Oxford-Achilles Working Group on Corporate Social Responsibility
Said Business School, University of Oxford
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Seminar Notes: What are firms responsible for? CSR, value creation and public scrutiny

Introduction

In this seminar I will discuss some ideas about the nature of corporate responsibility. This is primarily a conceptual analysis.

Some of the assumptions, problems and avenues for further research are clear to me, many others will not be. This is very much work in progress. I hope the ideas will stimulate a good discussion.

I will start with a very wide claim: the idea that firms have *some* responsibility for the outcomes of their actions appeals to at least two widely held views.

First, that these outcomes have an *ethical significance* that allows us to describe them as *good* and *bad outcomes* or a combination of both.

Second, that we are in general *responsible* for the good and bad outcomes of actions that we intend or can reasonably foresee.

> I suggest the following working definition of *ethical significance*: outcomes that cause harm or benefit or a combination of both are ethically significant outcomes. The ideas of 'harm' and 'benefit' are informed by moral intuitions, moral principles or moral values. The status and content of these intuitions, principles and values will be contested. This working definition, in common with most definitions in ethics, is only partially adequate and potentially controversial.
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> A working definition of *responsibility* includes the idea that the responsible agent may be called upon to *refrain* from acting, to *mitigate* the effects of the action, to *compensate* those adversely effected by the action, or in some cases be *required to act*. As with ethical significance, this working definition is only partially adequate.

I suggest that these two widely held views are at the heart of the current debate about *corporate social responsibility* or CSR.

One example of an implicit appeal to these two views is the UK Government definition of CSR. This is included on the Government CSR website csr.gov.uk.

This definition focuses on the private sector and states that CSR:
- takes into account the social, economic and environmental impacts of business activity - maximising the benefits and minimising the downside of the these activities
- is over and above compliance to minimum legal requirements
- involves voluntary arrangements
- and, balances the competitive interests of business with the interests of wider society

If we accept these two views about *good and bad outcomes* and *responsibility* as reasonable I suggest that this raises a series of complex issues for firms. I will consider two of these issues.

The *first* issue is: what is the *extent* of corporate responsibility for outcomes. As one route into this issue I suggest developing an extended view of *value creation* across supply chains and beyond. This view seeks to take into account the whole range of good and bad outcomes of business activity as a basis for analysing the extent of corporate responsibility.

The *second* issue is: firms are subject to public scrutiny for these outcomes. They may be called upon to give a public account of their activities and to set out publicly the actual extent of the responsibilities that they assume. This suggests that corporate responsibility is an aspect of *public reason*. One route into *this* issue is to sketch out *whether* and *how* an idea of public reason can provide an approach to considering the extent of corporate responsibility.

> Other issues that won't be addressed directly, but which we can discuss, include: a discussion of what we mean by *ethical significance* in this context, including how we come to ascribe *good* and *bad* to outcomes; the ethical implications of *intended and unintended* outcomes; which *persons or entities* are responsible for the outcomes; how we assess the *impact* of the outcomes; how we account for the *aggregated* and *cumulative* effects of outcomes; and there are other questions.

Value creation

I will first address the issue about the *extent* of corporate responsibility though proposing an extended view of value creation.

A simple analysis of value creation is as follows: value is created by a firm through combining *inputs* with a *transformation process* to produce *outputs.*[1]

We need to state an important assumption here: value is created under this definition by firms operating *within minimum legal requirements*.

We can extend this beyond the firm through the analysis of supply chains which describe the flow of goods, services, information and finance etc from raw materials to end users to end of life and disposal.

Although we may not be able to capture the full complexity of all the agents, connections and interrelationships through a supply chain we can expect to describe the essential connections.

The idea of a 'supply network' may be a better way of modelling this flow and avoids the assumption that the flow is linear and unidirectional. This can be developed into a 'value network' or 'value grid'. For this discussion I will continue to use the term 'supply chain'.

In a market situation we can *measure* value creation for an individual firm by financial indicators such as profit. On this measure value equals the financial revenue generated by *outputs* minus the financial cost of *inputs* and the *transformation process*.

Value creation for an entire supply chain can also be measured by financial indicators, such as the combined long term return on investment for firms engaged in the supply chain.

It has been pointed out to me that the idea of 'value creation' may be complemented, or in some cases replaced by, the idea of 'value capture'. In this discussion I will continue to use the idea of value creation.

