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Corporate Social Responsibility of Dutch entrepreneurs in the 20th century

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Introduction

This paper explores the views of entrepreneurs and society about what constitutes the responsibility of entrepreneurs. From the mid-nineteenth century we can trace discussions about how entrepreneurs should behave in their own company and towards society, but these ideas were far from constant over time. The changing views on the social responsibilities of entrepreneurs give us therefore important information about changes in society more generally. The attitude towards corporate philanthropy gives a good illustration of the changes over time. Corporate philanthropy was praised and encouraged in the 19th century, questioned in the 1920s, condemned in the 1970s and hailed again in the 1990s. To give another example, building company houses for your employees was considered useful and positive in the first half of the twentieth century, but virtually disappeared in the second half.

This paper analyses the Dutch entrepreneurs in their relationship to Dutch society, but includes the influence of ideas from abroad. International management literature abounded in the Netherlands and multinational companies often picked up ideas from other countries. In particular neighbouring European countries and the US had their impact on discussions in the Netherlands. On the basis of articles in contemporary periodicals, literature and company archives, this paper traces various shifts over the 20th century and rounds off with the probing question what kind of company our society needs and deserves.

The Dutch equivalent of the term ‘Corporate Social Responsibility’, ‘Maatschappelijk Verantwoord Ondernemen’, first appeared in the 1970s and made a strong come-back in the 1990s, but discussions on the responsibility of companies are much older. The discussions appeared under headings such as ‘the morality of the merchant’, the ‘duties or responsibilities

of entrepreneurs', 'business ethics', and recently 'sustainable development'. The fact that in different periods entrepreneurs and society had different views on what constituted the responsibility of entrepreneurs makes this subject interesting to historians. In my view, the question whether or not a company is meeting its legal requirements is not part of the CSR debate, because companies have to abide by the law, though it could become a dilemma when laws and legal requirements differ between the countries in which a company is active. Asking companies to 'take their responsibility' implies that they should go beyond the requirements of the law and exceed its minimum obligations. It also implies that they make their commitments voluntary though not without accepting obligations.

Studying the changing views of entrepreneurs and society on the social responsibilities of companies we can look at three different aspects. First, we can study how companies define their relationship towards their closest stakeholders: the employees, shareholders, creditors, suppliers and customers. Second, we can take into account a larger group of stakeholders by looking at the impact of entrepreneurial activity on employment, economic growth both at home and abroad, or the negative impact of production and consumption on the environment. In both cases, we study responsibilities that are closely related to the entrepreneurial activity itself. Third, we can look at company actions that are not directly related to their business but show a voluntary commitment, such as building a theatre, supporting a museum or renovating a local school. These activities can be regarded as either philanthropy or sponsoring. Looking at the twentieth century we can see that the emphasis on the three aspects differed over time. How companies and entrepreneurs defined their responsibilities depended to a large extent on the criticisms launched by the outside world. With other words, entrepreneurs and company managers responded to concerns in the society of which they formed part and the progressive ones amongst this group, the true leaders, tried to find ways of reconciling the requirements of their business with the demands of the society.

Entrepreneurs in a period of liberal capitalism

In the last quarter of the 19th century, the Netherlands experienced a period of economic expansion and liberal government policies. Entrepreneurs had a large measure of freedom to set wages and other labour conditions, though child labour was prohibited in 1874. Critical citizens and workers protested against the poor labour conditions in the companies. In 1887 the Dutch Parliament made an inquiry into the conditions of the working population and more specifically into the question of how the prohibition of child labour had affected industry. The

inquiry exposed the long working hours, the low wages, the unhealthy and unsafe working conditions in factories, and the lack of social insurances. As a consequence measures were taken to limit the working hours of women and introduce safety inspections. The inquiry also showed that some companies, in particular the larger companies, gave some financial support in case of illness, incapacity or old age.¹ Some entrepreneurs were philanthropist who gave their employees support in difficult times or provided the local community with a leisure park, but these provisions depended entirely on the whims and wishes of the providers and they were exceptions rather than the rules.

