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**EXECUTIVE
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Peter Drucker and Corporate Social Responsibility

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Peter Drucker: A CRS Pioneer?

Peter Drucker has been called the

- **Grandfather of management**
- **Grandfather of *modern* management**
- **Grandfather of marketing**
- **Grandfather of management science**
- **Grandfather of innovation and entrepreneurship**



But can we also call Peter Drucker the

**Grandfather of Corporate Social
Responsibility (CSR)?**

Defining CSR

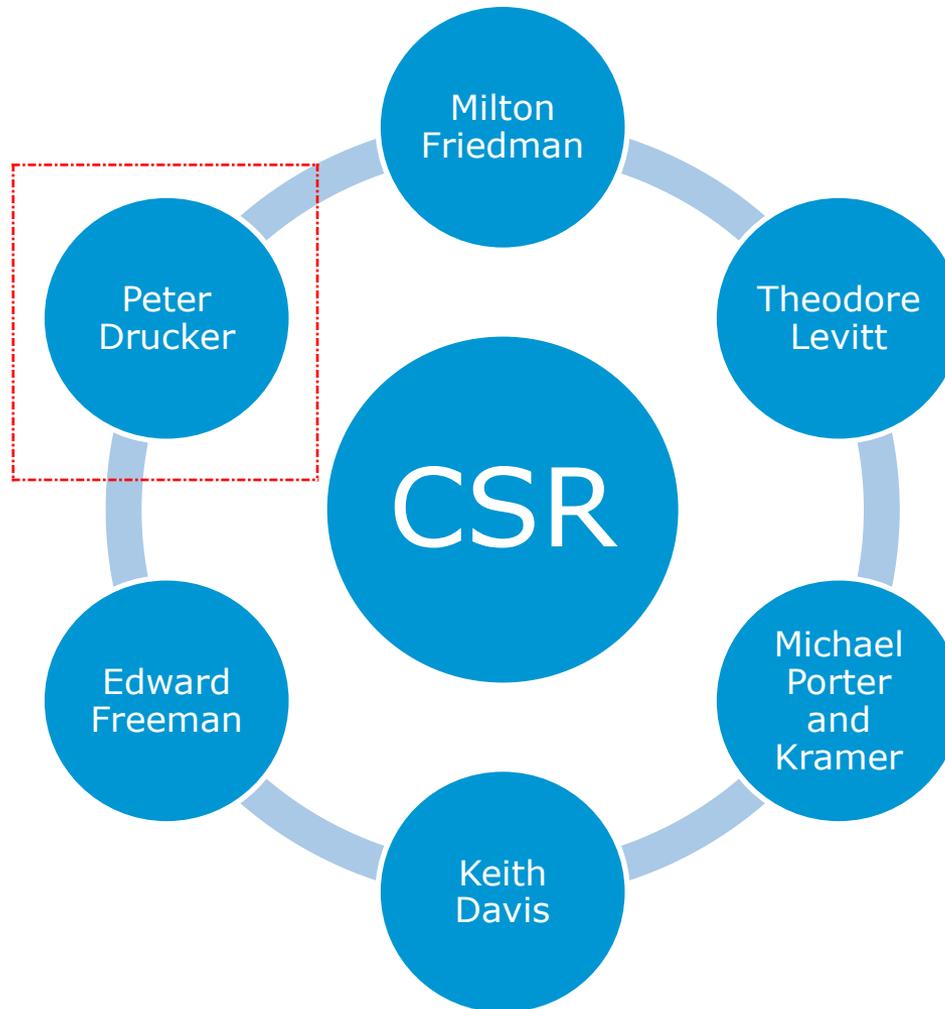
- To answer this question, we need to **define** what CSR is.
“If you wish to converse with me, define your terms.”
(Voltaire, 1694-1778)
- Many scholars have tried to define and specify the concept, but **a unified definition of CSR is still missing.**
- The debate is defined by two extreme positions:

Corporations should serve as an instrument of public policy; CSR involves corporations acting on behalf of the disadvantaged

The only responsibility corporations have is to achieve profits and stay within the law