Four dimensions of value

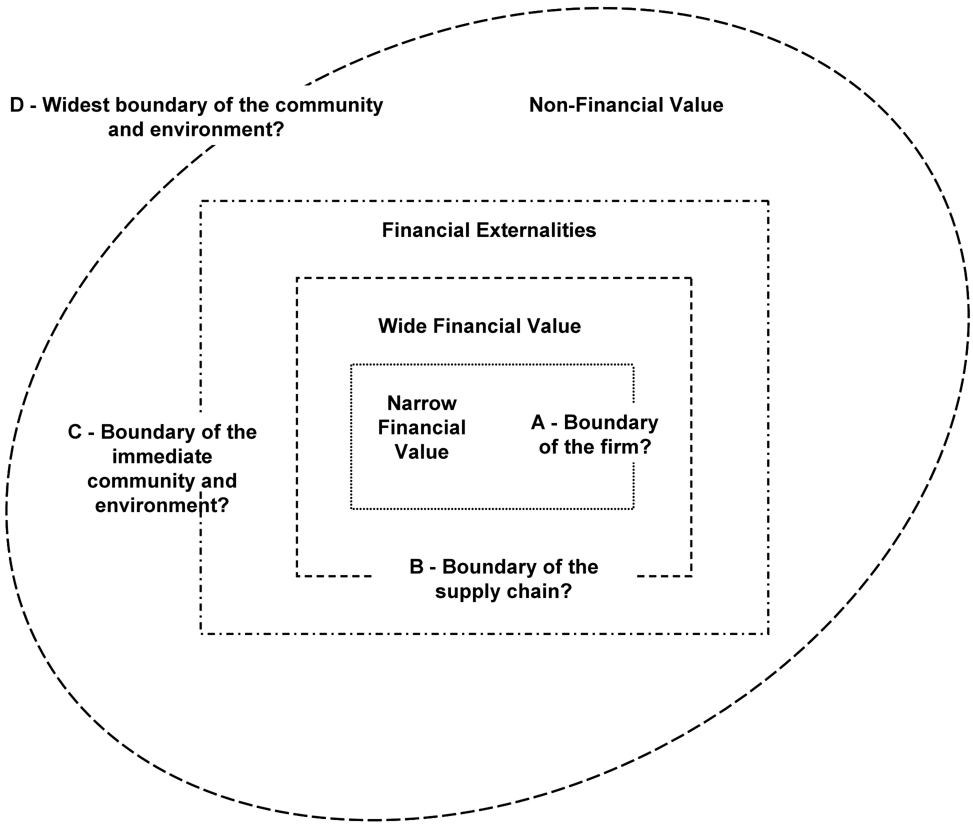
[1] Porter's value chain model proposes a series of generic activities to describe the process of value creation for an individual firm. A discussion of value creation can found in Michael Porter, Competitive Advantage, Simon & Schuster, 1978.

We now have a useful set of ideas which enable us to analyse value creation for an individual firm, and potentially for a supply chain, that has an immediate utility for firms operating in a market.

This approach can be seen as the first, and potentially the second, of *four* dimensions of value.

We can model these dimensions as overlaying each other, as illustrated Figure 1.

Figure 1: Four dimensions of value



We can describe the *first* dimension as *narrow financial value.* This uses financial measurement such as revenue from outputs minus the cost of inputs and a transformation process.

We can extend this view to include longer term and wider ranging outcomes of a firm's activities such as the competitiveness and reputation of the supply chain. It is likely that these dimensions can also be given a financial value, although it may be more difficult to calculate accurately. We can describe this *second* dimension as *wide financial value.*

These two dimensions may not capture all the *financially measurable* outcomes of a firm’s activities. We can describe a *third* dimension of value as *financial externalities* which are not usually accounted for by firms.

However, these three financially measurable dimensions of value may not capture *all* of the outcomes of a firm’s activities. We can therefore describe a *fourth* dimension of *non-financial value*.
As we move out from the centre of the diagram we move further from the boundary of an individual firm.

These boundaries are not clear cut and will be determined by both *formal considerations,* for example, the legal structure of business organisations and accounting requirements and *informal considerations,* for example partnerships, supply chain integration and CSR policies themselves.

We can describe the boundaries in the diagram as follows:

- *Boundary A* is a possible boundary of the firm
- *Boundary B* a possible boundary of the supply chain
- *Boundary C* the wider community or environment effected by firm or supply chain externalities
- *Boundary D* the outer limit of impacts on the widest view of the *community* for example global communities and, more speculatively, future generations and the *environment* for example biodiversity and atmospheric pollution
- *Boundary C* and *Boundary D* in particular may overlap

The outcomes of a firm's activities may create narrow financial value for the firm but may *also* create wider financial value for the supply chain, and financial externalities and non-financial value for the wider community. The latter three may not, however, be accounted for or even be fully understood by the firm itself.

Giving an account of *narrow financial value* is the most straightforward and most familiar. In this case we define the *outcomes* of a firms activities as relatively tangible *products,* comprising both good and services.

We can then provide an overall *financial measure* of the value of these products using revenue minus cost as discussed above.

I suggest that that this account involves at least two implicit ideas.

Firstly, *products* pick out only part of the total *outcomes* of a firm's activities.

Second, we replace an explicit appeal to *good and bad outcomes* with *financial measurement* of these *products*. We consider *positive* financial results such as profit or a competitive return on shareholder investment is a *good outcome* overall. We consider a financial *loss* as a *bad outcome* overall. The *ethical significance* of these results is implied by, or built into, the principles which underpin the institutional structure of the firm.

The *second* dimension is *wide financial value*. This uses similar definitions as *narrow financial value*. We continue to consider *products* and to measure *financial results,* however these are now applied to the whole supply chain and may be more difficult to identify and attribute.

Again, I suggest that *products* pick out only part of the *outcomes* of the supply chain, and *financial results* measure one *aspect* of these outcomes of supply chain activity.

This becomes clearer when we consider the third dimension of *financial externalities*. In this case we continue to pick out relatively tangible outcomes, such as river pollution, but move beyond firm or supply chain *products*. The tangible nature of these outcomes makes it possible to assign a financial measure to these outcomes, for example loss of fish stocks and associated livelihoods resulting from river pollution.

