

SUFFICIENCY ECONOMY PRINCIPLES  
AND  
CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility or “CSR” provides a decision-making framework for all businesses that finds a mean between excessive state regulation and destructive individual selfishness. CSR accepts as legitimate the autonomy of private property and free markets but it provides private sector decision-makers with guidance as to optimal strategies for sustainable profitability. CSR provides a theory of the business firm that takes into account the contributions of customers, employees, owners, creditors, suppliers, and the community, including the environment. CSR confronts the externalities of a private business, which are benefits and costs to others, and seeks to have the benefits maximized and the costs minimized through responsible decision-making on the part of the firm.

CSR is a principled approach to business decision-making. One wellknown set of such ethical principles for business is the following:

**PRINCIPLE 1 – RESPECT STAKEHOLDERS BEYOND SHAREHOLDERS**

- Business provides value to society through the wealth and employment it creates and the marketable products and services it provides to consumers.
- A responsible business therefore maintains its economic health and viability to sustain its value not just for shareholders, but also for other stakeholders, recognizing that its own survival is not the sole objective of responsible enterprise.
- A responsible business also respects the interests of, and acts with honesty and fairness towards, its customers, employees, suppliers, competitors, and the broader community to ensure their economic viability.

**PRINCIPLE 2 – CONTRIBUTE TO ECONOMIC, SOCIAL AND ENVIRONMENTAL DEVELOPMENT**

- Business cannot sustainably prosper in societies that are failing.
- A responsible business therefore contributes to the economic and social and environmental development of the communities in which it operates, in order to sustain its essential ‘operating’ capital – social, human, financial and all forms of goodwill.

- A responsible business enhances society through effective and prudent use of resources, free and fair competition, and innovation in technology, production methods, marketing, and communications.

### **PRINCIPLE 3 – *RESPECT BOTH THE LETTER AND THE SPIRIT OF THE LAW***

- Some business behavior, although legal, has adverse consequences. A responsible business adheres to the spirit and intent behind the law, as well as the letter of the law, which requires conduct that goes beyond minimum legal obligations.
- Candor, truthfulness, transparency, and the keeping of promises in business decision-making are always required.

### **PRINCIPLE 4 – *RESPECT RULES AND CONVENTIONS***

- A responsible business respects the local cultures and traditions in the communities in which it operates consistent with fundamental principles of fairness and equality.
- A responsible business also respects all relevant regulations and conventions while trading fairly, competitively, and with equal treatment for all.

### **PRINCIPLE 5 – *SUPPORT RESPONSIBLE GLOBALISATION***

- A responsible business participates in a global marketplace and supports an open and fair multilateral trade system.
- A responsible business seeks to have domestic rules and regulations changed, where they unreasonably hinder global commerce.

### **PRINCIPLE 6 – *RESPECT THE ENVIRONMENT***

- A responsible business ensures that its operations are consistent with sustainable development objectives.
- A responsible business takes responsibility to protect and, where possible, improve the environment, while avoiding the wasteful use of resources.

### **PRINCIPLE 7 – *AVOID ILLICIT ACTIVITIES***

- A responsible business does not participate in or condone corrupt practice, bribery, money laundering, or other illicit activities.
- A responsible business does not participate in or facilitate any trade in materials to be used for terrorist activities, drug trafficking or other criminal undertakings.
- A responsible business actively engages in the reduction and prevention of all such illegal and illicit undertakings.

From the CSR perspective, it can be said that business has a social office. It is looked to for the creation of wealth in the service of society. Private wealth both secures individual self expression by empowering individuals with the means to effectuate their will and moral beliefs and provides a buffer against government oppression. Business, though largely motivated by private ambitions, provides a range of public goods, not the least of which is easy access to the goods and services desired by customers to enhance the quality of their lives. Social justice seems dependent on the production of means with which to appropriate life's opportunities. And business is the heart and soul of such work.

Yet business can fail in meeting the obligations of its office; it can fail to produce enough wealth; it can produce wealth at a cost to the environment and to various public goods such as honesty in government; and it can inequitably distribute the benefits of wealth to only a few.

CSR principles provide criteria for business decision-making to keep it faithful to its trust. Private interest is thereby used to enhance the common good.

Wealth is a social product. It requires collaboration, reciprocal exchange, contractual understandings and mutually of benefit. Wealth depends on systems inter-dependencies as does any natural process of growth and creativity. Wealth creation is a living process drawing its vitality from many external sources.

The various inputs to business are its capital accounts. Firms take capital and transform it into goods and services desired by others. The forms of capital needed by every business large or small are: reputation, social, human, financial and physical.

