3 YEARS

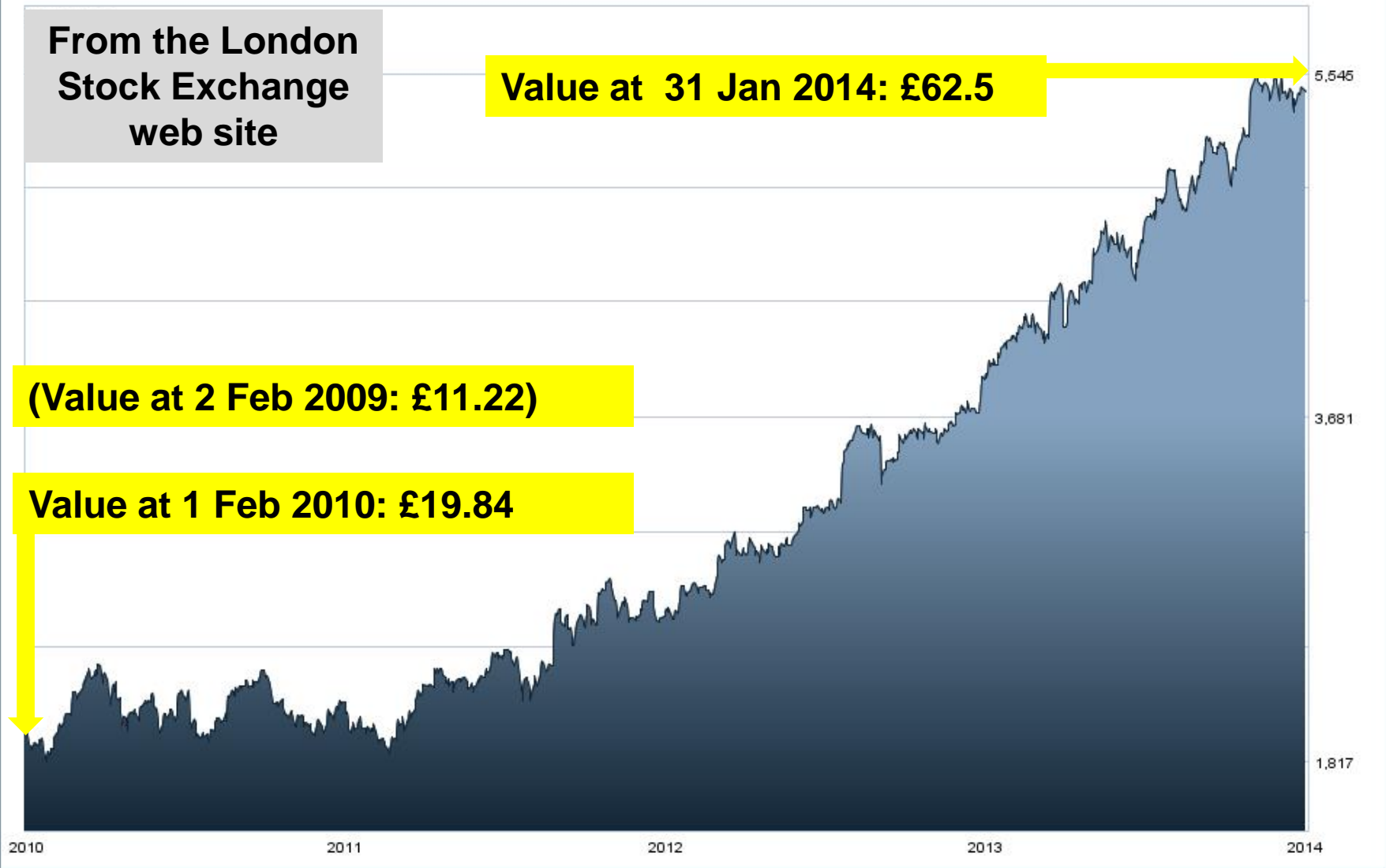
5 YEARS

From the London  
Stock Exchange  
web site

Value at 31 Jan 2014: £62.5

(Value at 2 Feb 2009: £11.22)

Value at 1 Feb 2010: £19.84



Period: from

02/01/2010



to

01/01/2014



One way that shareholders extract value: is by the company paying cash dividends to them.

## Maximising shareholder wealth: dividends per share

	2010	2011	2012	2013	2014	<i>Annual growth</i>
	pence	pence	pence	pence	pence	
* Interim dividend	19	25	27.5	31	36	
* Final dividend	47	53	62.5	74	93	
<b><u>Dividends per share</u></b>	<b>66</b>	<b>78</b>	<b>90</b>	<b>105</b>	<b>129</b>	<b>18%</b>

\* The easiest (but riskiest) place to get these is from the **5 year summary**.

I got these from the Dividend note to the Accounts.

- this was note 8. in the Next plc Annual Report and Accounts.

I was careful to match dividends to the year to which they belong.

A demonstration of criticality....this appears to be amazing growth for a business that is growing at **11%**!

## Other questions that you could ask with regard to economic responsibility to the shareholders

- Has the company been consistently as profitable as possible?
- Has the company maintained (or improved) its competitive position/market position?
- Have the Directors maintained (or enhanced) the company's value proposition?

inspired (but not governed) by Carroll, A. B. (1991). The pyramid of corporate social responsibility: toward the moral management of organizational stakeholders. *Business horizons*, 34(4), 39-48

These introductory slides do not address the issue of whether or not the impact on the **wider economy** is an "economic" responsibility - or an "ethical" responsibility



Activity: review economic  
responsibility of

Amer Sports 2014

Outukumpu 2014

A company of your choice...

# Legal responsibility

The Directors of a company have a responsibility to ensure that the company abides by relevant laws and regulations.

## Learning objective: Legal and regulatory responsibilities

To understand the difference between "hard and soft" regulation; and "why people might obey (or not obey) law and regulations": *and to be able to use this to link legal responsibilities and ethical responsibilities in the Carroll pyramid.*

See for example: May, P. J. (2004). Compliance motivations: Affirmative and negative bases. *Law & Society Review*, 38(1), 41-68.

# The two reasons why people obey laws and regulations

- Fear of getting caught (and punished)
- Where people think that that the **laws** or **regulations** have "legitimacy" (ie. they think it is a "good thing" to follow them).

....but which is more important?

