

**CORPORATE SOCIAL RESPONSIBILITY AND ECONOMIC
EFFECTIVENESS THE SPANISH SITUATION, MARCH 1975**

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Introduction

1. It is difficult to correctly identify a whole panorama of significant facts that might exemplify changes regarding the social responsibility of private enterprise, especially in a country such as Spain which currently presents a number of singular conditions in the socio-political environment of businesses.

Regarding the economy, the situation has recently and abruptly passed from a prolonged stage of rapid expansion to one of profound recession, with grave consequences for the continuity and income-producing ability of businesses.

As for politics, initial steps are being taken toward the legalization of political associations (whose number, importance and possible influences on business are as yet unknown), while simultaneously there is an uncertainty naturally arising from the abrupt change from a form of government that has been operative for a long period of time.

Regarding social aspects, the outlook is complex, as demonstrated by, among other things, the increasing number of strikes, largely politically motivated; the Government's promise to regulate within a short time the right to strike, so far not recognized by law; the discussion of the Labor Relations Bill in the Cortes [the Spanish parliament]; the lack of practical acceptance of a single union by a significant portion of the laboring masses, taken together with the fact of approaching union elections; and the Government's promise to introduce a law on the participation of workers in the management and profits of business firms.

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2. Given the difficulties indicated above, we decided that, instead of going in-depth into a few of the subject areas of interest, we would study them all by means of two types of work meetings: some, with professors of management training centers and having as a frame of reference the results of a questionnaire sent to every center; others, with a group of businessmen selected on criteria relating to geographical and sectorial spread, size of firm, age, type of training, and so on.
3. The following notes express the significant facts, separating the results obtained from each sort of group – first appear the opinions of the professors and then those of the businessmen – because we consider that a comparison of the results may in itself constitute a significant datum.

The Professors' Opinions

On the basis of the questionnaires², the following evaluation was worked out for each point regarding the concern, at national and center level, for the different subject areas of interest. The higher numbers indicate greater levels of concern.

Subject Area	National Level	Center Level
Worker participation at board level	12	12
Worker participation at workshop level	12	12
Redesign of work to improve job satisfaction	14	16
Organizational structures	9	16
Social accounting and social auditing ³	-	-
Consumerism	10	8
Elimination of employment discrimination	8	6
Handling of redundancy	18	14
Organization objectives	8	10
Effect of business operations on the physical environment	14	10
Youth culture	12	18
Responsibility for continuous employment	14	12

Worker Participation at Board Level

- a) Current legislation regulating worker participation in firms with over 500 workers provides for one personnel representative on the Board of Directors for every six (or fraction thereof, provided that it is more than three) representatives of capital. However, this has had no significant influence. Indeed, it has on occasion been thwarted by

² Questionnaires prepared by E .A.E. (Barcelona), Escuela Nacional de Administración Pública (Alcalá de Henares), E.O.1. (Madrid), E.S.T.E. (San Sebastian), I.E.S.E. (Barcelona), and Universidad Comercial de Deusto (Bilbao).

³ Omitted from the questionnaires by mistake.

'double-accounting' systems which hide the real staffing figures from the workers' representatives.

The Government has promised to introduce a bill within a year on the participation of workers in the profits of business firms.

The next stage in the development of political associations may lead to workers taking significant stands in that respect.

- b) Participation formulas worked out by firms face the difficulty that any such formula must first be approved by the Trade Union Organization (*Organización Sindical*), which rarely permits systems differing from the established and compulsory one of Union Liaison Men (*Enlaces Sindicales*) at workshop level and an Enterprise Jury (*Jurado de Empresa*) consisting of a selected number of Liaison Men at enterprise level.
- c) In Spain there have been some significant experiences worth noting, some going back over twenty years, in capital stock companies (for instance, Bianchi and V. Luzuriaga, S.A.), in workers' stock companies (for instance, SALTUV) and in cooperatives (for instance, ULGOR):

The most distinctive traits of the Bianchi experience are: 1) Worker participation by means of the different committees, from the lowest to the highest organization level. 2) After a given dividend has been distributed to the shareholders, the profits are divided equally among the workers and shareholders.

