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Trusteeship – Gospel for Corporate Social Responsibility

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ABSTRACT

Trusteeship provides a means of transforming the present capitalist order of society into an egalitarian one. It gives no quarter to capitalism, but gives the present owning class a chance of reforming itself. It is based on the faith that human nature is never beyond redemption. Trusteeship is the concept of universal consequence and which itself, a new alternative to honestly correct the ills of social accumulation and at the same time gives those with managerial and entrepreneurial expertise to use the same for the good of the society. Accepting trusteeship and translating it into reality will cast great responsibility on those who will undertake experiment, but in the ultimate analysis it will be worth and in the national interest. Corporate social responsibility as understood today has almost all the elements of Gandhiji's trusteeship. Like Gandhiji's concept of trusteeship, corporate social responsibility calls upon business to give back to society. CSR enjoins business to take into consideration the needs and aspirations of the stakeholders.

Keywords: Trusteeship, Corporate Social Responsibility, Stakeholders, Gandhian economics

JEL Classification: H-Public Economics

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INTRODUCTION

Gandhian economics is essentially the collection of Gandhi's thoughts on various economic systems. Gandhi was not an economist and he did not propound any new economic theory. In his time any discussion on economics was centred on two accepted economic systems – capitalism and socialism. Both were rigid in their own terms and even today there is no universally accepted economic system that can be uniformly applied over space and time. Every region can have its characteristic economic system, which varies with time. One has to take in to account the prevalent conditions; socio-political, economic and educational status of the people; comparative advantages and disadvantages of the regional economy, etc.

Gandhi's thoughts on economic systems evolved over time and they incorporated the good of both capitalism and socialism. A conservative may identify his views when he reads that Gandhi was against the confiscation of private property. Similarly a liberal socialist identifies his views when he reads about non-recognition of private property, social responsibility of those possessing property, etc. Every thought of Gandhi may not be relevant today but Gandhian economics is very comprehensive to deal with many present-day issues. One such issue is 'corporate social responsibility', which can be traced to Gandhi's concept of 'Trusteeship'.

Although this phenomenon is related to a constant lack of morality and ethics in public life, it is not new; on the contrary, it is quite old. Though in the last few years the world has witnessed tremendous progress with science and technology transforming social life in terms of material gains, the progress in material matters has been accompanied by a lowering of standards in public life. This is a vicious cycle in that with money, politicians acquire power and with power, politicians acquire money. Money power and muscle power have totally destroyed political life. Mafias and gangsters seek to control public life in many countries. The corruption in public life is indeed a matter of serious concern. It is more serious in a country like India. It is a challenge for the country. Moreover, it is highly regrettable that apart from bureaucrats and people in the educational field, front ranking leaders-even from the ruling parties, including the Congress which had been nursed by Mahatma Gandhi for a long period of time-have been found amongst the accused. Great leaders as Sardar Patel and Rajendra Prasad too have led Congress and nobody dared to point an accusing finger towards their clean and transparent public life.

The most significant concept with a potential to change the economic and social order is Gandhiji's philosophy of trusteeship. An original thinker as he was, Gandhiji was probably the first to see the inherent contradiction of both capitalism and communism and a practical idealist that he was he propounded the theory of trusteeship which could be an alternative way of life, an economic system in place of capitalism and communism (World Commission on Environment and Development, 1987).

There is no doubt about the transparent honesty of the concept of trusteeship as it must have flashed in Gandhiji's mind that historic evening. In the given circumstances or the matrix of the socio-political situation in which Gandhiji found himself, he had no alternative but to give a call for voluntary renunciation of the power of wealth and its use for the public weal. He believed in voluntary process because he could not stomach violence of any sort to bring about structural changes in society, which he nevertheless felt to be the crux of economic emancipation.

Trusteeship, as conceived by Gandhiji, was not an apology for the status quo. If it has been used as a respectable garb for the pursuit and maintenance of private property to the obvious detriment of one's fellowmen, he could not be held responsible for such a betrayal. One must remember at the same time that he was not unmindful of the fact that the rich may not see the writing on the wall and in that case, feared that the relentless dynamics of class conflict would take its own course and culminate in a bloody finale.

THE MODEL

Trusteeship is not merely a principle not even a philosophy. Some witty philosopher has defined 'philosophy' with withering humour, 'it is a labyrinth of dead-end streets and blind alleys leading, from nothing to nowhere'.

Neighbourliness in All Walks of Life

That's the basic idea on which the scheme of trusteeship has been based. It is not merely neighbourliness in certain walks of life, because in Gandhiji's concept, life could not be divided into water-tight compartments. Life has been conceived as whole, which cannot be divided into compartments. So trusteeship is not merely for business relations, but for all relationships of men as they go in everyday affairs of life.