"hard" does not mean "difficult": it means "carries an immediate threat of punishment"

## Compliance (with "hard" laws regulation)

1/3

- Fear of getting caught (and punished)

2/3

- Where people think that that the laws or regulations have "legitimacy" (people can go beyond mere compliance and follow the "spirit" of the laws/regulation).

a legitimate "soft" "social contract"

"soft" does not mean "easy": it means "does not carry immediate threat of punishment"

[Mark Easton \(2011\) Why people obey the law](#)

<http://www.bbc.co.uk/news/uk-15574189>

<b>Motivations for compliance with regulations for American homebuilders</b>	<b>% of respondents saying that this was an important factor in compliance</b>
<b>Reputation</b> for Construction of High-Quality Homes ( <i>ie. brand implications</i> )	93%
<b>Duty</b> to Comply with Building Requirements ( <i>ie. "duty" could be interpreted in many different ways</i> )	83%
<b>Marketplace</b> Demands for Homes Without Defects ( <i>ie. the demands of customers drive the ethical behaviour</i> )	79%
<b>Avoidance of Delays</b> (in Construction Brought About by the Need to Correct Building Code Deficiencies) ( <i>there is utility in following the laws/regulations</i> )	76%
<b>Confidence</b> that Building Codes Assure the Structural Integrity of a Home ( <i>legitimacy</i> )	67%
<b>Fear of Legal Liability</b> for Failing to Meet Building Code Provisions ( <i>ie. fear driven utility</i> )	61%
<b>Fear of Fines</b> or Sanctions for Building Code Violations ( <i>ie. fear driven utility</i> )	29%



- Trade
- Competition policy
- Consumer issues
- Regulated trades
- EU rules on State aid
- Services of general economic interest (SGEI)
- Trade Barriers
- Free movement of goods and services
- Technical harmonisation and safety
- Public procurement
- Press releases: Consumers and the Market

Front page > Consumers and the Market

## Consumers and the Market

A proper functioning of the market is essential for the promotion of Finnish competitiveness. The main task of the Ministry of Employment and the Economy is to create a favourable environment for entrepreneurship and business.



An important goal is thus to bring about as free an exchange of goods and services as possible, both in Finland and with other countries. Accordingly, a proper functioning of the EU Internal Market shall be ensured and our commercial interests be looked after on the markets of our neighbouring areas in Russia and the Baltic Sea States. The promotion of exports and tourism is closely linked with the functioning of the market in Finland and internationally.

When promoting the functioning of the market, it shall, however, be ensured that enterprises observe the rules of conduct of social importance. Consumer interests shall be considered. Free competition shall be promoted and unfair competition combated for the benefit of consumers and productivity. The safety and security of citizens and their economy should not be endangered by the free exchange of goods and services. For that reason, the Ministry of Employment and the Economy must play a prominent role in the consumer and competition policy.


[Share link](#)

Page last updated: 28.01.2014

# The UK has lots of Laws and Regulations

students will be amazed to realise how much capitalist behaviour is either

**"enforced"** by the Law or,  
**"regulated"** via Regulators



The government influence the Law and Regulation - but do not directly "control" it.

This is subtle.

**Learning objective: awareness of laws and regulations**

To have an awareness of the multiplicity of laws and regulations that relate to specific companies: *and to be able to discuss how Governments use these to create "ethical" behaviour in specific sectors.*

## The sophisticated link between two tiers of the pyramid



After reviewing a sample of FTSE company Annual Reports my opinion is that many companies appear to "claim" that their legal and regulatory compliance is "ethical" behaviour.

To understand this we need to understand the legal and regulatory environment that UK companies operate within.

**NOTE:** you do not have to become a compliance expert to do well at FIBD - you simply need to be aware of the basic issues facing your company.



**Activity:** list all the key laws and regulations that a student needs to be aware of when analysing the legal and regulatory compliance of a Finnish company

and monitoring of employment legislation and evaluates these on the basis of studies and research.

Finnish Labour Legislation and Industrial Relations, brochure, 2012

## Acts of Parliament in English, labour legislation (finlex.fi)

[Employment Contracts Act](#)

[Act on the Continuation of the Employment Contracts and Civil Service Relationships of](#)

[Persons Fulfilling their National Defence Liability \(pdf\) \(64.7 KB\)](#)

[Act on the Employment of Household Workers](#)

[Act on the Labour Council and Derogation Permits Concerning Labour Protection](#)

[Young Workers' Act](#)

[Posted Workers Act](#)

[Annual Holidays Act](#)

[Working Hours Act](#)

[Act on Job Alternation Leave](#)

[Study Leave Act](#)

[Non-Discrimination Act](#)

[Act on the Protection of Privacy in Working Life](#)

[Act on Checking the Criminal Background of Persons working with Children](#)

[Act on the Contractor's Obligations and Liability when Work is Contracted Out](#)

[Seafarers' Employment Contracts Act](#)

[Seamen's Working Hours Act](#)

[Seamen's Annual Holidays Act](#)

[Act on Working Hours on Vessels in Domestic Traffic](#)

[Act on the Registering of Ship's Crew](#)

[Seamen's Service Act, updated 2012 \(pdf\) \(196.9 KB\)](#)

[Act on Cooperation Ombudsman](#)

[Act on Co-operation within Undertakings](#)

[Act on Financially-Supported Development on Professional Skills](#)

[Act on Compensations for Training](#)

[Act on Co-operation within Finnish and Community-wide Groups of Undertakings](#)

[Act on Personnel Representation in the Administration of Undertakings](#)

[Act on Employee Involvement in European Companies](#)

[Act on Personnel Funds](#)

[Collective Agreements Act](#)

[Act on Confirmation of the General Applicability of Collective Agreements](#)

[Act on Mediation in Labour Disputes](#)

[Act on the Labour Court](#)

[Summaries of EU-legislation](#)

[European Commission, Labour Law](#)

[EUR-Lex](#)

## eg. Employment Law in the UK covers many issues including

- [Age Discrimination](#)
  - [Bullying and Harassment](#)
  - [Data Protection](#)
  - [Disability](#) ←
  - [Discipline and Grievances](#)
  - [Dismissal](#)
  - [Employment Tribunals](#)
  - [Health, Safety and Well-being](#) ←
  - [Maternity and Parental Rights](#)
  - [Redundancy](#)
  - [Religious Discrimination](#)
  - [Sex and Sexual Orientation Discrimination](#)
  - [Terms and Conditions of Employment](#) ←
  - [TUPE](#)
  - [Working Time](#)
- The Data Protection Act, 1998
  - Telecommunications (Lawful Business Practice) (Interception of Communications) Regulations 2000
  - The Equality Act, 2010
- The Health and Safety at Work, 1974
  - Corporate Manslaughter and Homicide Act, 2007
  - Health and Safety Regulations, 1992 (implementing European directives)
- (including) The Pensions Act, 2008

<http://www.cipd.co.uk/hr-topics/employment-law.aspx>

**An example of The Law impacting behaviour "within" an organisation.**

## Free, impartial legal guidance for businesses that sell goods and/or supply services to consumers

### The basics



Unsure of the law on trading standards or whether the rules apply to you? Find out how the law sees businesses that sell to consumers

### Concise guidance



Want answers right now? Quick Guides are arranged by what, where and how you sell to help you find the information you need

### Detailed information



Know what you're looking for, or want to browse a list of specific guidance arranged by category? In-depth Guides deliver the detail

## Trading standards

It is important to realise that a lot of the relationship between sellers and customers is governed by Laws and Regulations.

<a href="#">Home</a>	<a href="#">Gambling sectors</a>	<a href="#">Publications &amp; consultations</a>	<b><a href="#">Licensing, compliance &amp; enforcement</a></b>	<a href="#">Gambling data &amp; analysis</a>	<a href="#">Licensing authorities</a>	<a href="#">Find it</a>
----------------------	----------------------------------	--	--	--	---------------------------------------	-------------------------

**Licensing, compliance & enforcement**

> [Gambling related legislation](#)

[Home Page](#) > [Licensing, compliance & enforcement](#) > [Gambling related legislation](#)

## Gambling related legislation



The legislation is as enacted in its original format. Statutes are published as they were originally made. No revisions or amendments have been made to the text. You should therefore verify for yourself whether legislation is in force or whether it has been amended or repealed by subsequent legislation.