In SALTUV: 1) Each worker may own a maximum of two shares. The remaining shares (always a majority) belong to the Urban Transport Labor Foundation (Fundación Laboral de Transportes Urbanos; hence FULTUV). The purpose of this Foundation is to channel SALTUV's profits to social ends. Membership is open only to SALTUV employees. FULTUV is run by the Committees, the Delegates' Assembly and the Board of Directors. All the members of these bodies are FULTUV members and, therefore, SALTUV employees.

In ULGOR: 1) Cooperatives where each member has an equal share in the capital. Anyone working there must be a member. Compensation consists of salary plus interest on the money contributed (the salary spread is on the order of 1 to 3, but this is to be extended due to the difficulty of employing executives). 2) The governing bodies are: at top level, the Board of Directors with maximum "legislative" power and the Vigilance Council with maximum "judicial" power. At the second level, The Executive Council and the Social Council as operative bodies for the day-to-day activities. Finally, on the third level, Management, with "executive" power and the Directive Council acting as coordinator of affairs in important decisions. 3) Employing some 10,000 people, ULGOR undertakes a very wide range of socio-economic activities including banking, machine-tool manufacture, manufacture of electrical appliances, housing construction, consulting on the start-up of new cooperatives, etc. At present it is under attack by groups of Marxist ideology trying to undermine its prestige, and one of its problems is to convey the cooperative spirit to new generations as they gradually become incorporated.

Worker participation at Workshop Level

- a) This point is regarded as closely related to the last one mentioned above. The prevalent opinion is that it will be most difficult to get results on worker participation at Board level unless progress is made on worker participation at workshop level.
- b) The future Law of Participation in Management might uncover significant facts about the figure of the Union Liaison Men who, thus far, cannot be said to be an instance of significant participation at the workshop level.
- c) It is held that many strikes have originated as a reaction to wrongly exerted authority at the workshop level.

Redesign of Work to Improve Job Satisfaction

- a) Although it is known that such experiences exist in private enterprise, they are not widespread to any practical degree. Aside from that, the recession and high unemployment lead to more emphasis on keeping jobs than remodeling them.
- b) The firms' concern is generally based not on regarding this point as a social responsibility, but on problems of absenteeism and low productivity indices. Furthermore, it is significant that most strikes nowadays occur in firms with the highest salary levels and best working conditions.

Organizational Structures

- a) This point is closely connected with the preceding one and that as one gains ground, so will the other. The discrepancy between the priority given to this point at the national and center levels should be noted.
- b) In order to make progress in organizational structures, it will be necessary to unlock the potential of middle management. It is significant that these men are largely, if not exclusively, selected on the basis of their technical training; that they are less inclined to do anything about organizational structure than executives situated at higher levels; and that collective contracts tend to mean little difference between their pay and that of the workers.
- c) The Spanish centers, which are doing a great deal of research on this point, should examine in greater depth how to aid executives develop the abilities of their middle management.

Social Accounting and Social Auditing

No significant facts appear relating to this heading, although, if it should be taken up as a "flag" by some labor – or even professional – group or association, it might well turn out to be highly significant.

Consumerism

- a) The fact that this country is a newcomer to mass consumption has permitted a certain amount of irresponsibility in this field. No important consumer defense mechanisms have yet taken shape, and many publicity and marketing executives are not yet sufficiently sensitive to the dangers to which they expose the consumer.

- b) Frequent official regulation of prices leads many firms to perpetrate frauds regarding the quality, composition, etc., of their products, to maintain profitable margins.
- c) Concern for consumer protection is increasing: there are “denunciation” programs on television, a number of consumer associations have been formed, and there is a consumer magazine with national distribution.

The Administration also works with inter-Ministry committees and semi-state organizations helping to investigate this area.