A Means of Radical Social Change

There is one more aspect of trusteeship. Trusteeship is a means of revolution or radical social change. In the economic field there is the idea of description, which has been propagated by Marxist revolutionaries. There is the method of confiscation of all property by the state. Then there is the accepted method of taxation, which has been universally accepted even in the democratic countries. But all these methods agree in not bringing men closer to each other. This process of social change, to my mind, is a process of accent and all accents must ultimately result in an approach. So trusteeship is designed with a view to eliminate the distance between men and bring them, not only in body but also in mind, as close together as possible.

Change of Heart

Trusteeship was Gandhiji's peculiar contribution to the technique of social change. He called it 'the technique of change of heart'. Expropriation, confiscation and taxation are not calculated to conduct to this change of heart. Gandhiji is often quoted as saying that in the Ramarajya of his dream the status of the prince and the pauper will be the same. In the Ramarajya of his dream the prince as well as the pauper will exist as prince and pauper, to be the same as long as status of the prince and the pauper can never the prince is prince and pauper is pauper. The prince and pauper will come together only when the prince is shorn of his royalty and the pauper is able to live a richer life, a fuller life. So Gandhiji's idea of trusteeship should not be linked with the idea of class collaboration. We stand for the elimination of classes with the co-operation of men but collaboration of men for the elimination of classes. This idea of class collaboration is not only vicious in principle but also obnoxious in practice. There can be no class collaboration as long as the employer–employee relationship continues. You convert the whole people into a nation of government employees. Now let us think who really feels the pinch? It is the underdog, who lives a life of perpetual misery, drudgery and humiliation. It is for him that social change is the immediate need and it is necessary that this should come mainly through his efforts.

Human Dignity and Charity

Human dignity cannot be preserved on charity. If those who live in perpetual misery are condemned to live on the sufferance of those who are well to do, I think no human dignity could be preserved and civilisation will come to an end sooner than later. So, this social change must in the main come through the efforts of those who are in misery and who need social change immediately.

If this does not happen I think this idea of trusteeship will lapse with the device of charity, i.e. giving alms to the poor. The Christian scriptures say that the poor shall never cease from out of the land.

Mutuality and Well-being

Trusteeship does not conceive of a society in which the poor shall remain poor and the rich shall remain rich. Both poverty and affluence for a few shall be eliminated. Mutuality and well-being shall be the rule of the society, in which men learn to live together in goodwill for one another. That's trusteeship as I understand it and that is trusteeship as we think Gandhiji enunciated. Gandhiji was not, obscurantist, nor did he stand for statism. He believed in antyodaya – 'the coming up of the last man'.

Practical Trusteeship Formula

Trusteeship provides a means of transforming the present capitalist order of society into an egalitarian one. It gives no quarter to capitalism, but gives the present owning class a chance of reforming itself. It is based on the faith that human nature is never beyond redemption. It does not recognise any right of private ownership of property except so far as it may be permitted by society for its own welfare. It does not exclude legislative regulation of the ownership and use of wealth. Thus under state-regulated trusteeship, an individual will not be free to hold or use his wealth for selfish satisfaction or in disregard of the interests of society. Just as it is proposed to fix a decent minimum living wage, even so a limit should be fixed for the maximum income that would be allowed to any person in society. The difference between such minimum and maximum incomes should be reasonable and equitable and variable from time to time so much so that the tendency would be towards obliteration of the difference. Under the Gandhian economic order the character of production will be determined by social necessity and not by personal whim or greed.

Corporate social responsibility as understood today has almost all the elements of Gandhiji's trusteeship. As Gandhiji's concept of Trusteeship, corporate social responsibility calls upon business to give back to society. CSR enjoins business to take into consideration the needs and aspirations of the stakeholders.

Pointing out that corporate social responsibility is the responsibility of the business organisation for the impacts of its decisions and activities on society, the environment and its own well being, he said, 'all definitions of CSR recognise the fact that it was a voluntary activity'. CSR is about going beyond the narrow focus on shareholders and profitability. It is about a set of business practices and strategies that deal with social issues. For enlightened companies, embracing corporate social responsibility (CSR) makes good business sense. Those that get 'left behind' are missing business opportunities, competitor advantage and improved management opportunities.

CORPORATE SOCIAL RESPONSIBILITY

In the age of globalisation, corporations and business enterprises are no longer confined to the traditional boundaries of the nation-state. One of the key characteristics of globalisation is the spread of the market and the change in the mode of production. The centralised mode of production has given way to a highly decentralised mode of production spread across the world.