How do you rate th



### Legislation

The Gambling Act 2005 and associated Statutory Instruments are also available on the [National Archives](#).

### The Act

- > [GAMBLING ACT 2005](#) (April 2005)
- > [Licensing Authority Policy Statement \(First Appointed Day\) Order 2006](#) (March 2006)
- > [Licensing Authority Policy Statement \(England and Wales\) Regulations 2006](#) (March 2006)
- > [Licensing Authority Policy Statement \(Scotland\) Regulations 2006](#) (March 2006)
- > [Horserace Totalisator Board Order 2007](#) (July 2007)
- > [Horserace Betting Levy Order 2007](#) (July 2007)

Key Law:  
Gambling A

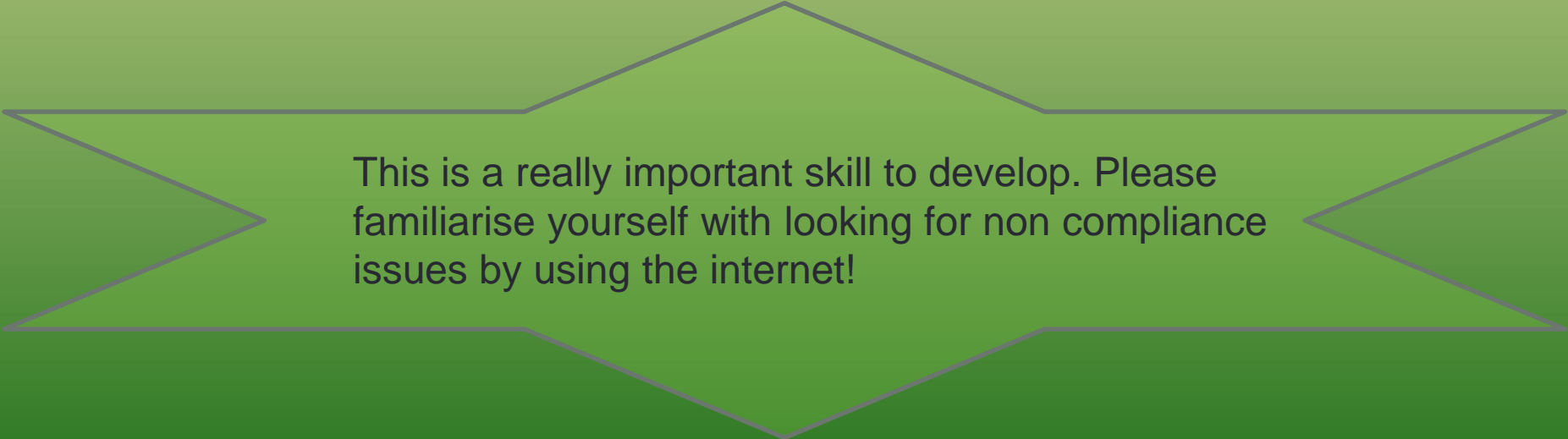
There are *almost*

# 100

Laws, Regulations  
and Orders  
concerning  
Gambling in the UK

## **Learning objective: use of the internet to find non compliance**

To be able to use the internet to research potential **non-compliance issues**: and to be able to present the findings of such research in a mature and critical manner.



This is a really important skill to develop. Please familiarise yourself with looking for non compliance issues by using the internet!



# By using the following you will start to be able to analyse the honesty and completeness of what the company has reported

Source	Initial comments
FT.com	All SHU students can register with the Financial Times: and should do so for this module.
Reputable media sources	eg. BBC, The Guardian, The Telegraph, Huffington Post etc...
Reputable pressure groups reports	
The internet - in general	Apply professional scepticism to general internet sources

## Search words that I have found helpful

Next plc	breach	bbc	guardian	telegraph	huffington
Next plc	regulation				
Next plc	regulations				
Next plc	fined				
Next plc	fine				
Next plc	guilty				
Next plc	accused				
Next plc	break				
Next plc	breaks				



# Next breaks refund rules for online deliveries

**By Susannah Streeter**  
Business reporter, BBC News

You will be amazed at what you can find out about your company!

**Next has been breaking consumer law by failing to refund delivery charges on goods bought online but then returned, a BBC investigation has found.**

Other mail order companies were also found giving out the wrong information about their refund policies.

A customer returning goods within seven working days is entitled to a full refund and the initial delivery charge, under the Distance Selling Regulations.

Next told the BBC it would change its policy from the start of August.



Next says it will change its policy and will refund postage on returned goods

Consumer Rights



Next employee died during training exercise. Next Plc fined £250,000. Killed whilst abseiling out of a raised man-riser FLT during training. No safety line or proper RA. Equipment not properly checked. In-house trainer not qualified in abseiling. Descender mechanism not working correctly.

Safety & Health Practitioner **2005** 23(8):14

<http://www.hastam.co.uk/hsnews/archive/2005/2005-08-august.shtml>

This is so old, and so tangential to the main business that I would not bother writing about it.

## Competition Law Compliance

*It is Next's policy to compete vigorously and fairly. Acting in compliance with competition law is a fundamental part of our business. This means making sure that all employees understand what the law requires and act accordingly.*

*This Competition Law Compliance Policy has been approved by the Board of Next Group plc and each officer and employee of the company must comply with it.*

*The Legal Department also runs a competition law training programme, which complements these Guidelines.*

*Thank you for your co-operation.*

**Simon Wolfson**  
Chief Executive

**Why do they  
comply?**

## 2 CONSEQUENCES OF NOT COMPLYING

2.1 There are serious penalties for companies and for individuals who break the rules. An investigation by the OFT would harm our reputation as well as causing customers to lose trust in us.

2.2 If we break the competition rules, we risk being investigated by the OFT. They could fine us up to 10% of our total world-wide sales (turnover – not profit).

"With the exception of the instances discussed above I have found no major evidence to suggest that Next plc have breached any major laws and regulations in the UK.

Moreover, my analysis suggests that Next plc take their legal and regulatory responsibility in the UK very seriously".

**Activity:** see if you can find examples of non compliance for any disreputable companies that you are aware of.

## **Learning objective: legal and regulatory responsibilities**

To be able to use the internet to research potential **non-compliance** issues: and to be able to present the findings of such research in a mature and critical manner.

Remember: companies are unlikely to tell you about their non-compliance! It is up to you to investigate this....we will discuss this in the next lecture.