The boundary between financial externalities and the outcomes accounted for by firms or supply chains may not always be clear. In fact, these boundaries are of course subject to change, for example through legislation and regulation which may have the effect of *internalising* externalities.

When we consider the fourth dimension of *non-financial value* the appeal to tangible outcomes and financial measurement becomes problematic.

Some outcomes which are not accounted for by firms, or supply chains or as financial externalities may be on the boundary between tangible and intangible outcomes.

For example, it may be argued that atmospheric CO2 emissions contribute to global warming.[2] This may be described as a non-financial outcome. However, CO2 emissions themselves are tangible outcomes. If global warming occurs as a result of these emissions it may, in principle, be possible to measure the effect of this warming financially. This may result in CO2 being considered a financial externality. Arguably, this is starting to happen.

An outcome such as the aesthetic loss of an area of natural beauty as a result of oil exploration is an intangible outcome for which it is difficult or impossible to assign a financial value. A proxy financial measure such as an assumed ‘willingness to pay’ for the area of natural beauty may be attempted. For example, an actual or assumed *fee* to access the area or a level of *taxation* to protect it.

I suggest that in these cases we tend to appeal directly to the idea that this is a *bad outcome*. This in turn appeals to the *ethical significance* we give to the aesthetic value of the area of natural beauty.

We can also consider non-financial *good outcomes* of a firm’s activity such as the satisfaction derived from an individual fulfilling their potential as an oil exploration engineer, to use the same example.

I suggest that the four dimensions of value approach makes it possible to take into account *all* the *outcomes* of the firms activities and defines value in terms of the *ethical significance* of these outcomes. This allows us to describe outcomes as *good* and *bad outcomes* or a combination of both.

The products of a firm are considered part of the *total outcomes*. The financial results of the firm are considered an implicit measure of the *ethical significance* of this group of outcomes.

It may be possible in principle to assess whether the *total value* created by the firm is *positive* or *negative*. This will be based in the *total balance* of good and bad outcomes resulting from the firm’s activities.

Defining and agreeing the nature, scope, attribution and ethical significance of all outcomes makes this assessment problematic. I suggest that the four dimensions of value approach can be used even if a final view of total value is not possible.

Ideas of social accounting, the ‘triple bottom line’ of economic, social and environmental performance, and CSR reporting and auditing can be seen as attempts to take the full range of outcomes and the total value created by the firm into account.

Public sector value creation

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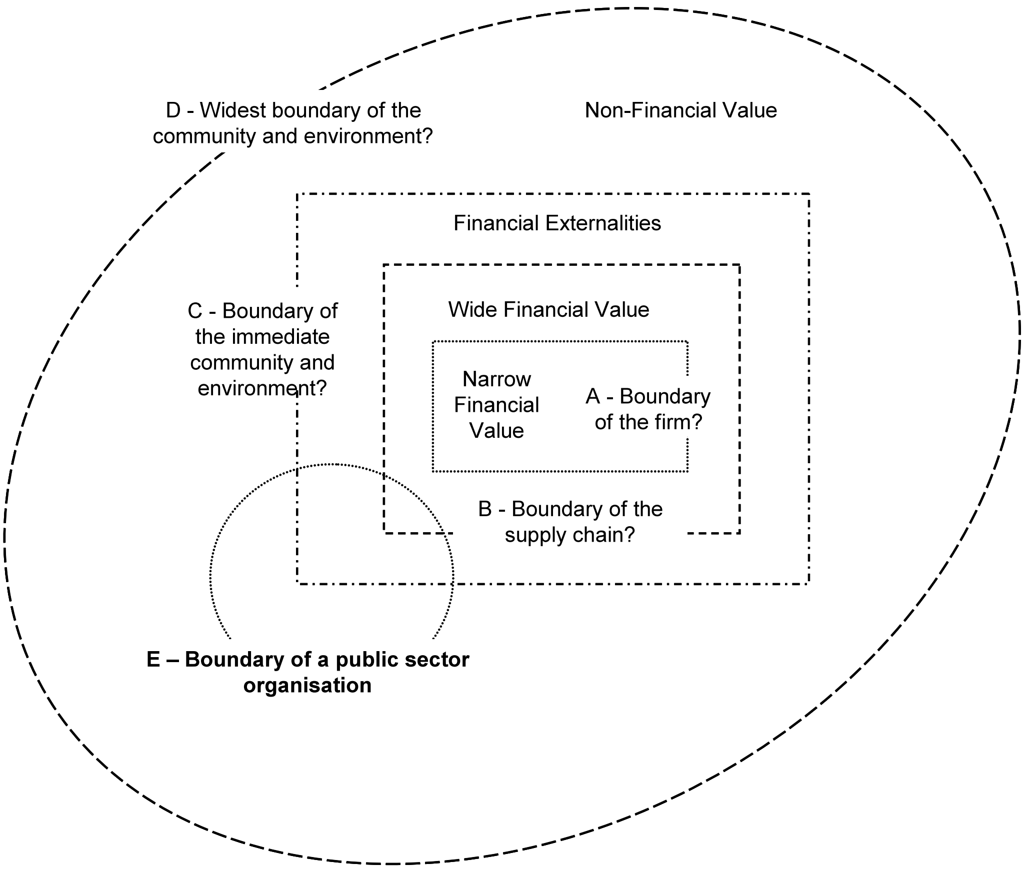
[2] This appears to be a broad conclusion from the work of the UN Intergovernmental Panel on Climate Change (IPCC) http://www.ipcc.ch/ It is included here as an example. It is beyond the scope of this discussion to consider the arguments for and against this example.