In the last 20 years, multinational corporations have played a key role in defining markets and influencing the behaviour of a large number of consumers. The rules of corporate governance have changed too. And there has been a range of reactions to this change. On the one hand globalisation and liberalisation have provided a great opportunity for corporations to be globally competitive by expanding their production-base and market share. On the other hand, the same situation poses a great challenge to the sustainability and viability of such mega-businesses, particularly in the context of the emerging discontent against multinational corporations in different parts of the world. Labourers, marginalised consumers, environmental activists and social activists have protested against the unprecedented predominance of multinational corporations.

In general CSR can be described as an approach by which a company:

- recognises that its activities have a wider impact on the society in which it operates; and that developments in society in turn impact on its ability to pursue its business successfully;
- actively manages the economic, social, environmental and human rights impact of its activities across the world, basing these on principles which reflect international values, reaping benefits both for its own operations and

reputation as well as for the communities in which it operates;

- seeks to achieve these benefits by working closely with other groups and organisations – local communities, civil society, other businesses and home and host governments.

This approach is derived from principles of sustainable development.

Other terms that are used alongside CSR are: corporate responsibility, business responsibility, sustainable development, business ethics and corporate citizenship.

'Governance' and 'good governance' are key words currently being used in development literature. Bad governance is regarded as one of the root causes of all evil within our societies. Major donors and international financial institutions are increasingly basing their aid and loans on the condition that reforms that ensure 'good governance' are undertaken.

So what do 'governance' and 'good governance' actually mean?

Good Governance

Good governance has eight major characteristics. It is participatory, consensus oriented, accountable, transparent, responsive, effective and efficient, equitable and inclusive and follows the rule of law. It assures that corruption is minimised, the views of minorities are taken into account and that the voices of the most vulnerable in society are heard in decision making. It is also responsive to the present and future needs of society.

Participation

Participation by both men and women is a key cornerstone of good governance. Participation could be either direct or through legitimate intermediate institutions or representatives. It is important to point out that representative democracy does not necessarily mean that the concerns of the most vulnerable in society would be taken into consideration in decision making. Participation needs to be informed and organised. This means freedom of association and expression on the one hand and an organised civil society on the other hand (*Fitzpatrick, 2000*).

Rule of Law

Good governance requires fair legal frameworks that are enforced impartially. It also requires full protection of human rights, particularly those of minorities. Impartial enforcement of laws requires an independent judiciary and an impartial and incorruptible police force.

Transparency

Transparency means that decisions taken and their enforcement are done in a manner that follows rules and regulations. It also means that information is freely available and directly accessible to those who will be affected by such decisions and their enforcement and that it is provided in easily understandable forms and media.

Responsiveness

Good governance requires that institutions and processes try to serve all stakeholders within a reasonable timeframe.

Consensus Oriented

There are several actors and as many view points in a given society. Good governance requires mediation of the different interests in society to reach a broad consensus in society on what is in the best interest of the whole community and how this can be achieved.

It also requires a broad and long-term perspective on what is needed for sustainable human development and how to achieve the goals of such development. This can only result from an understanding of the historical, cultural and social contexts of a given society or community.

Equity and Inclusiveness

A society's well-being depends on ensuring that all its members feel that they have a stake in it and do not feel excluded from mainstream society. This requires all groups, but particularly the most vulnerable, have opportunities to improve or maintain their well-being.

Effectiveness and Efficiency

Good governance means that processes and institutions produce results that meet the needs of society while making the best use of resources at their disposal. The concept of efficiency in the context of good governance also covers the sustainable use of natural resources and the protection of the environment.

Accountability

Accountability is a key requirement of good governance. Not only governmental institutions but also the private sector and civil society organisations must be accountable to the public and to their institutional stakeholders. Who is accountable to whom varies depending on whether decisions or actions taken are internal or external to an organisation or institution. In general an organisation or an institution is accountable to those who will be affected by its decisions or actions. Accountability cannot be enforced without transparency and the rule of law. In the last 20 years, multinational corporations have played a key role in defining markets and influencing the behaviour of a large number of consumers. The rules of corporate governance have changed too. And there has been a range of reactions to this change. On the one hand globalisation and liberalisation have provided a great opportunity for corporations to be globally competitive by expanding their production-base and market share.