# Ethical responsibility

**Carroll definition:** where not mandated by law or regulation a company should behave in a way, that society approves, towards stakeholders

The easiest way to construct such a discussion is to explore

**Ethical tensions:** where the ethical viewpoints of two or more stakeholders clash

**Ethical synergies:** where resolving a tension creates shared value between stakeholders

National Law

Local Regulations: and regulatory bodies

Local "capitalism"

Globalization and  
"capitalism"

Shareholders

Directors

Listed company

Employees

Employee families  
and communities

Suppliers

Members of the  
supply chain, and  
communities  
impacted by the  
supply chain

Customers

Those impacted by  
the products and  
services

Media

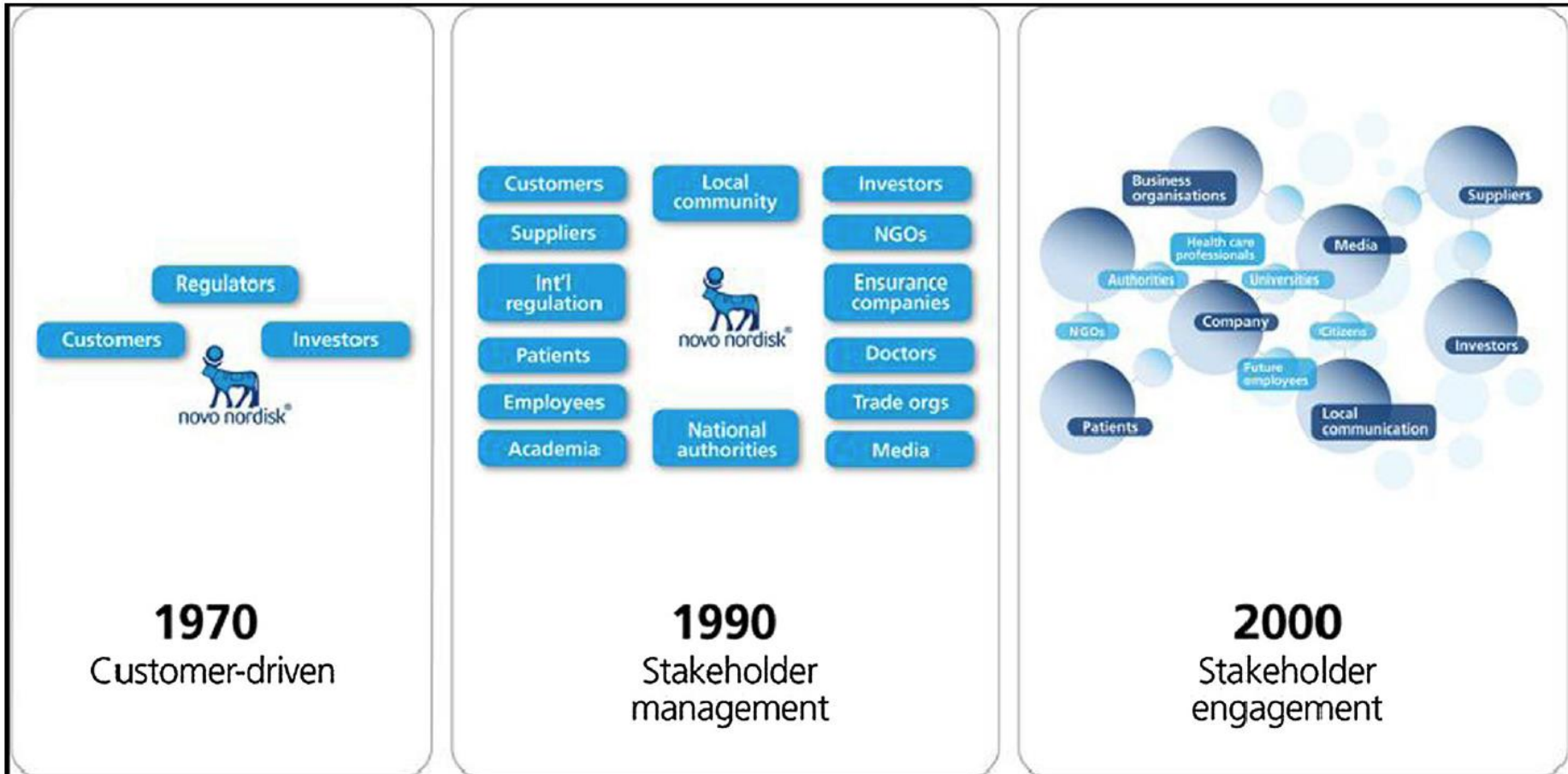
Public Opinion

The "economy"

The "markets"  
eg. capital,  
product, labour

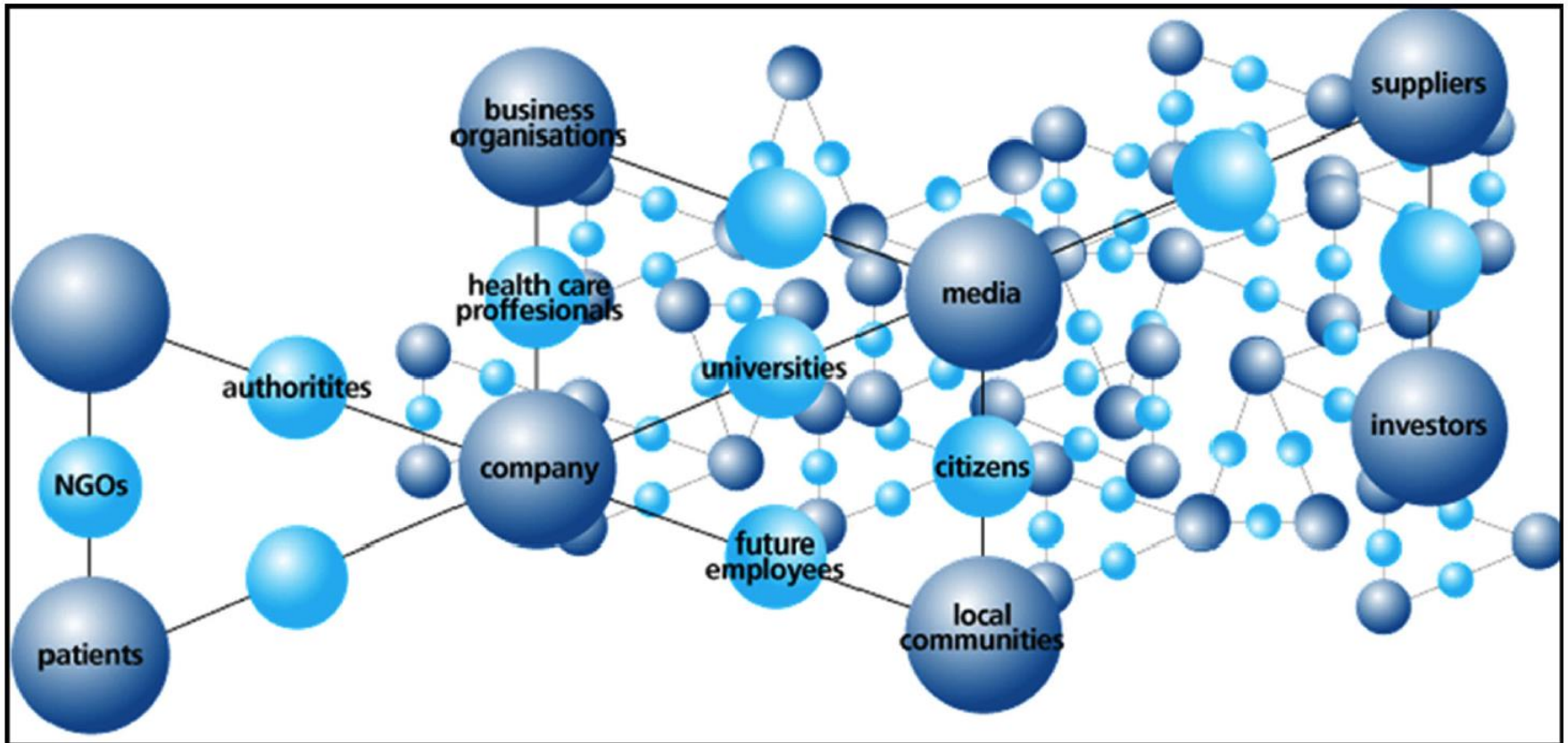
**A Socio Political view of Corporate Governance - an expanded version** of Aguilera, R. V., Williams, C. A., Conley, J. M., & Rupp, D. E. (2006). Corporate Governance and Social Responsibility: a comparative analysis of the UK and the US\*. *Corporate Governance: An International Review*, 14(3), 147-158.