Elimination of Discrimination in Employment

- a) The actual results and significance of the approval of the new Labor Relations Bill are difficult to foresee. However, it will help to prevent all sorts of employment discrimination regarding women, older workers, the handicapped, and even workers who may be taking professional training courses.

A revisionist movement exists regarding discrimination against women workers at the legislative level, with three bills submitted to the Cortes dealing with the married woman’s right to work.

- b) Even while it is being made ever more difficult to discriminate in the business world, discrimination still occurs in government due to some antiquated regulations such as that regarding the promotion of female state employees to posts of responsibility. Significant action to change this can be expected.
- c) The increase in the number and importance of labor conflicts has produced a sort of reverse discrimination for reasons of age: there is now a growing tendency to prefer somewhat older workers with a stable family situation (wife, children, home, etc.), rather than young workers who are more likely to be influenced by ‘subversive’ ideologies.

At the same time, the approval of a number of employment regulations have led to discrimination on the basis of professional qualifications.

- d) It would seem that no significant action is to be expected on discrimination against people from other, less developed, regions of the country or with different cultural and linguistic backgrounds. As for the discrimination that was obviously directed against North African workers, this has diminished, largely as a result of the reduced number of such workers in Spain since the slowdown in economic activity.

Handling of Redundancy

- a) This is a subject on which significant data are given, related both to real action during a prolonged period of time and to certain foreseeable future changes.
- b) Is a significant fact that present legislation almost totally blocks the free dismissal of personnel. Also significant is the fact that, for a number of years, it has been possible to regulate the amount of work by means of overtime and, sometimes, by means of employees who worked at a “second job” (and were not enrolled in the National Institute of Social Security for that second job). As a last resort, much of the surplus manpower has been absorbed by the developed countries of Europe.

- c) The Labor Relations Bill makes it even harder to dismiss personnel, restricts the amount of overtime that may be worked in the course of a year, and shortens the trial and selection periods.

It can be foreseen that significant improvements will take place in unemployment insurance and in the promotion of training programs for the unemployed.

Organization Objectives

- a) Although the objectives of certain organizations (particularly large firms that define their goals and methods by means of systematic methodologies) recently include such objectives as working conditions, organizational morale, professional development of employees, quality of service rendered to society, etc., this is unlikely to be a source of significant activity. In most cases, profit will remain the goal.
- b) Education of the young has not, until very recently, laid special emphasis on the shaping of altruistic values, solidarity, or subsidiarity.
- c) It is significant that quite a few businessmen are skeptical about certain non-economic objectives, such as upgrading company cafeterias, in-house training, etc., believing them not to be worth the cost.

Many businessmen take into account these non-economic objectives only insofar as they consider them as the sort of good advice given by public relations experts, rather than as social responsibilities contributing to the improvement of the common good, in a subsidiary manner.

Effect of Business Operations on the Physical Environment

- a) There is a noticeable discrepancy between the interest shown at the national and center levels. Public opinion is highly sensitized; this is a subject that quickly finds an audience which reacts, as has already happened with the subject of nuclear power plants in Guipúzcoa, by lending its support to movements in defense of the environment.
- b) Legislation on this point, although extensive, is ambiguous and, in many cases, companies have preferred – and been allowed – to pay fines rather than obey the law. It seems significant that there is now a greater reluctance to allow damage to the physical environment in return for economic sanctions.
- c) The Administration claims to be concerned about this problem but no important action has yet been taken, although it can be supposed that this will change as soon as strong leadership arises in this area.

Youth Culture

- a) It seems to be significant that firms feel discouraged from providing in-house training, due to the belief that these lead to a greater turnover of personnel. These training programs show a certain lack of coherence between the objectives of the training and the strategy of the firm.
- b) It is probable that the current state of opinion – that the education of the young is of no concern to the firm – will continue.

- c) It is probable that future regulations will make it compulsory for businesses to promote young workers' attendance at professional training schools.