Reputational capital attracts customers, employees, investors. Social capital within the firm provides its culture, its strategy, its resilience. And outside the firm, social capital provides financial markets, infrastructure, security, public health, education, and a range of other public goods necessary for market access. Human capital provides the firm with competence and competitive advantage. Financial capital provides the cash with which to acquire needed material inputs and human capital. Physical capital provides the plant and machinery which make production possible.

These forms of capital are built on relationships. Reputation is in the eye of the beholder. Social capital depends on leadership and interpersonal dynamics within the firm and the accomplishment of the surrounding culture and society. Human capital is the employees. Finance capital comes only when investors have confidence in the firm's prospects. Only physical capital does not consist in relationships but it cannot be acquired without prior success in raising money from investors or selling goods and services to customers.

Being strategically responsible in managing these relationships adds to the firm's viability and to its capacity to create more and more wealth. This is the CSR approach to doing business.

Being exploitative and short-sighted in management of the stakeholder relationships, without access to coercive market or political power, brings on crisis and failure. Even with use of anti-competitive market power or the intimidation that comes from government support, bad management of stakeholders will inevitably bring a company down as market conditions change.

Thus one way of thinking about CSR is that it calls for responsible stakeholder management.

Understanding that business undertakes a social office and that private initiative is thus linked to public advantage has a moral foundation. Any office holder has responsibilities of stewardship over those who are to benefit from the power of the office. Business therefore has direct beneficiaries – its stakeholders. Just as the business depends on the stakeholders for its financial success, so the stakeholders benefit from the business being successful.

Thoughtful consideration of legitimate stakeholder interests causes business to respect the dignity of people, which is a moral end.

### **The Qur’anic Thesis**

The Qur’an reveals a proper destiny for humanity in that it should be wisely responsible in the use of power. It presents six inter-related aspects of that destiny, which are the nature of humanity, the assumption of trust responsibility, the office of *khalīfah*, the necessity of wise discernment, the use of good counsel, and the seeking of justice.

First, the Qur’an teaches that each human is born possessing something of God’s life force. According to the Qur’an, God provided humans with remarkable potential by breathing into the first created human some holy spirit. Humans are therefore not just made in the image of God, but with God’s life force within them. Humans, according to the Qur’an, are specially created by God to serve a divine purpose and so are possessed with something of the Creator’s energy, will, capacity and purpose. We have the possibility of being “godlings”. Of course, the Qur’an is most explicit at how easily humanity turns from its higher potential to acts of unrighteousness because of temptation, or excessive pride, narrow fixations, lack of patience or too much sensuality.

Second, the Qur’an relates that humanity accepted God’s offer of executing a trust for the betterment of creation. The abilities and potentials that the Creator afforded to humanity and to each human being, the Quran teaches, are given in trust – *amānah* – so that God’s purposes can be served on earth. Of course, trust can be abused and many passages of the Qur’an discuss how humans do and most likely will abuse the various *amānah* given to them by God.

Third, the Qur’an reveals that the office holding the *amānah* given to humanity is that of *khalīfah*, or vice-regent for God on earth. The role and responsibilities of serving as *khalīfah* are not to be understood as reserved for only one person seeking to govern the Muslim Ummah, but as expectations for each human to contribute to the achievement of God’s right order.

Fourth, the Qur’an requires that as each human executes his or her *amānah* and serves God as *khalīfah*, he or she must use some of what has been given as part of the *amānah* – the capacity to observe, think, reason and judge – in order to take proper and correct action. The capacity of *ijtihād*, or practical application of the human mind to reality, was given, it seems, in order that an individual’s *khalifate* can be successfully undertaken in the execution of the *amānah* held by that person.

Fifth, the Qur’an recommends use of institutions of consultation – *shūra* – as a means for the application of individual *ijtihād*. The wisdom and thoughts of others function as a check on the possible corruption and selfish biases our own minds are prey to out of temptation and petty jealousies. The Qur’an realizes only too well the limitations that may infect *ijtihād* with ignoble purpose or misunderstanding.

Sixth, the purpose of the vice-regency, on the individual as well as the collective level, is to achieve justice. Justice requires fairness, honesty, transparency, compassion and mercy. Justice implies that humanity – both on the individual and the collective levels – will be empowered to carry out its office of *khalīfah* and to execute its various *amanah*. Accordingly, tyranny was to be avoided in politics and the institution of *zakāh* was recommended to provide powers of economic activity for all.

In conclusion, the core aspects of the Qur'an with respect to governance point to governance as a high, noble calling seeking the best for humanity and creation. In these principles, God is speaking not only to Muslims, but to all who can hear the revelations and consider them as guidance for living.