Strand, R. and Freeman, E. (2015) Scandinavian Cooperative Advantage: The Theory and practice of Stakeholder Engagement in Scandinavia, *Journal of Business Ethics*, 127(1), pp.67-85

Fig. 8 Evolution of stakeholder engagement at Novo Nordisk



Category	Economic	Environmental
Aspects <sup>III</sup>	<ul style="list-style-type: none"> <li>• Economic Performance</li> <li>• Market Presence</li> <li>• Indirect Economic Impacts</li> <li>• Procurement Practices</li> </ul>	<ul style="list-style-type: none"> <li>• Materials</li> <li>• Energy</li> <li>• Water</li> <li>• Biodiversity</li> <li>• Emissions</li> <li>• Effluents and Waste</li> <li>• Products and Services</li> <li>• Compliance</li> <li>• Transport</li> <li>• Overall</li> <li>• Supplier Environmental Assessment</li> <li>• Environmental Grievance Mechanisms</li> </ul>

**Global Reporting Initiatives: G4 Sustainability Reporting Guidelines**

Category	Social			
Sub-Categories	Labor Practices and Decent Work	Human Rights	Society	Product Responsibility
Aspects <sup>III</sup>	<ul style="list-style-type: none"> <li>• Employment</li> <li>• Labor/Management Relations</li> <li>• Occupational Health and Safety</li> <li>• Training and Education</li> <li>• Diversity and Equal Opportunity</li> <li>• Equal Remuneration for Women and Men</li> <li>• Supplier Assessment for Labor Practices</li> <li>• Labor Practices Grievance Mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>• Investment</li> <li>• Non-discrimination</li> <li>• Freedom of Association and Collective Bargaining</li> <li>• Child Labor</li> <li>• Forced or Compulsory Labor</li> <li>• Security Practices</li> <li>• Indigenous Rights</li> <li>• Assessment</li> <li>• Supplier Human Rights Assessment</li> <li>• Human Rights Grievance Mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>• Local Communities</li> <li>• Anti-corruption</li> <li>• Public Policy</li> <li>• Anti-competitive Behavior</li> <li>• Compliance</li> <li>• Supplier Assessment for Impacts on Society</li> <li>• Grievance Mechanisms for Impacts on Society</li> </ul>	<ul style="list-style-type: none"> <li>• Customer Health and Safety</li> <li>• Product and Service Labeling</li> <li>• Marketing Communications</li> <li>• Customer Privacy</li> <li>• Compliance</li> </ul>

**Possible areas of ethical "tension" or "synergy"**

# Activity

Expose both sides of the ethical tensions in the following sectors

Identify where there are ethical synergies in the following sectors

Expose  
multiples  
perspectives  
upon the  
ethical

**Tensions**

### **UK Companies with overt ethical tensions/synergies**

BAE Systems	Defence and armaments
Glencore	International mining and mineral extraction
Rio Tinto	International mining and mineral extraction
BHP Billiton	International mining and mineral extraction
BG Group	International mining and mineral extraction
Glaxosmithkline	Pharmaceutical
AstraZeneca	Pharmaceutical
Shire	Pharmaceutical
British American Tobacco	Tobacco
Imperial Tobacco	Tobacco

### **UK Companies with moderate ethical tensions/synergies**

SAB Miller	Alcoholic drinks
Diageo	Alcoholic drinks
Marks& Spencer	Retail: with an embedded CSR strategy
National Grid	Utilities - electricity
United Utilities Group	Utilities
Severn Trent	Utilities - water
William Hill	Gambling
Ladbrokes	Gambling
Stagecoach	Public transport
First Group	Public transport

### **UK Companies that trade with public sector bodies**

Balfour Beatty	Infrastructure
Kier Group	Infrastructure
G4S plc	Various services
Serco plc	Various services

Reveal  
possible  
ethical

**Synergies**

# Examples of ethical tensions

(or perhaps synergies)



Our presence at each stage of the commodities chain provides us with superior market insight and access to opportunities.

Glencore

## Ethical tension



**You need to understand how foreign companies "exploit" the resources of the countries that they mine within**

Mongolia is trying to recover confidence in its mining industry amid a serious downturn, by making conciliatory noises in a stand-off with its biggest investor Rio Tinto (very similar to **Glencore plc**) and proposing to end a dispute over more than 100 exploration licences suspended during a corruption investigation.

*FT.com May 5, 2014 1:05 pm Mongolia set to end dispute with investors over mining licences By James Wilson, Mining Correspondent*



Annu. Rev. Anthropol. 2003. 32:287-313  
doi: 10.1146/annurev.anthro.32.061002.093116  
Copyright © 2003 by Annual Reviews. All rights reserved  
First published online as a Review in Advance on June 17, 2003

## RESOURCE WARS: The Anthropology of Mining

Chris Ballard

*Division of Pacific and Asian History, Research School of Pacific and Asian Studies,  
The Australian National University, Canberra, ACT 0200, Australia;  
email: chris.ballard@anu.edu.au*

Glenn Banks

*School of Geography and Oceanography, University College, University of New South  
Wales, Canberra, ACT, 2600, Australia; email: Glenn.Banks@adfa.edu.au*

**Key Words** globalization, corporation, community, state, engagement

■ **Abstract** The scope for an anthropology of mining has been dramatically transformed since the review by Ricardo Godoy, published in this review journal in 1985. The minerals boom of the 1980s led to an aggressive expansion of mine development in greenfield areas, many of them the domains of indigenous communities. Under considerable pressure, the conventional binary contest between states and corporations over the benefits and impacts of mining has been widened to incorporate the representations of local communities, and broad but unstable mining communities now coalesce around individual projects. Focused primarily on projects in developing nations of the Asia-Pacific region, this review questions the often-monolithic characterizations of state, corporate, and community forms of agency and charts the debate among anthropologists involved in mining, variously as consultants, researchers, and advocates, about appropriate terms for their engagement.



# National Grid: market cap £33 billion

## Gas Distribution connections



### Gas Distribution Connections

National Grid provides a number of different services for both domestic and commercial properties.

## Electricity Transmission connections



### Gas Transmission Connections

New connections to the high pressure national gas transmission system (NTS).