A few employers, including J.C. van Marken (manufacturer of yeast and natural alcohol), D.W. Stork (textile and machinery manufacturer). J.F. Vlekke and J. van Besouw (beet sugar manufacturers) and W. Hovey (brewery) were ahead of their time and tried to improve the standards of living for the workers in their own companies. Van Marken, an engineer argued that managers should be 'social engineers'. He saw the company as a co-operation between 'capital and labour', where both types of providers should have some rights. The Catholic beet sugar manufacturers Vlekke and Besouw and the protestant brewer W. Hovey considered it their Christian duty to look after their personnel and create a harmonious working community. Because of their progressive ideas towards shaping a positive relationship between employers and employees, they have been termed 'social entrepreneurs'. Though their sources of inspiration were different, their practical measures were very similar. Their first measure was often the creation of a company magazine to explain their ideas to their own workers and find supporters for their point of view in larger circles, particularly among their co-manufacturers. The corner stone in their social policies was the creation of a number of social funds to ward off the financial hazards of life in general and work in the factory in particular. They set up funds for sickness, incapacity, old age, and for widows and orphans. Both employees and employers contributed to the funds and, remarkably for the last decades of the nineteenth century, the workers participated in the administration of the funds.² Van Marken was the first Dutch employer to experiment with a works council. He also introduced profit sharing arrangements, company housing and consumer co-operatives.³ The 'social entrepreneurs' in the Netherlands were not alone in their

¹ J. Giele, ed., *Een kwaad leven. Heruitgave van de 'Enquête betreffende werking en uitbreiding der wet van 19 September 1874 (Staatsblad No. 130) en naar den toestand van fabrieken en werkplaatsen' (Sneek 1887)*, (Nijmegen: Uitgeverij Link, 1981).

² Keetie E. Sluyterman, *Dutch Enterprise in the Twentieth Century. Business strategies in a small open economy* (London and New York: Routledge, 2005), pp. 60-66.

³ H.C. Kleij, *Sociaal ondernemerschap. Een rechtssociologische studie van de antwoorden van J.C. van Marken jr. op de Sociale Kwestie* (Dordrecht, 1986), pp. 157-192.

efforts to improving working conditions for their employees. With regard to their social policy they had contact with employers in other countries, including the US. Following similar initiatives in the US, Great Britain and France, they set up a 'Centraal Bureau Sociale Adviezen' to advise employers and employees in setting up funds and schemes for their workers in 1898. During the first years of its existence, this bureau received regular requests for information and advice on the founding of pension, sickness and funeral funds.⁴ However, when the government tried to pass a bill on workmen's compensation (industrial injuries) insurance in 1897 even the social entrepreneurs were against the bill. The government bill proposed a compulsory, collective insurance at employers' cost and administered by a single government agency, the State Insurance Bank. The social entrepreneurs welcomed legislation that would force their competitors into making similar provisions for their workers as they had done. However, they and other employers objected to what they saw as a highly bureaucratic and costly way of organising the insurance by government agencies. They argued that their own insurance arrangements were cheaper and more efficient, while offering the same protection to the workers. The latter claim only a few employers could really uphold. Their protests were so vehement because the manufacturers rightly expected the government to follow up this Compensation Act with a whole series of social laws. This threat to their autonomy within their own companies brought the employers together on a national scale. In 1899 they founded the Nederlandse Vereniging van Werkgevers, a national Employers' Association. The Workmen's Compensation Act was passed in 1901, but the employers secured a victory in one particular area: they were allowed to make their own financial arrangements to cover the insurance cost.⁵ The passing of this first social law set the tone for the negotiations about further legislation on social security. Even when employers were in principle in favour of the legislation they resisted the introduction on kinds of practical grounds.⁶

With a choice between non-committal arrangements and legally binding requirements, employers by and large preferred to make their own provisions for their employees. The reasons are easy to understand. Voluntary arrangements gave them more flexibility to reduce

⁴ P. Hek, 'The CBSA and social entrepreneurship, 1899-1923', in: *Business and Society. Entrepreneurs, politics and networks in a historical perspective. Proceedings of the Third European Business History Association (EBHA), september 1999, Rotterdam, The Netherlands*, ed. A.-M. Kuijlaars, K. Prudon, and J. Visser (Rotterdam: CBG, 2000), pp. 443-454; J.C. Eringaard, 'Een bureau voor sociale adviezen', *Sociaal Weekblad* 12 (1898): pp. 389-390 en 427-428.