Responsibility for Continuous Employment

- a) The great political and economic questions regarding the country's present situation are significant facts which do not greatly encourage the creation of new jobs, which help to dig up old attitudes such "buy and sell but never make", and which do not encourage businessmen to take necessary business risks.
- b) Together with the existence of economic problems, present laws – and proposed ones – imply shouldering very grave responsibilities when hiring workers. This leads to a reluctance to increase the number of jobs in a business, to a lack of interest in keeping on the workers who are still on trial, etc.

Businessmen's Opinions

In seminars with the businessmen, as a means for getting the broadest possible range of opinions, the main concern was to identify facts relating to the Social Responsibility of Business along broad, general terms⁴, rather than on specific subject areas of interest (although these too were discussed).

Public Opinion

Guiding public opinion towards a correct idea of business enterprise should be a more urgent Social Responsibility than it is at present.

- a) A rapid acceptance of topics is taking place; for instance, the word "profit" is no longer regarded as a 'dirty' word.
- b) People who are influential on public opinion and who do not know about business enterprise are often asked about it; so it happens that, through the communications media, people who know little of business enterprise help to shape the general public's idea of it.
- c) Such 'ready-made' opinions often blame business for things it is not responsible for, blames the market system for problems over which it has no influence, etc.
- d) The shaping of such an opinion, where more is asked of business than it feels appropriate, leads to indiscriminate demands being made to every business without distinguishing between things that should be done by the state, the local governments and the different businesses.

⁴ The definition of Responsibility used was: "The responsibility of attending to the specific needs appearing in the immediate environment with which the firm is connected by geographical or moral bonds." (Prof. A .Valero).

Common Good: "Set of conditions of social life making it possible for men to attain their most complete and rapid development". (John XXIII, Mater et Magistra, nº 65).

Principle of Subsidiarity: "What individuals can achieve by their own effort and industry cannot be taken from them and given to the community; nor is it just, but constitutes grave harm and trouble of the righteous order, to take from smaller, inferior communities what they can make and to offer and give it to a larger and higher society". (Pius XI, Quadragesimo Anno, nº 79).

These demands depend more on the fluctuations of fashion than on real responsibilities. It seems clear that, while business should do everything it can to aid the Particular and General Good of its people, it should not have to take on the responsibility of building sewers, putting up street lighting, etc., in such places where these things can and should be done by the pertinent institutions (which are, in some cases, the ones who are “irresponsible” because of their inaction or incompetence).

Products

In the selection of goods and services and in the way that these are delivered to society (a most obvious Social Responsibility of business) significant facts of very different kinds will arise. For example:

- a) Pressures, sometimes unjust, on business firms, due to the fact that the goods and services they offer are not considered “socially” useful or “socially” necessary.
- b) Denunciation of the creation of unnecessary or even harmful habits of consumption.
- c) Pressures regarding the veracity and social quality of publicity.

Maintaining Values

It should be a Social Responsibility of enterprise to help maintain certain values - such as service to others, neighborliness, hard work, discipline, etc. - and certain principles -such as authority, hierarchy, etc.- necessary for the functioning of society.

- a) The executive should be a pedagogue on such points. It will be his responsibility to be well trained and to act in an attitude of “prudence and firmness”. Thus, for instance, the progressive reduction of working hours will lead to a lack of Social Responsibility by creating situations where people consume more than they should -in real goods and services- even while great numbers of people still lack the basics (an increasingly important problem, because the situation it is often tacitly consented to by simply avoiding the issue).
- b) Business should find new structures (for instance, some large businesses might be structured like mid-sized ones) permitting “formative contact” and preventing “deforming mass-structures”.
- c) A challenge to management will be to know how to keep certain advantages while scaling the business to the right size to deal with certain tasks (research, export trade, international development, etc.).