## Balancing services



### Metering

National Grid Metering is a subsidiary of National Grid.



### Electricity Transmission connections

New connections to the National Electricity Transmission System

A warning from EDF Energy (**not National Grid**) that four of its nuclear reactors might be out of action until the end of the year has refocused attention on the worrying tightness in the UK's power supply.



### Land and Development

We work closely with land owners who own land crossed by our equipment, planners and the local community.



### Balancing services

Balancing supply and demand to ensure the security of energy supplies in the UK.



### LNG Storage

Liquefied natural gas (LNG) is, as its name suggests, natural gas in liquid form.



### Charging

This section includes further documentation concerning National Grid's charges.

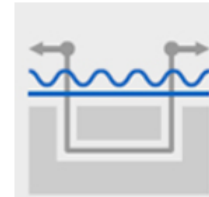
September 4, 2014 9:13 pm  
*Nuclear power plant warning puts spotlight on UK supply plans*  
By Guy Chazan

## Grain LNG

Regulated  
(in part) by  
OFGEM

### Commercial Engineering Services (CES)

National Grid provides a range of high voltage maintenance services to customers.



### Interconnectors

National Grid's domestic transmission system.

**Serco:  
market cap  
£2 billion**

### Jeremy Stafford, Chief Executive of Serco UK & Europe

John Maynard Keynes called capitalism ‘the astounding belief that the most wickedest of men will do the most wickedest of things for the greatest good of everyone’.

This view may once again be fashionable, with the motives and behaviour of those who lead large companies and financial institutions currently being scrutinised by politicians, regulators, the media and the public. But I strongly believe that seeking a fair profit is compatible with acting responsibly.

A company is answerable to stakeholders other than its investors, including the communities it works within and wider society. This is especially true when private sector expertise is applied to public services. Outsourcing must not – and in my experience, does not, – mean that democratic oversight and accountability are weakened, or that the commitment to serving citizens is any less. <http://www.ethosjournal.com/topics/civil-society/item/385-what-does-responsible-capitalism-mean>



With rising service expectations, finite resources and budget deficits find out how Serco helps governments and corporations across the world deliver better services for less...read more



+ Our services



+ Serco in action

# ABOUT TYPHOON

**BAE Systems plc** is probably one of the most ethically charged UK companies.



Copyright: Geoffrey Lee

[Download Image](#)

Typhoon gives air forces the capability to effectively deliver a full spectrum of air operations - from air policing and peace support, through to high intensity conflict, thanks to its inherent flexibility and adaptability. The aircraft's swing-role capability provides the widest possible range of air-to-air and air-to-surface mission profiles.

Together with our partners we have developed an aircraft that boasts unrivalled combat capability, impressive situational awareness, high survivability and the most advanced array of integrated sensors. In short, Typhoon is a total solution for any modern air force.

Citing threats from Islamic extremism and Russia, Defence Secretary Michael Fallon has warned the prime minister and chancellor not to cut the UK's defence budget after the next election.

*FT.com October 1, 2014 10:33 am*

*Fallon warns against further defence cuts*

*By Kiran Stacey in Birmingham and Sam Jones, Defence and Security Editor*

**BAE Systems: market cap 15 billion**





**GSK: market cap 67 billion**

**Remember: the NHS is an important GSK customer**



News

**GSK China investigation outcome and statement of apology**

“Large companies will not invest in research and development for rare and neglected diseases, due to the limited scope for profit,” said Mohga Kamal-Yanni, Oxfam’s senior health-policy adviser. “But it is neither ethical nor sustainable to leave decisions and financing for research and development to be dictated by the commercial interests of pharmaceutical companies. They will continue producing the medicines that can make the highest profits rather than the therapies that are desperately needed for public health.”

<http://www.independent.co.uk/life-style/health-and-families/health-news/ebola-virus-what-price-for-a-miracle-cure-9785917.html>

**Helping fight Ebola >**

We are dedicated to improving the quality of human life by enabling people to do more, feel better, live longer.



# Examples of ethical synergies

**StageCoach : market cap 2 billion**



OUR PERFORMANCE

CASE STUDIES

ACHIEVEMENT AND AWARDS





**Airbus is not a UK company:  
but British Airlines use their  
'planes.**



Aircraft families ▾ Innovation ▾ Support ▾ Company ▾ News & Events ▾ Galleries ▾ Careers ▾ Press centre ▾

➤ **A320neo First Flight successfully completed**  
Relive the event



**but UK companies  
are in the Airbus  
Supply Chain**

“Perhaps one of the suppliers (eg. **Rolls Royce plc** or **GKN plc**) will fail so our job is to avoid it, to support them, to look for alternatives . . . but I don’t expect big issues,” he says. Mr Brégier adds that Airbus is not looking for scapegoats: “the quality of the supply chain is the responsibility of the prime contractor. So this is my job and this is the job of Airbus.”

FOCUS

Visit the site  
**A350XWB**  
Shaping efficiency

Let's shop @Airbus on Twitter A350XWB.com

*FT.com August 31, 2014 7:19 pm*

***Aerospace groups voice concerns over supply chain***

*By Tanya Powley and Andrew Parker*

# Together, we make our world work better

2014 ANNUAL REPORT

## The link with the local economy...

Some £15.6bn of construction work is forecast between 2013 and 2017 in Greater Manchester. Of the £11bn of new schemes, half will be housing.

The chamber has worked with the Construction Industry Training Board to estimate the labour force required to deliver them.

Christian Spence, who co-ordinated the research at the chamber, said it would be hard to find the 10,000 extra skilled workers needed by March 2014, when there would be 64,000 construction jobs in the city.

*December 23, 2013 1:27 pm*

*Researchers pioneer computer model to forecast skills shortage  
By Andrew Bounds, North of England correspondent*



**Kier: market cap £1 billion**

**Kier does work on behalf of the Government - the ethics of this relationship are exceptionally nuanced.**



## Responsible Business Award

Recognises large businesses that have adapted their strategies so that their products, services and employees can build resilient communities and environmentally sustainable practices, and are influencing others to create conditions for long-term change.

The winner will be BITC's Responsible Business of the Year

- EDF Energy\*
- **Johnson Matthey\***
- National Grid\*

*FT.com July 7, 2014  
5:15 pm*

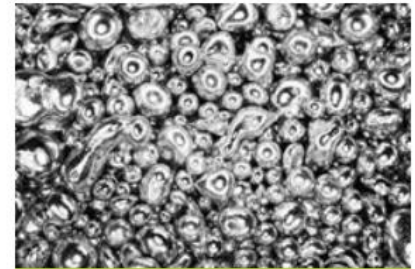
**Responsible Business awards: methodology and Big Tick winners**  
*By Virginia Marsh*



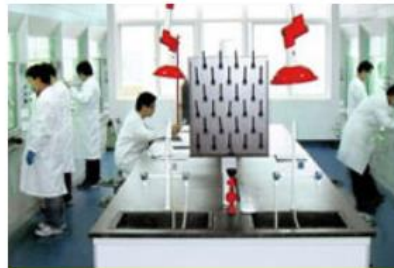
Emission Control Technologies



Process Technologies



Precious Metal Products



Fine Chemicals



New Businesses

**Johnson Matthey: market cap £6 billion**

We focus on clean air, clean energy and low carbon technologies and are experts in the application and recycling of precious metals.