⁵ R.J.S. Schwitters, *De risico's van de arbeid. Het ontstaan van de Ongevallenwet van 1901 in sociologisch perspectief* (Groningen: Wolters-Noordhoff, 1991), pp. 277-289.

⁶ J. Bruggeman and A. Camijn, *Ondernemers verbonden; 100 jaar ondernemersorganisaties in Nederland* (Wormer: Immerc, 1999), pp. 85-111.

benefits if times were tough. These arrangements also offered more possibilities to shape them according to the needs of their own company or their own industry. They did not have to negotiate with the government officials who did not always have a good understanding of the complexities of their business. However, legally binding arrangements had the advantage of creating a level playing field for the employers and that was certainly an aspect employers appreciated. The social care in the Netherlands developed more and more via legally binding social arrangements, but with an active role of employers and employees in the execution of the measures. At the turn of the century and till the outbreak of the First World War labour relations and social welfare were key in discussions about corporate responsibilities, and philanthropy was welcome, but also looked upon with some scepticism as a way of avoiding acceptance of these responsibilities.

Industry organisation as the ‘Third Way’

The First World War was a turning point in the relation between entrepreneurs and society, even in a country as the Netherlands that succeeded in remaining neutral. The war came with specific problems such as the obstruction of overseas imports and exports, the increasing demand from Germany, inland scarcity and rising prices and these caused a closer cooperation between entrepreneurs, government and workers, in particular trade unions. The trade unions suspended the class struggle and worked constructively to find solutions for the problems caused by the war. The entrepreneurs accepted the unions as negotiation partners, as evidenced by the increasing number of collective labour agreements. A crowning achievement of the unions was the Labour Law of 1919 which introduced the eight-hour working day. No doubt the Russian revolution and the concerns for similar upheavals in other European countries strengthened the trade-unions in their bargaining position. Once on the road of negotiations between entrepreneurs and between employers and employees organisations, it was only a small step to consider ways for introducing a rational organization of the entire industry to reduce the cyclical nature of capitalism.⁷

Especially Catholic groupings showed an interest in organising industry, because they wished to find a middle way between pagan socialism and too raw capitalism. One of their leaders, J.A. Veraart, argued that each industry should bring together its producers and employees in arranging joint minimum prices that would enable the producers to pay fair

⁷ Sluyterman, *Dutch Enterprises*, pp. 75-91.

wages to their workers and earn an acceptable living for themselves. To avoid price-cutting, new entrants should be hindered, for instance through contracts with the deliverers. Harmony within the industry should be the result. In 1919 the Catholic trade unions published an ambitious plan for a system of Industry Councils in which employers and employees would together take decisions on wages, production and prices. Some place for consumers was also included. Predictably, their plan met with much criticism from liberal economists who were against all structuring of industry. The Catholic employers were not in favour of this plan either, not because they were against industry organisation as such but because they opposed the involvement of trade unions.⁸

Directly after the First World War, 1918 a protestant banker from Rotterdam, Rudolf Mees, wrote an essay about morality in business. For him it was obvious that laissez-faire capitalism had failed both morally and as a productive system. He agreed that it was indeed impossible to run a business without seeking your own interests, but altruistic behaviour was equally important, because business had the duty to serve society. In his view Adam Smith and his followers were wrong in thinking that a harmonious society would result from all individuals seeking only their own self interest. It required a conscious effort on the part of the business man to seek a balance between his own interests and the interests of the society. In his view this was a difficult task with no obvious solutions, because Mees didn't expect either state companies or cooperative organizations to take over the role of business in the foreseeable future. Therefore, it was the moral duty of the business man to find solutions for conflicts and to bring conflicting elements to harmony.⁹ Mees was not the only business man thinking about business ethics. At the other side of the Atlantic, in 1919, Harvey Alden Wooster, writing about the establishment of a university school of business, reflected about the difference between the professions (law, medicines) and business men: 'The professional man is taught from the very beginning of his professional training that his business, as well as his duty, is the service of the public. The business man is taught in the school of hard experience that his business is to sell goods. (...) Business lacks the ethical codes of service that distinguish the professions.' Wooster tells his audience that business exists in the end only by the tolerance of the community, because the community believes its interests are thus better served. Only as business men come to recognize the real reason for the existence of business in better satisfaction of the wants of human kind, will it be possible to make a profession of business and reintroduce a business code as existed in mediaeval times. He