In relation to points 2, 3 and 4, above, the following are also significant:

- a) It is not believed that opinions contrary to the size of enterprises will arise.
- b) It seems that there will not be a tendency for firms to provide a greater number of “free services” (teaching, medical care, etc.).
- c) It is believed that there will be a tendency to ask for the socialization, nationalization, unionization, etc. of firms such as banks, insurance companies, utility providers, etc.
- d) It is believed that opinion favoring greater state intervention will arise, based on a set of business regulations made by people who have never experienced business first-

hand, and these will take a negative view of the Principle of Subsidiarity that should be applied in action as well as in control.

- e) Efforts should be made to ensure that greater flexibility in time does not lead to idleness or undermine proper authority. It will be necessary to educate, collaborate, and offer opportunities for this free time to be used in the cause of the Common Good.

Veracity in Accounting

A Social Responsibility of business will be to at least *seek* total transparency in accounting, given the present practical impossibility of attaining and maintaining it.

- a) This transparency should apply to tax returns and to the National Institute of Social Security as well as to rendering accurate and true information to the shareholders.
- b) This transparency should be achieved not only in the socioeconomic activities promoted by private enterprise but also in those of institutions, organizations and enterprises in the public domain.
- c) This transparency will be a positive aid in insuring that honest and efficient businesses will prosper and the enterprises most in harmony with the principle of Subsidiarity are helped to progress.

The Physical Environment

It is a Social Responsibility, which needs to be increasingly emphasized, that the physical environment must be conserved and improved.

- a) Whoever takes something from the physical environment must return it in conditions similar to those in which he found them.
- b) The erosion of the environment should be repaired by all.
- c) The responsibility for such erosion should not be assigned generically but specifically and concretely to whoever is actually responsible.

Associations

Liberty of association must be retained, even though subversive tendencies will attempt to shelter under that freedom.

It is a Social Responsibility to help achieve free association that is real, practical, just and effective.

“Significant facts” will appear regarding freedom to form trade unions, to strike and to dismiss.

Acting in the Socio-Political Field

An important Social Responsibility is collaboration with and involvement in intermediate institutions, by

- a) Participating actively in the shaping of the political environment.
- b) Contributing to the creation and maintenance of intermediate institutions in such a way that the correct application of the Principle of Subsidiarity is evident.

- c) Preventing the creation of institutions that end up being nothing but “enjoyers of sinecures”; or whose power –sometimes due to the compensatory equilibrium of another institution– prevents the just and effective activity that is necessary for the Common Good.
- d) Making sure that the State and the lower echelons or individuals do not clash by going over the heads of intermediate institutions, and that the State does not dictate without proper consultation.

Collective Bargaining

In relation to collective bargaining, there will probably be significant, diverse facts emerging.

- a) The lack of imagination and initiative -on the part of the executives and the labor and union leaders- may become obvious to all, as the design and achievement of “improved conditions” for the workers are usually limited to the hours, salary and conditions of workplace.
- b) The “social irresponsibility” of some collective contracts will lead to, for instance, unfair price increases, “exportation of inflation”, etc., and, due to unjustified wage increases, society will end up paying more to those who shout loudest than to those who work and contribute most.
- c) The realization of what is made so evident by the contents of the collective contracts - the irresponsibility of the union and of business when it comes to seeking the Common Good.

Capital

In the future it will be necessary to pay more attention to capital:

- a) The economic process features an excessive amount of capital sources and that very fact could lead to economic socialism. In a time of inflation, the purchasing power of savings invested as business capital can easily shrink a great deal. For this reason, capital, as an element in business enterprise, will need greater protection.
- b) It would seem that, in the future, the power of capital will not count as much in the making of decisions, compared with the power of labor and of the high echelon executives of a firm. A Social Responsibility will be to bring the firm through this confrontation of powers.
- c) In relation with these two points, it seems that there might arise, as a significant fact, the tendency not to strive with sufficient energy and creativity for the continuation of the enterprise; sometimes by abandoning the struggle at the first sign of difficulty, sometimes because even the most able people engage in deals that are more “speculative” and less able to generate real goods and employment opportunities.