This discussion concentrates primarily on value creation by firms operating in markets. However, we can use the four dimensions of value approach to describe a possible boundary E for a public sector organisation, as illustrated in Figure 2.

Figure 2: Public sector value creation



In general public sector value creation is not measurable by *narrow* or *wide financial value* and typically delivers *non-financial value* and regulates *financial externalities*. The public/private sector boundary may be seen as reflecting a societal ‘division of labour’.

Firms operating in markets are motivated to create *narrow financial value*. Governments create a legal and policy framework to regulate the market which enables firms to operate effectively to create financial value. This framework itself is based on the primarily *non-financial value* of effective markets.

Just one example of an attempt to develop a means of measuring non-financial value in the public sector is the idea of a quality-adjusted life year (QALY) to measure health interventions.[3]

I will not discuss public sector value creation further here, but we may wish to pick this up in the discussion.

Minimal and maximal views of corporate responsibility

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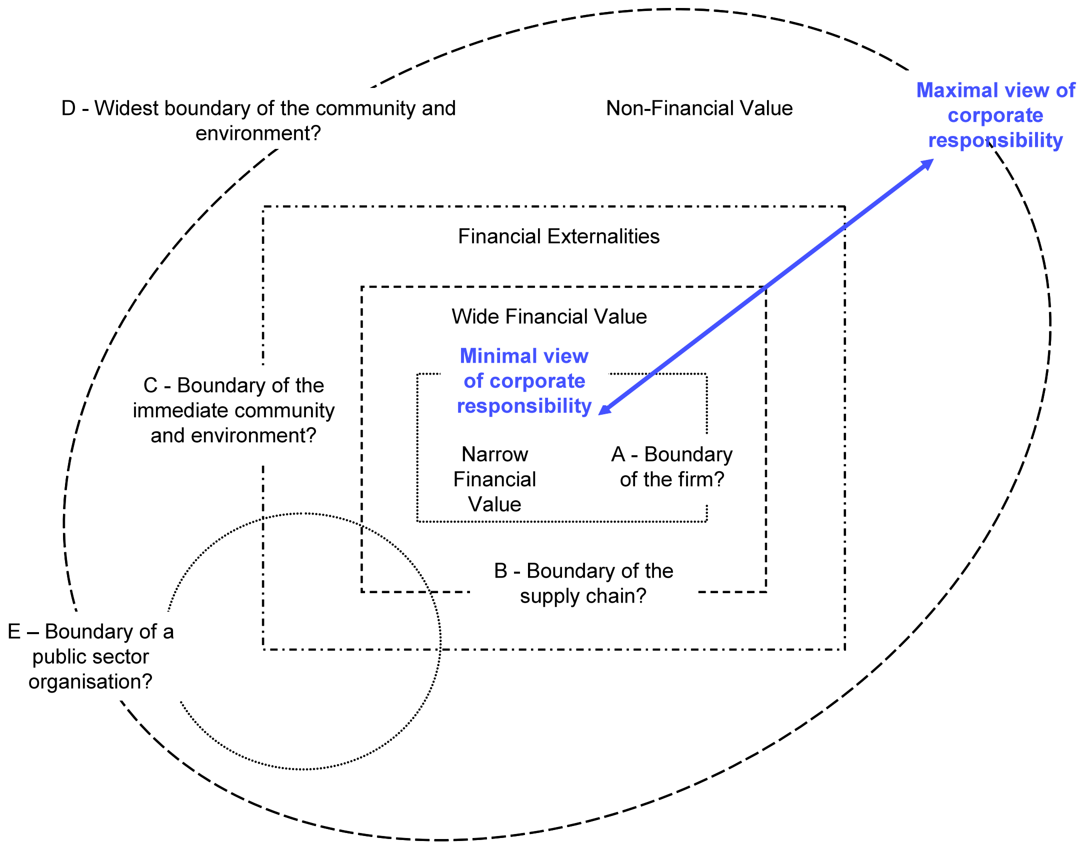
[3] The idea of QALY and other aspects of public sector value creation require further work beyond the scope of this discussion.

I suggest that we can use the *four dimensions of value* to analysis the spectrum of views about the nature and scope of corporate responsibility. We can describe each end of this spectrum as a *minimal* and a *maximal* view of corporate responsibility with a range of options along the spectrum. This is illustrated in Figure 3.

Figure 3: Minimal and maximal spectrum of corporate responsibility



A *minimal view* suggests that firms discharge their corporate responsibilities by achieving positive financial results, and operating within minimum legal requirements. This reflects a narrow financial view of value.

A *maximal view* proposes that firms take a wider view of corporate responsibility beyond financial results and minimum legal requirements. This reflects all four dimensions of value.

Minimal views may be justified as a part of the societal ‘division of labour’ across the private and public sectors. On this view, extending corporate responsibility undermines the efficient operation of markets and dilutes clear accountabilities such as providing a return on shareholder investment.

It may also be argued that markets are in fact the best means of resolving many of the issues raised by the analysis of corporate responsibility. A wider discussion of the efficiency of markets is required to explore this further. For example, we may ask how far markets capture long term preferences which are not reflected in short or medium term financial decisions.