⁸ Bruggeman and Camijn, *Ondernemers verbonden*, 191-195.

⁹ Rudolf Mees, *De moraal in het handelsleven* (Amsterdam: Wereldbibliotheek, 1952, reprint; First edition).

suggests tentatively that both individualistic philosophy and laissez faire economics retarded the redevelopment of a service ethics in business.¹⁰ The American magazine *Forbes* told its readers in 1924: 'First seek to serve, and rewards will follow.'¹¹

Finding remedies for the obvious imperfections of laissez faire economics included discussions on business ethics as well as business structures. In 1922 the Dutch management consultant Ernst Hijmans spoke of the organisation of producers as 'the third way' between the anarchy of capitalist competition and the bureaucracy of socialism. 'Only when we fully realize the costs of competition, will we understand that cooperation between manufacturers is as necessary now as was the introduction of the steam engine 150 years ago', he told his audience.¹² The sugar manufacturer J.P. van Rossum argued that cooperation between the Dutch beet sugar manufacturers was much more rational than competition. For instance, cooperation would enable them to bring the sugar beet to the nearest factory instead of transporting beets all over the country depending on the contracts between factories and suppliers. All parties would benefit from such arrangements.¹³ H.W.A. Deterding, president of Royal Dutch Shell, viewed a similar goal. His aim was a world wide cooperation between the oil producers. He was of the opinion that the efficiency of the oil production could be increased by balancing supply and demand, and by selling products as close as possible to the production areas, thus avoiding costly transport of oil. The long term oil supply would be better assured, and consumers would profit from the more reliable supply and predictable prices.¹⁴

Similar sentiments were voiced in the US. Neil Mitchell argued that cooperation was at the heart of the 'progressive business ideology' in the US in the 1920s. He illustrated his argument with a large number of quotes, including: 'Competition is warfare and tends to excesses... The cure for the evils of excessive competition is cooperation'.¹⁵ The 'New Business Ideology' was not only about collaboration between capital, labour and society, but also implied workers participation and employee representation schemes. Employees were no longer simply workers but became the 'human factor in industry' and were entitled to life

¹⁰ Harvey Alden Wooster, 'University Schools of Business and a New Business Ethics', *Journal of Political Economy* 27 (1919): pp. 47-63.

¹¹ *Forbes*, 15 October 1924, p. 70, and quoted in: Neil J. Mitchell, *The generous corporation. A political analysis of economic power* (New Haven and London: Yale University Press, 1989), pp. 122.

¹² Ernst Hijmans, 'Productievraagstukken in verband met crisis', *Naamlooze Vennootschap* 1 (1922): pp. 159-161, 186-188, 208-211

¹³ K.E. Sluyterman, *Driekwart eeuw CSM: cash flow, strategie en mensen* (Diemen: CSM, 1995), pp. 38-41.

¹⁴ Joost Jonker and Jan Luiten van Zanden, *From Challenger to Joint Industry Leader, 1890-1939; vol. 1 of A History of Royal Dutch Shell* (Oxford University Press 2007), pp. 116-126.

¹⁵ Mitchell, *Generous Corporation*, pp. 115.

insurance, medical facilities, leisure and recreational activities, pensions and even unemployment benefits. Managers filled a position of trustee that came with ‘social responsibilities’. One of those responsibilities was to prevent seasonal unemployment. The goal of the company was no longer to make profits but to ‘serve’, but the underlying expectation was that service would be rewarded by profits. According to Neil Mitchell the new business ideology could be interpreted as an American alternative to European state welfare provision, and may account for the comparatively slow pace of development of the welfare state in America.¹⁶ In the Netherlands, the state had taken on some responsibilities for social welfare, but the progressive managers nonetheless had a very comparable business ideology.