Resolving ethical tension: a short story

# Philanthropic responsibility

The potential for companies to do **MORE** than is ordinarily expected of a capitalistic company. N.J. Fletcher

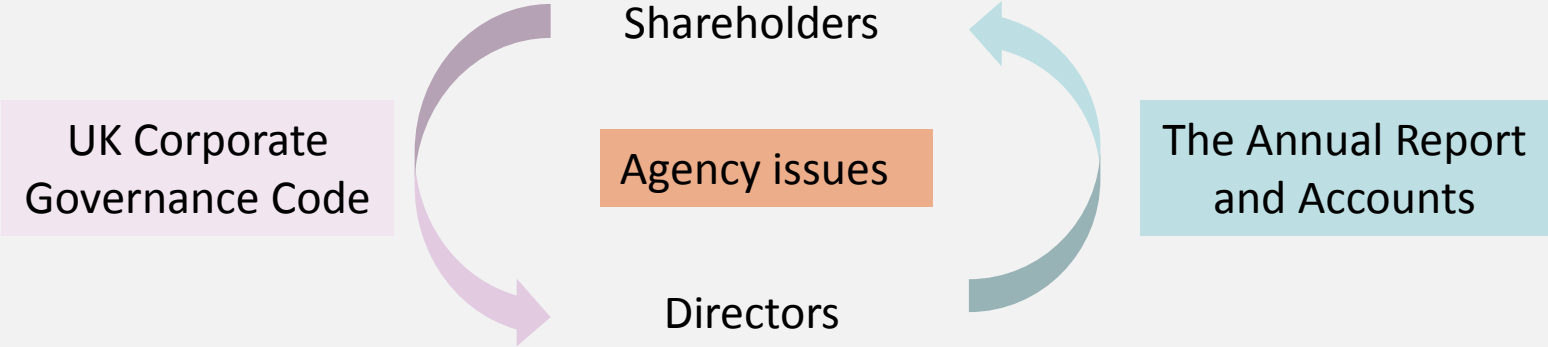
## Learning objective: philanthropic responsibilities

To be able to both assess and critique **if, how and why** a particular company has attempted to fulfil any "philanthropic" responsibilities.

eg. The Quaker families: Rowntree (York) and Cadbury (Birmingham) built high quality villages for their workers to live in (around 1880 to 1910): many argue that this was out of genuine concern for their workers and was philanthropic in the sense that it was "over and beyond" that which was ordinarily expected of business at the time.

eg. See <http://www.rowntreesociety.org.uk/>

# A critique of the "philanthropic layer"



Fostering **Investment** through confidence

## **Creating shared value: capitalism imbued with social purpose**

Porter, M. E., and Kramer, M. R. (2011) Creating shared value, *Harvard Business Review*, 89(1), pp. 62-77.

We need a more sophisticated form of capitalism, one imbued with a social purpose.

The concept of shared value can be defined as policies and operating practices that enhance the competitiveness of the company while simultaneously advancing the economic and social conditions in the communities in which it operates.

Shared value creation focuses on identifying and expanding the connections between societal and economic progress.



Value is defined as benefits relative to costs, not just benefits alone.

CSR programs focus mainly upon reputation and have only a limited connection to the business.

Creating Shared Value is integral to the company's profitability and competitive position. It leverages the unique resources and expertise of the company to create economic value by creating social value.

Shared value opens up many new needs to meet, new products to offer, new customers to serve, and new ways to configure the value chain...the competitive advantages that arise from creating shared value will often be more sustainable than conventional cost and quality improvements.

# Additional activity

Critically review the Next plc CSR report

**A general rule for uncovering ethical tensions.**

**Look for what is **not** said!**

Carefully search the internet for "other" opinions about your company's ethical performance.



# What do Next **not** say about their employees?

## EMPLOYEES

NEXT's employees are key to achieving business objectives. NEXT has established policies for recruitment, training and development of personnel and is committed to achieving **excellence** in the areas of health, safety, welfare and protection of employees and their working environment.

## Equal opportunities and diversity

NEXT is an equal opportunities employer and will continue to ensure it offers career opportunities without discrimination. Full consideration is given to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. The Group has continued the employment wherever possible of any person who becomes disabled during their employment. Opportunities for training, career development and promotion do not operate to the detriment of disabled employees. The following table shows the gender mix of the Group employees at the end of the financial year:

	2014		2013	
	Males	Females	Males	Females
Directors of NEXT plc	8	3	8	2
Subsidiary directors and other senior managers	29	13	27	17
Total employees	15,929	34,138	16,856	36,369

## Training and development

NEXT aims to realise the potential of its employees by supporting their **career progression and promotion** wherever possible. It makes significant investment in the training and development of staff and in training and education programmes which contribute to the promotion prospects of employees.

## Employee communication

NEXT has a policy of providing employees with financial and other information about the business and ensure that the suggestions and views of employees are taken into account. NEXT has an employee forum made up of



## Next PLC Employer Reviews

Follow

Get job updates fr

### Company Attributes

- ★★★★★ Job Work/Life Balance
- ★★★★★ Compensation/Benefits
- ★★★★★ Job Security/Advancement
- ★★★★★ Management
- ★★★★★ Job Culture

★★★★★ **Management are the most nastiest people I have come across!**

Sales Consultant (Former Employee), Sheffield – September 5, 2014

You will learn a lot at next such as working with a till, working with stock and being on the fitting room. Having conversations with the customers which is what I love but you can't always do that as there is always something to be done! You will always be busy and on your feet all day which hurts.

The worst thing about next is their management.

They speak to you like something on the bottom of their shoe. Make you do things you haven't been trained on and then tell you how rubbish you are. Make sarcastic comments all the time and tell you off in front of customers! Then asking other staff members how they feel about it, it is the norm in next "just take it with a pinch of salt" but they really do make you feel awful and like you don't want to come to work! If you get in the right store with the right managers then next will give you loads of experience. – [less](#)

Was this review helpful?  – [No](#)

You can't believe everything you read on the internet - and one isolated negative comment means little.

Interestingly... BAE Systems seems like a great place to work!

Location

Language

Job Title

Do Next talk about how they bring Polish workers to the UK on exceptionally short term contracts to avoid UK Employment Regulations?

[In 2012] Next PLC ... brought 500 Polish workers to work in their South Elmsall [West Yorkshire] warehouse for their summer sale and another 300 this summer.

They were recruited in Poland and charged £50 to find them accommodation. The advantage to Next? They get to avoid Agency Workers Regulations which apply after a candidate has been employed for over 12 weeks, so Polish temps end up considerably cheaper than the local workforce which includes many former Next employees.

Patrick Hennessy, The Telegraph, 10 August 2013 Labour accuses Tesco and Next of hiring foreign staff on the cheap - citing Chris Bryant the Shadow Immigration Minister



Do Next talk about the difference between paying a minimum wage and a living wage to its employees?