On the other hand, the same situation poses a great challenge to the sustainability and viability of such mega-businesses, particularly in the context of the emerging discontent against multinational corporations in different parts of the world. Labourers, marginalised consumers, environmental activists and accountability are key requirement of good governance. Not only governmental institutions but also the private sector and civil society organisations must be accountable to the public and to their institutional stakeholders. Who is accountable to whom varies depending on whether decisions or actions taken are internal or external to an organisation or institution. In general an organisation or an institution is accountable to those who will be affected by its decisions or actions. Accountability cannot be enforced without transparency and the rule of law.

In the last 30 years or so, multinational corporations have played a key role in defining markets and influencing the behaviour of a large number of consumers. The rules of corporate governance have changed too. And there has been a range of reactions to this change. On the one hand globalisation and liberalisation have provided a great opportunity for corporations to be globally competitive by expanding their production base and market share. On the other hand, the same situation poses a great challenge to the sustainability and viability of such mega-businesses, particularly in the context of the emerging discontent against multinational corporations in different parts of the world. Labourers, marginalised consumers, environmental activists and social activists have protested against the unprecedented predominance of multinational corporations.

Social activists have protested against the unprecedented predominance of multinational corporations (www.atse.org).

The ongoing revolution in communication technology and the effectiveness of knowledge-based economies has created a new model of business and corporate governance. A growing awareness about the need for ecological sustainability and the new economy framework, with an unprecedented stress on communication and image merchandising, have paved the way for a new generation of business leaders concerned about the responses of the community and the sustainability of the environment. It is in this context that we need to understand the new trends in CSR.

There are three emerging perspectives that inform corporate social responsibility:

- one, a business perspective that recognises the importance of 'reputation capital' for capturing and sustaining markets. Seen thus, CSR is basically a new business strategy to reduce investment risks and maximise profits by taking all the key stakeholders into confidence. The proponents of this perspective often include CSR in their advertising and social marketing initiatives.

The second is an eco-social perspective. The proponents of this perspective are the new generation of corporations and the new-economy entrepreneurs who created a tremendous amount of wealth in a relatively short span of time. They recognise the fact that social and environmental stability and sustainability are two important prerequisites for the sustainability of the market in the long run. They also recognise the fact that increasing poverty can lead to social and political instabilities. Such socio-political instability can, in turn, be detrimental to business, which operates from a variety of socio-political and cultural backgrounds.

Seen from the eco-social perspective, CSR is both a value and a strategy to ensuring the sustainability of business. It is a value because it stresses the fact that business and markets are essentially aimed at the well-being of society. It is a strategy because it helps to reduce social tensions and facilitate markets.

For the new generation of corporate leaders, optimisation of profits is the key, rather than the maximisation of profit. Hence there is a shift from accountability to shareholders to accountability to stakeholders (including employees, consumers and affected communities). There is a growing realisation that long-term business success can only be achieved by companies that recognise that the economy is an 'open subsystem of the earth's ecosystem, which is finite, non-growing and materially closed' (*Daly, 1996*). There is a third and growing perspective that shapes the new principles and practice of CSR. This is a rights-based perspective on corporate responsibility. This perspective stresses that consumers, employees, affected communities and shareholders have a right to know about corporations and their business. Corporations are private initiatives, true, but increasingly they are becoming public institutions whose survival depends on the consumers who buy their products and shareholders who invest in their stocks. This perspective stresses accountability, transparency and social and environmental investment as the key aspects of CSR (Sustain Ability).

During the late 1960s and 1970s, CSR emerged as a top management concern in both the United States and in Europe, only to seemingly 'wither on the vine' during the 1980s. Today, it is back on the agenda of many CEOs. This time it is also on the agenda of governments, both national and local, as well as NGOs, consumer groups, investors, and other actors in civil society. This article seeks to articulate and communicate what social responsibility means and why it makes good business sense to integrate it into business strategies and practices. It does this by:

- Outlining some forces at work and trends affecting corporations
- Explaining six key dimensions of CSR
- Making a case for integrating CSR into sustainable strategies
- Describing how CSR can be built into management practices
- Looking beyond social responsibility.

Most business leaders would agree that they are managing in times of turbulence and accelerating change. They would also find a consensus about most of the trends and forces, which are challenging their traditional views of competitiveness and of the success factors for survival and profitability. These forces include the following:

- Globalisation of markets, consumer preferences, supplies chains and financial flows. Some business leaders consider globalisation to be a revolution, not simply a trend, since it is having momentuous effects on the economies of all countries and on corporations in most sectors.
- Increasing intensity of competition. Peter Veill used the expression 'managing in white water' to express the challenge of meeting the turbulence and instability that the global competition has created. There are few signs of ever returning to the comfortable 1970s.
- Rapid technological changes are transforming markets, alleviating burdensome tasks, enabling greater customisation of production, and contributing to high labour displacement. Modern information technology makes it possible to decentralise decision-making without losing 'control' and to introduce more flexible and less hierarchical structures.
- A shift from an industrial economy to a knowledge and information-based economy. Human capital is replacing financial capital as the most important strategic resource. Traditional concepts of work, of jobs, and of motivation are being challenged.
- Demographic changes not only threaten the sustainability of our planet but create a mismatch between jobs and suitably-trained workers, and between present educational systems and the needs of a knowledge and information-based economy.
- Environmental challenges caused by pollution and resource depletion test the sustainability of our planet earth. Business leaders are called upon to play an important role in meeting these challenges.
- Changing value systems are finding expression in different life styles and expectations on the part of employees, customers, and communities as a whole. Tomorrow's company referred to this phenomenon as the 'death of difference'.

As the world business environment changes, so do the requirements for success and competitiveness. Because of the forces at work, building deeper and more strategic relationships with customers, suppliers, employees, communities and other stakeholders (the corporate eco-system) can become central to competitiveness and even survival. Building these relationships can form the foundation for a new, progressive and people-centred corporate strategy that attacks the sources – not the symptoms – of challenges facing business today. This brings us to the increased importance of CSR.

In Western Europe, Japan, and North America, an increasing number of companies are finding that it makes good business sense to fully integrate the interests and needs of customers, employees, suppliers, communities, and our planet – as well as to those of shareholders – into corporate strategies. Over the long term, this approach can generate more profits and growth. Sometimes referred to as the 'stakeholder concept', it implies that management's task is to seek an optimum balance in responding to the diverse needs of the various interest groups and constituencies affected by its decisions, that is by those that have a 'stake' in the business. By including societal actors – not just financial interests – the stakeholder model assumes that enterprise has a social responsibility (World Business Council for Sustainable Development report, Corporate Social Responsibility).

What observations can be made about the concept of social responsibility?

- There is no common definition. Each company responds in its own unique way, depending upon its core competencies and stakeholders' interests. Country and cultural traditions also influence how companies respond.
- Social responsibility is fundamentally a philosophy or a vision about the relationship of business and society, one requiring leadership to implement and sustain it over time. It is most effectively treated as an investment, not a cost, much like quality management. It is a process of continuous improvement, not a fad, which begins small and grows and expands over time. It has been referred to as 'caring capitalism' in contrast to 'financial capitalism' or 'cowboy capitalism' and other more aggressive forms of free enterprise.
- It is inextricably linked to profitability, as there can be no social responsibility without profits. As Joel Makower points out, 'One of the most socially responsible things most companies can do is to be profitable'. Profits are essential not only to reward investors but also to provide sustainable jobs, pay fair wages, pay taxes, develop new products, invest in services and contribute to the prosperity of the communities in which business operates. There are six key responsibilities or dimensions of CSR. The following paragraphs describe these dimensions, give examples of best practice, and indicate how management attention to these elements can enhance growth and profitability. CSR is really about how to manage these six responsibilities.

Trusteeship Model and CSR: Hand-in-Hand

Trusteeship provides a means of transforming the present capitalist order of society into an egalitarian one. It gives no quarter to capitalism, but gives the present owning class a chance of reforming itself. It is based on the faith that human nature is never beyond redemption. Trusteeship is the concept of universal consequence and which itself, a new alternative to honestly correct the ills of social accumulation and at the same time gives those with managerial and entrepreneurial expertise to use the same for the good of the society. Accepting trusteeship and translating it into reality will cast great responsibility on those who will undertake experiment, but in the ultimate analysis it will be worth and in the national interest.

So, *by NOT* engaging in CSR, companies are not only under-managing their impact on society and the environment, they are under-managing their own economic self-interest. Helping the needy has been ingrained in Indian culture. The rich in the country have always donated for the well-being of the less fortunate in society. In the earlier years it was more in the form of charity and philanthropy and largely religion oriented. This has changed in the recent starting with Gandhiji concept of trusteeship. Thereafter came the Bombay Plan in 1944–45 when leading business houses such as the Bajaj, Birlas and Tatas took the first initiatives in India. Today most known companies are involved in some way or the other in CSR activities. Traditionally the main areas of community interventions were health, education and creation of livelihood programmes. These continue to dominate even today. However some prominent business houses, particularly those set up in rural areas, have become more actively involved in various programmes for rural development. Corporate social entrepreneurship is a process aimed at enabling business to develop more advanced and powerful forms of CSR. It emerges from and builds on three other conceptual frameworks: entrepreneurship, corporate entrepreneurship and social entrepreneurship.

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