That is not to say that all entrepreneurs in the Netherlands shared the progressive ideology. The Dutch textile industry in the region of Twente fought a fierce power battle with the trade unions in 1923/24. When the textile workers called a strike in protest of the reduction in their wages, the employers responded by locking out about 22.000 workers for half a year. Though the employers ultimately won the power battle, they lost out in reputation.¹⁷ That could not be remedied with philanthropy. Moreover, workers had mixed feelings about philanthropy. Discussing ‘Industrial Welfare Work’ in the Netherlands in 1922 C.F. Evelein, head of the social and economic department at Philips, wrote that employers remained inclined to see welfare work as some kind of philanthropy, that only cost money without giving anything in return, while the employees, in particular the organized employees, didn’t like philanthropy.¹⁸ Philips was among the modern companies that wanted to give social work a prominent place.¹⁹ As chairman of the Dutch employers’ organisation Anton Philips explained that in companies in which ownership and management had become separated managers had a greater measure of freedom to look after the interests of the workforce. After all, managers were part of the workforce. They felt no need to pursue the interests of the shareholders with the same single mindedness as owners might have done.²⁰ Social funds, employee associations and company housing were three ways in which progressive entrepreneurs such as Philips distinguished themselves. Progressive employers

¹⁶ Mitchell, *Generous Corporation*, pp. 112-142.

¹⁷ W.H.M.E. Alberts et al., *Marges van de vakbeweging. Een analyse aan de hand van de Twentse katoenstakingen in 1923-1924 en 1931-1932*, vol. 2, Cahiers Sociale Geschiedenis ('s-Gravenhage: Nijhoff, 1982), pp. 59-91; Frans van Waarden, *Het geheim van Twente. Fabrieksverenigingen in de oudste grootindustrie van Nederland, 1800-1940* (Amersfoort: Academische Uitgeverij), pp. 56-57.

¹⁸ G.F. Evelein, 'Industrial Welfare Work in Holland', *Naamlouze Vennootschap* 1 (1922): pp. 214-217; 243-246.

¹⁹ I.J. Blanken, *De ontwikkeling van de N.V. Philips' Gloeilampenfabrieken tot elektrotechnisch concern*, vol. 3, *Geschiedenis van Philips Electronics N.V.* (Leiden: Nijhoff, 1992), pp. 356-379.

²⁰ Bruggeman and Camijn, *Ondernemers verbonden*, pp. 105.

also underlined the importance of spacious, attractive and well-equipped factories. In this respect the company Van Nelle, manufacturer of coffee, tea and tobacco, excelled when building the 'Glass Palace' in Rotterdam in 1929. This building, an icon of modern architecture, became an industrial monument.²¹ Maintaining a positive image, however, became difficult in the 1930s when large numbers of workers had to be fired as a consequence of the economic depression.

At that point in time, the discussions about 'industry organisation' resurfaced. Entrepreneurs saw cooperation as an instrument to turn the tide and the government was prepared to support cooperation in order to safeguard employment. In 1935 the government introduced a bill that would enable it to prohibit cartels or make them compulsory for an entire branch of industry.²² Structuring the industry should also benefit the workers. For that reason, the government acquired the possibility, in 1939, to make collective labour agreements compulsory for all companies in a certain branch of industry. We can illustrate the effect of this measure on one company in the printing industry, Uitgeversmaatschappij C. Misset te Doetinchem, that up till 1937 had remained outside the collective labour agreements. The managing director, Cees Misset, had a good reputation as an entrepreneur who did much for his workers and for the town of Doetinchem. The company had three personnel funds. With company money, Misset built a swimming pool, a velodrome, a small airport and a museum for the town. However, when he became forced to pay wages according to the national collective labour agreement, he had to raise wages considerably for most of his employees. Only a privileged few had earned more than the standard wages.²³ Clearly, the voluntary commitments were lower than the enforced rewards. By the 1930s many companies in the Netherlands had made arrangements to support their workers in case of sickness or old age, but these payments were still considered a favour, a gesture of good will on the part of the entrepreneur.