In October 2014, the company was one of several retailers criticised by Janice Turner in The Times for failing to pay a living wage. UK taxpayers pay £28 billion to low paid workers and Turner says retail companies -which have the highest proportion of low paid workers -are exploiting austerity and effectively adding staff wages to the to the UK welfare bill. When asked why, despite record profits their lowest paid workers were so poorly paid, Next replied that they had 30 applicants for every job advertised.[17]

NOTE: Next plc make over £500 million profit a year. If they gave every worker a £1,000 per year pay rise this would only reduce profits by about £30 million...

Source cited: Janice Turner (4 October 2014). "Don't make me pay your staff, Sainsbury's". The Times. Retrieved 19 October 2014.

<http://www.bbc.co.uk/news/uk-england-leicestershire-27431336>

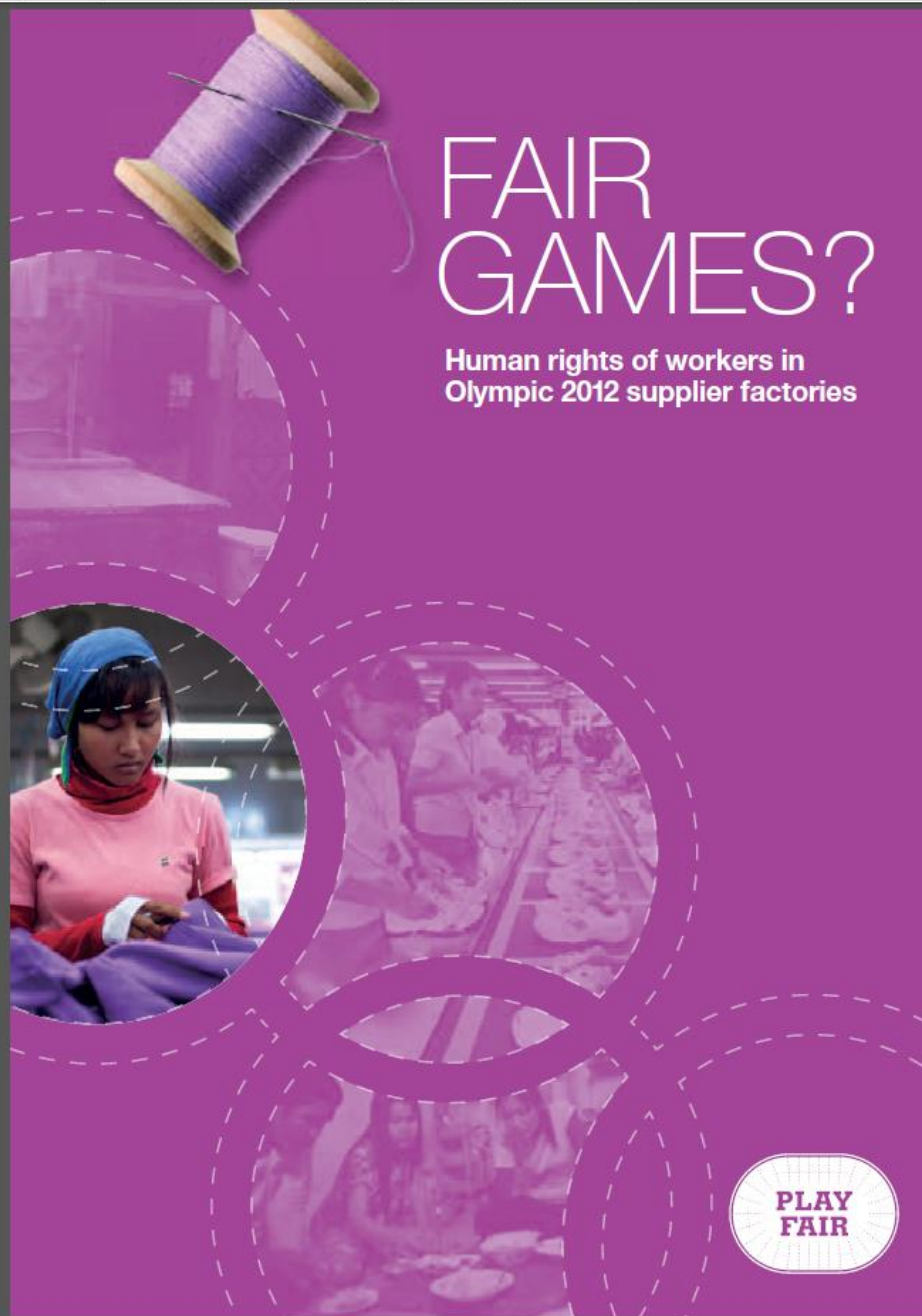
**A general rule for uncovering ethical tensions.**

**Look for what is **not** said!**

Carefully search for "other" opinions about your company's ethical performance.

Copies of this report and further information are available to download from the following websites:

[www.play-fair.org](http://www.play-fair.org)  
[www.playfair2012.org.uk](http://www.playfair2012.org.uk)



A  
colleague  
gave me  
this  
report...

Written by the International Textile, Garment and Leather Workers' Federation (ITGLWF). Research conducted by SACOM, the Philippine Council of the ITGLWF and the Free Trade Zones and General Services Employees Union (FTZ&GSEU).



## From Pages 26 and 27 of: Fair Games? Human rights of workers in Olympic 2012 supplier factories

At Next Manufacturing an agent is used by management to employ helpers, machine operators and other workers. According to those interviewed, these workers are employed through the agent and are not directly employed by Next Manufacturing. In interviews with the researchers workers said that employees hired via the agent are taken from Next Manufacturing to another factory nearby immediately after their shift finishes. At that factory they work until 2.30 am. They are then expected to report at 8 am at Next Manufacturing the following day to begin work again. The workers also reported how the agent is focusing on recruiting workers from specific areas such as Jaffna, Trincomalee and the plantations because those workers have very little knowledge of their rights and are often illiterate; they are targeted by agents specifically because of their vulnerability and because they are easier to exploit.

Next claim that they are "committed to achieving excellence in...the welfare and protection of [their] employees".

After one day of internet research, and a short discussion with one colleague, I unearthed four distinct sources that all contained potential evidence that was contrary Next's assertion of "excellence".

It is understandable that Next wish to minimise labour costs in order to maximise shareholder wealth - but in my opinion it appears that Next seem to favour maximising shareholder wealth at the expense of looking favourably upon their low wage employees. This culture is exemplified in the opening sentence of their Employee section of the 2014 Annual Report: "Next's employees are key to achieving business objectives" is the first comment that is made. Here employees aren't introduced as people with families to support, pensions to provide for or humans with dignity. Instead they are represented as a variable within the business model that can be used to "achieve business objectives."

Perhaps I have misinterpreted this company - but recalling the stressed demeanour of the branch supervisor, and the attitude of the till operator, that I encountered in my one shopping trip to Next this year gives me no reason to retract my thinly researched opinion. I tentatively, and emotively, suggest that Next is an overtly capitalistic money making machine that does not seem afraid to oppress certain workers in its pursuit of ever increasing profits.

# Rolling program of work

Use Carroll's pyramid to assess the behaviour of your chosen company

Highlight ethical tensions and synergies (within the ethical layer)

Critique how ethical issues run through the entire pyramid