Maximal views may be taken by campaigning groups such as environmental pressure groups. A key argument here is that the scope, impact and significance of global business activity is so great that the outcomes of this activity cannot be regulated by government alone.

When we consider the minimal-maximal spectrum it may be argued that in a market situation *all* business activity must in fact operate within a minimal view of corporate responsibility. All business activity must ultimately contribute to narrow financial value in the short, medium or long term for the firm to survive.

On this view the four outcomes identified by the second, third and fourth dimensions provide a description of outcomes which a firm may need or may seek to internalise in the future.

For example, the market for Fairtrade or organic products provided a clear business opportunity for firms. The nature of these products appealed to aspects of ‘non-financial value’ which have gradually been expressed as preferences by consumers and provide an opportunity for ‘narrow financial value’ through meeting these preferences.

A further example is the ‘non-financial aesthetic value’ of an area of natural beauty mentioned before. Where an oil exploration firm takes this into account, it may have assessed the financial implications of a bad environmental reputation in the future and acted to mitigate, compensate or prevent the damage in order to limit this bad reputation. This assumes that reputation will have a tangible impact on the creation of narrow financial value.

The minimal view of corporate responsibility suggests that the four dimensions of value maps out further *potential* sources of value creation for the firm. It may be argued that in a market situation, firms can only rationally pursue these sources of potential value if they can be made to yield narrow financial value.

Any move beyond the minimal view suggests that firms have a responsibility for good and bad outcomes beyond those accounted for by narrow financial value.

The *empirical* issue here is whether there are examples of firms taking on these aspects of responsibility. We can ask whether any firm has in fact formed a strategic intention which takes into account outcomes for which there is no financial return, even in the very long term.

The *conceptual* issue is whether the debate about corporate responsibility is in the process of extending the range of outcomes which firms *should* take into account. On this view, firms may now define their primary responsibilities as achieving positive financial results, operating within the law *and* taking into account a specified group of outcomes in addition to those covered by the first two responsibilities.

For example, a firm may consider that a certain level of working conditions of employees in sub-contractor firms within its supply chain is a responsibility *as such*. For this to be more than a *minimal responsibility* it would have to be fully or at least partially distinct from *any* instrumental financial benefit or legal requirements.

We can also use the minimal-maximal spectrum to consider examples of how the debate about extending corporate responsibilities may have an *effect* on firms, even though the basic business model remains one of minimal responsibility and narrow financial value. I will make five suggestions here.

First, we may distinguish between the *intentions* an individual has for setting up a business, and the market and legal situation within which that business must survive and flourish. We may find that these intentions are increasingly informed by an *extended* view of corporate responsibility. This view of responsibility may in part determine the core business proposition, such as developing renewable sources of energy, or aspects of the way in which the individual intends the business to operate, such as ensuring a certain level of working conditions across the supply chain.

Once the business is established it may only *survive* if it can translate these original intentions into narrow financial value. However, it may be argued that an extended view of corporate responsibility has introduced or encouraged these intentions in the market.

Second, the argument that firms use a wide view of *stakeholder value* in addition to *shareholder value* as a measure of success. Stakeholders include employees, suppliers, customers, the community affected by the firm and, in some views, minority shareholders who are contrasted with majority and institutional shareholders.

The idea of *stakeholder value* takes into account outcomes described by the second, third and fourth dimensions of value. An important empirical issue here is whether firms that take stakeholder value into account achieve even *marginally* better financial results than firms that focus on narrower shareholder value.

If the evidence *supports* better financial results then this may be used by firms to develop a business case for taking these wider outcomes into account. It also suggests that stakeholder value has become part of achieving shareholder value, and can be described by the first narrow financial dimension of value.

However, as with the idea of initial business intentions, it may be argued that this process nevertheless has the effect of changing the outcomes which a firm takes into account to achieve narrow financial value, even if the underlying business model remains the same.

A **third** example concerns the nature of *shareholder value* itself. It may be argued that the idea of narrow financial value assumes that shareholders themselves always prioritise *financial* value. If shareholders make investment decisions which include *other* dimensions of value and are prepared to *forego* financial value this *may* have the effect of changing the outcomes which a firm takes into account.

One implication of this could be that the *value* of a firm to shareholders, reflected in its share price, is determined in part by the firm pursuing outcomes in addition to those that yield financial value. The value of the firm continues to be measured in the market in financial terms but the means by which that value is created may have extended along the minimal-maximal spectrum. This requires further analysis, including an analysis of *private equity* as a form of ownership.

As with stakeholder value, this would be an interesting effect even if it only had a marginal impact.

A **fourth** example is more speculative again. It could be argued that if it is difficult to predict with complete accuracy how current decisions will affect long or very long term shareholder value, this suggests that there is a degree of choice involved in a firm making long term decisions. In this case the debate about extending corporate responsibility may *influence* these decisions in the absence of clear cut information about financial value, even where the decision making process is based on the overall expectation of long term financial value.

A **fifth** example I want to mention is the way in which firms interpret legal requirements. A firm may take on the responsibility for *fully complying* with all legislation across areas such as corporate governance, employment law, health & safety and environmental protection. This may be complex and difficult to achieve. The intentions of the firm may be *motivated* in part at least by an *extended* view of corporate responsibility. Even though this does not *formally* extend corporate responsibility beyond legal requirements it may *in practice* extend corporate responsibility for a firm compared to its competitors and peers.