Most definitions are in between

Diverging Views on CSR



Drucker on Management Tasks

➤ “There are three tasks, equally important but essentially different, that management has to perform:



- 1) Establishing the specific purpose and mission of the institution, whether business enterprise, hospital, or university.
- 2) Making work productive and the worker effective.
- 3) Managing social impact and social responsibilities.”¹

Drucker on the Relationship between Business and Society

- “None of our institutions exist by itself and is an end in itself.”¹
- “Free enterprise cannot be justified as being good for business; it can be justified only as being good for society.”²
- “It [business] has to add to its fundamental concern for the *quantities* of life – i.e., economic goods and services – concerns for the *quality* of life, that is, for the physical, human, and social environment of modern man and modern community.”³

Drucker Calls the Social Dimension a *Survival Dimension*



“The enterprise [...] exists only as long as the society and the economy believe that it does a necessary, useful, and productive job.”¹



Drucker Distinguishes between Social Impacts and Social Problems

“Social responsibilities [...] may arise in two areas.

[...] out of the social impact of the institution

[...] as problems of the society itself

Both are of concern to management

But otherwise the two areas are different.

[...] what an institution does **to** society

[...] what an institution can do **for** society”¹



Drucker on How to Deal with Unwanted Impacts

“Eliminate by dropping the activity (best solution).

Make the elimination of impacts into a profitable business opportunity (should always be attempted).

Whenever an impact cannot be eliminated without an increase in cost, it becomes incumbent upon management to think ahead and work out the **regulation** that is most likely to solve the problem at the minimum cost and with the greatest benefit to the public and business alike. And it is then management’s job to work at getting the right regulation enacted.”¹



Drucker on How to Deal with Social Problems

“Social problems that management actions convert into opportunities soon cease to be problems.

Not every social problem can be resolved by making it into an opportunity [...] the most serious of such problems tend to defy this approach.

- **To what extent should business [...] be expected to tackle such a problem that did not arise out of impact of theirs and that cannot be converted into an opportunity for performance...?**
- **To what extent should [...] business even be permitted to take responsibility?**
- **Are there limits to social responsibility [of business]? And what are they?”¹**



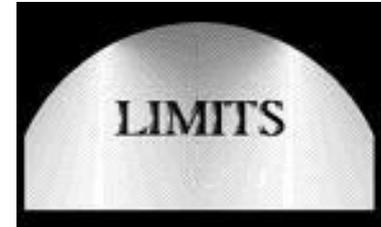
Drucker on the Limits of Social Responsibility

“Whenever a business has disregarded the limitation of economic performance and assumed social responsibility that it could not support economically, it has soon gotten into trouble.”¹



“A business enterprise has to acquire whatever competence is needed to take responsibility for its impacts. But in areas of social responsibility **other than impacts**, right and duty to act are limited by competence.”²

Drucker on Limits of Authority



“The most important limitation on social responsibility is the **limit of authority**.”¹

“If business does not have and should not have authority – and in a great many areas it should not have it – then responsibility on the part of business should be treated with grave suspicion.”²

Drucker on Limits of Business Ethics

“[...] while desirable, community participation of managers has nothing to do with ethics, and not much to do with responsibility.



It is the contribution of an individual in his or her capacity as a neighbor and citizen. And it is something that lies outside the manager's job and outside managerial responsibility."³

Peter Drucker as Grandfather of CSR

- To some extent, Drucker agreed with Friedman that companies should stick to its objective of making profits and that social responsibility could erode economic performance.
- However, he was also convinced that managers need to take a leadership role and take responsibility for social problems and issues.

"Social impacts and social responsibility have to be managed" ¹

- But he also proposed that there are limits to social responsibility and is quite explicit in defining the constraints.

Open Issues Remain

For example

- Still no unified definition of CSR.
- Opinions on the scope / limits of CSR differ widely.
- Role of business versus role of government is often unclear.
- Differences in legal and cultural traditions exacerbate the problem of delineating the responsibilities of business versus the responsibilities of governments.



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Thank you !