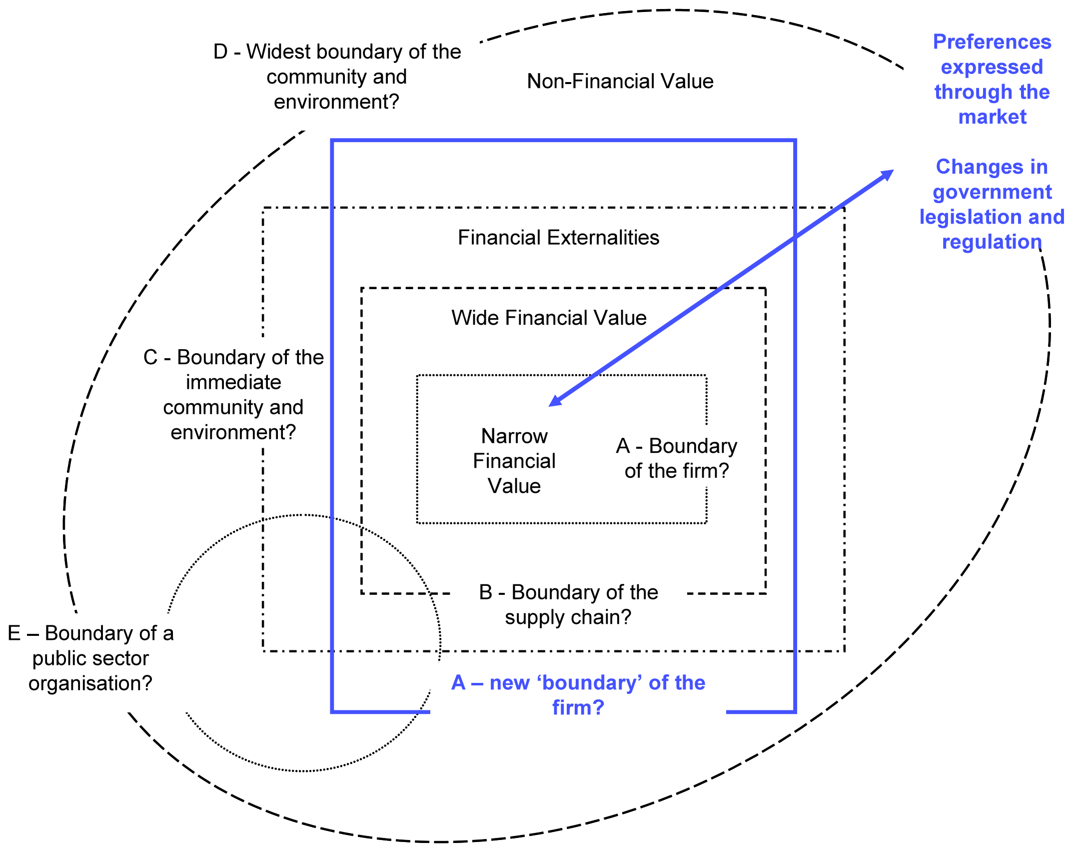
Further, where a firm operates globally it may decide to apply the most stringent *national* legislation and regulation applicable to various areas of activity across all of its global operations. Again this may have the effect of exceeding national legal requirements in some cases, and this may be seen as an example of extending corporate responsibility in an important sense.

The changing boundaries of the four dimensions

The discussion of maximal and minimal corporate responsibility suggests that the boundaries between the four dimensions are unlikely to remain static.

This is illustrated in Figure 4 by the example of the changing boundary of *narrow financial value* which represents a possible boundary for the firm.

Figure 4: Changes to the boundaries of the four dimensions



This boundary may expand or contract to reflect:
- the changing requirements of customers and investors
- compliance to new legislation and regulation
- the desire to enhance reputation
- cost reduction opportunities, for example reducing fuel consumption which also reduces CO2 emissions
- and, revenue opportunities, for example the marketing of 'green products'

In each case outcomes which were *previously* aspects of 'wide financial value', 'financial externalities' or 'non-financial value' have become outcomes which yield, or which cease to yield, 'narrow financial value'.

The other boundaries may also of course change. For example, we may argue that the boundary of non-financial value has extended outwards as the ethical significance we ascribe to the environment and the natural world has changed.

Corporate responsibility, public scrutiny and public reason

The *four dimensions of value* approach and the *minimal-maximal spectrum* may help to map out the potential *extent* of corporate responsibility for the *good and bad outcomes* of a firm's activities. I want now to consider the *second* issue suggested at the start of this talk.

To restate this issue: firms are subject to *public scrutiny* for outcomes across the four dimensions of value. They may be called upon to give a *public account* of their activities and to set out publicly the *actual extent* of the responsibilities they assume and for which they accept accountability.

In particular, firms may be expected to state where they stand on CSR, including through CSR targets, reports and audits. Using the analysis so far, this may be described as stating where they position themselves along the minimal-maximal spectrum of corporate responsibility.

All of this may suggest that corporate responsibility is an aspect of *public reason*. One route into *this* issue is to sketch out *whether* and *how* an idea of public reason can provide an approach to considering these issues.

I will suggest the dimensions of a *working definition* of public reason. For each dimension we can ask whether this *applies* to the debate about corporate responsibility. If so, we can begin to consider *how* each dimension might help to give a shape this debate.

I suggest the following dimensions of a working definition, drawing on the ideas of John Rawls.[4]

- The content of public reason is *matters of public concern*

- Public reason engages the *reason of citizens.*

- Public reason describes the terms of debate for citizens either *seeking or holding public office*. Public reason may also provide the terms of debate on matters of public concern for all citizens *as if* they were seeking or holding public office.

- Public reason as an activity is held in the *public domain*.

- Matters of public concern involve issues of *basic justice*

- Public reason aspires to use arguments that *all citizens can reasonably accept.* In particular, public reason seeks to avoid the explicit appeal to *comprehensive doctrines* which typically involve fundamental moral or philosophical claims about which citizens may reasonably disagree. This is one of the implications of pluralism. It is one of the most complex aspects of any definition of public reason.

- It is expected that while citizens will disagree about these arguments, it is also possible in public reason to arrive at an *overlapping consensus* on matters of public concern, even if

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[4] Rawls discusses public reason in John Rawls, Political Liberalism, Columbia, 1996 and John Rawls, The Idea of Public Reason Revisited in The Law of Peoples, Harvard, 1999

this consensus is based on the *procedure* for achieving agreement while accepting *substantive* disagreement about the issues themselves.

- It is expected that in public reason citizens can give a *reasonable and explicit account* to each other of their judgements on matters of public concern, if called upon to do so. One way of thinking about this idea is for citizens to imagine that they are investigating, debating and forming judgements about matters of public concern in the public sphere of a democratic parliament.

- Public reason may be distinguished from *private reason*. It is important to make this distinction, in part to allow for citizens to exercise fully their freedoms of thought, expression and action.

- Finally, the idea of public reason may require the assumptions, background conditions and institutional arrangements of a *liberal democratic* political society. This presents a particular problem if public reason is applied to political societies which are not liberal democratic, or where the political nature of that society is contested, or to issues of *global public concern*.

I think all of these dimensions raise interesting questions for corporate responsibility. I will briefly discuss three dimensions. These cover the ideas of 'matters of public concern', 'the reason of citizens' and 'public office'. We can discuss other dimensions later.

Matters of public concern

To take the first dimension: is corporate responsibility *'a matter of public concern'.*

Many of the types of issue that arise in debates about corporate responsibility do seem to be *matters of public concern*. This applies to specific issues and to wider concerns about the scope and limits of corporate responsibility.

Specific issues include the direct environmental impacts of a firm's activities, the fair treatment of employees, the fair treatment of suppliers, and the effect of the firm's products on *consumers* of these products. This can be described as a *first level of public concern.*

These issues raise wider concerns about the indirect responsibility of firm's for the supply chains of which they are a part and the communities and countries in which they operate. This is a *second level of concern*.

This combination of specific and wider issues suggest higher level concerns about the proper *distribution of responsibility* for these matters between companies, national governments, international regulatory bodies, non-governmental organisations, pressure groups, employees, investors, consumers and citizens. This is a *third level of concern*.

One way to assess whether on this criterion corporate responsibility is an aspect of public reason is to ask an *empirical* question about whether citizens do, in fact, consider these issues in this way. This requires full and proper investigation which might include the level of coverage and debate on these issues in the media, the degree of participation in pressure group activity, the number and extent of public demonstrations, and the influence of these issues on voting intentions.

We can also *compare* issues of corporate responsibility with *other* issues which are *already* widely considered to be matters of public concern. Environment impacts, climate change, global working conditions, and obesity as a result of consuming certain products may qualify as matters of public concern.

I suggest that there does seem to be public concern about the first and second levels and to some extent at least about the third level.

The reason of citizens

To take the second dimension: does corporate responsibility engage the *reason of citizens*

Reason may be described as a person's intellectual and moral capacity to review potentially complex matters, to think through the factual and ethical issues at stake, and, in many cases, to form a judgement as a basis for action.

Corporate responsibility does seem to raise issues which people worry about, try to think through, argue with each other about, try to weigh up the facts and the ethical issues, form judgements and, in some cases, take various forms of action.

As in the discussion of matters of public concern, this appeals to an *empirical claim* that people do, in fact, exercise their reason on these issues.

Reasoning about *matters of public concern* suggests the idea of a *citizen*. This includes the idea of *shared* responsibility for a matter, and the idea of a *duty* towards fellow citizens to form a view and, possibly, to take action.

We typically understand citizenship as membership of a particular form of political association involving certain obligations, rights, responsibilities and duties.

Firms may also be described a form of association. Persons who make up this association take on a further set of obligations, responsibilities, rights and duties. These will range widely in scope and depth depending on a person's role within the firm. They may be described legally as part of a contract of employment and, in the case of employers, responsibilities for managing a company.

Unlike citizenship, membership of firms is voluntary, although there is an interesting question about the practical freedom for individuals to opt out of employment by *any* firm or other organisation.

The responsibilities of firm membership can be seen as contained within the higher level responsibilities of citizenship.

In particular, citizens are bound by the rule of law. The responsibilities of firm membership cannot override the rule of law, as this is usually understood. However, both roles include many *informal responsibilities* which are not bound by law. We may then ask what the *balance* is between these informal responsibilities, in particular on the issue of corporate responsibility.

One view could be that the concern of citizens about issues of corporate responsibility is *entirely distinct* from their *informal* responsibilities as members of firms, as long as these latter responsibilities are bound by the rule of law.

For example, it may be argued that the view I may take about corporate responsibility has no direct implications for my role in a firm. This does not mean that the *subject matter* may not overlap. It does means that any *implications* for my role in a firm comes through the debate on this matter amongst all citizens, for example in the form a voluntary policy adopted by the firm of which I am a part. This distinction may apply even if I am the Chief Executive of a major company who is, at the same time, directly involved in the public debate about corporate responsibility.

This view is reflected in a person making clear from which role they are arguing when they make a statement about an issue of corporate responsibility. They may say, for example, ‘as a citizen I think A, but in my role as a company manager I will actually act on the basis of B’.

An objection to this view may be that the responsibilities of citizenship are of a higher order and should be considered as primary. If we exclude our role within a company from these responsibilities we have significantly, and perhaps unacceptably, reduced the significance of citizenship.

This view may in turn be reflected in a person overlapping the two roles. For example, I may say, ‘although the commercial argument up to now has been to do A, my sense of responsibility as a citizen suggests that I should do B. In this case I will act on B in my role as a company manager’.

An objection here is to argue that responsibilities towards shareholders to make commercially sound decisions have been compromised. In addition, this responsibility to shareholders may be seen as primary, on the basis that a central responsibility of citizenship is to exercise *particular* responsibilities fully, in this case those of a company manager.

Public office

To take the third dimension: can we describe the roles and positions within a firm as *public offices*.

The idea of public office typically applies to Members of Parliaments, senior judges and senior members of public institutions such as police commissioners.

The definition of *public office* needs to be considered carefully.

A *narrow* definition of *public office* would restrict the definition to roles which are central to, and shape, democratic, constitutional and legal arrangements. This may be extended further to include roles such as Senior Civil Servants involved in the administration and management of these arrangements.

Chief Executives and Board Members of firms are roles which have significant *responsibility.* Much of this responsibility is defined by and bound by a range of legal considerations.

It may be argued that firms operate *within* the constitutional framework rather than shaping it. Roles in firms may therefore be considered *private roles*, rather than public offices, albeit with significant responsibilities. These roles may be bound by an idea of *private* rather than *public* reason.

A *wide* definition of public office would include roles which have a significant public responsibility.

For example, the Chief Executive of a public company has a responsibility to increase, or at least maintain, the financial value of shareholder investment. This is a *public responsibility*, since it applies widely to individuals and institutions who freely invest in the firm.

This suggests that Chief Executives *do* hold a public office, at least with regard to their responsibility towards shareholders. There may be other responsibilities which are part of the *private* business of the company.

A *wide* definition of public office may also include roles which have a significant impact on citizens through the outcomes of decisions made by holders of these roles. This impact may be difficult to define accurately. The Chief Executive of a public company is likely to take decisions that have an impact on citizens *beyond* shareholders. These may be described using the *'four dimensions of value'* model. These impacts are typical of the second, third and fourth dimensions.

I want to conclude this discussion of public reason at this point. This has sketched out a working definition and then started to consider *some* of the applications of *some* of the dimensions of this working definition to the debate about corporate responsibility.

Concluding suggestions

Finally, I want to make some concluding suggestions based on the analysis so far.

The *four dimensions of value* analysis seeks to map out the full range of good and bad outcomes of a firm's activities. On this basis, the *minimal-maximal spectrum* seeks to map out the *extent* of corporate responsibility for these outcomes.

I suggest that this is a *descriptive* analysis and remains *impartial* on where along this spectrum corporate responsibility lies.

However, the idea of *good* and *bad* outcomes appeals to the idea that these outcomes have an *ethical significance*. This suggests that there are hard ethical questions about responsibility which need to be addressed.

As with all ethical questions there is no simple way to answer these questions.

We can describe the ethical and practical problem of corporate responsibility using the minimal-maximal spectrum.

For firms, realising *narrow financial value* is based on a series of *implicit* claims about ethical significance which underpin the institutional structure of the firm. This is consistent with a *minimal view* of corporate responsibility.

For some citizens this may not be sufficient. The public scrutiny of the wider outcomes of a firms activities, described by the second, third and fourth dimensions of value, may suggest an *extended* view of corporate responsibility, including a *maximal view* in some cases. This makes an *explicit* appeal to claims about ethical significance, and the identification of good and bad outcomes.

Firms may respond to this scrutiny by seeking to *extend* their view of corporate responsibility. However, in a market situation this extension may only be possible if it yields narrow financial value in the long term.

Governments may also, of course, respond to the public scrutiny of firms through policy, legislation and regulation.

The idea of *public reason* may provide a way of understanding this debate.

It may be argued that corporate responsibility is not *directly* a matter of public reason. In this case, firms make a series of *private* decisions, within a wider context of public policy and legal requirements which, it may be argued, *are* subject to public reason.

Alternatively, it may be argued that corporate responsibility *is* a matter of public reason, using the working definition. This may make sense of the idea that firms and citizens are engaged in a *direct* debate about the hard *ethical* questions of responsibility. In this case, public reason may provide a basis for understanding the *terms* of this debate and the *manner* in which it is conducted.

I hope that the ideas considered here form the basis for a good discussion. As I said at the start, this is very much a work in progress. Thank you.