In short, during the First World War companies had become part of the war effort and governments started to intervene actively in the economy, even in neutral countries like the Netherlands. The communist revolution in Russia and the fierce economic upswing and

²¹ H.F.W. Bantje, *Twee eeuwen met de weduwe. Geschiedenis van De Erven de Wed. J. van Nelle NV, 1782-1982* (Rotterdam: Van Nelle, 1981), pp. 104-116.

²² Bruggeman and Camijn, *Ondernemers verbonden*, pp. 166-167; P.E. de Hen, *Actieve en re-actieve industriepolitiek. De overheid en de ontwikkeling van de Nederlandse industrie in de jaren dertig en tussen 1945 en 1950* (Amsterdam, 1980), p. 206.

²³ K.E. Sluyterman, 'Paternalistische ondernemers in de Achterhoek: de drukkerij-uitgeverij Misset tussen 1914 en 1940', in: *Bewogen en bewegen. De historicus in het spanningsveld tussen economie en cultuur. Liber amicorum aangeboden aan Prof. Dr. H.F.J.M. van den Eerenbeemt ter gelegenheid van zijn 25-jarig professoraat aan de Katholieke Hogeschool te Tilburg, 1961-1986* (1986).

downswing directly after the war discredited the free market economy and encouraged efforts to 'jointly organise' the industry to the benefits of society as a whole. The idea that the economy needed some guidance abated during the prosperous 1920s, but resurfaced during the depression of the 1930s. Companies and government agreed on the need to coordinate the economy to reach a socially desirable outcome. During the first half of the 20th century two themes with regard to corporate responsibility stand out: the social care for employees and the cooperation to reduce the negative impact of unbridled competition. After the Second World War, both themes came together in the building of the welfare state.

The role of companies in the welfare state

During the Second World War, Dutch company executives in London discussed the important economic and social issues that would face the Netherlands after the end of the war. They agreed that securing sustainable full employment would be the key responsibility of companies after the war. The senior managers had also become convinced that in a free market economy the state had to play a crucial role in safeguarding sound economic development.²⁴ After the Second World War many people in the Netherlands considered a close and constructive cooperation between government, employers' organisations and trade unions as an essential condition for economic growth and prosperity. Within the context of the mixed economy the entrepreneur had the duty to contribute to the overall objectives of economic policy. Economic growth and full employment were the two main objectives to which the companies certainly wished to contribute.

Philips gives a good illustration of this point of view. In its 1946 articles of association, the company formulated two goals: a long-term welfare policy and the creation of as many useful jobs as possible, to serve the best interests of all those who were involved with the company.²⁵ Top management placed the interest of the employees above those of the shareholders. In their own public presentations the companies tended to underline the importance of the continuity of the company rather than making profits. Continuity had become important due to the increasing capital intensity of the production, which required large investments that only delivered income on the longer term. Moreover, continuity made it

²⁴ Jan Paulussen and Ivo Blanken, *Samenwerking tussen Nederlandsche industrieën met groote internationale belangen: 70 jaar contactcommissie (1934-2004)* (Zaltbommel: Uitgeverij Aprilis, 2004), pp. 31-38.

²⁵ I.J. Blanken, *Onder Duits beheer*, vol. 4, *Geschiedenis van Philips Electronics N.V.* (Zaltbommel: Europese Bibliotheek, 1997), p. 359; I.J. Blanken, *Een industriële wereldfederatie*, vol. 5, *Geschiedenis van Philips Electronics N.V.* (Zaltbommel: Europese Bibliotheek, 2002), pp. 7-15.

possible to build up a lasting relationship with the employees. Company leaders appreciated harmonious relationships with their employees who were informed via the work's council in which their representatives were allowed to give advice but didn't have otherwise much say. The employers' organizations and the trade unions worked together with the government to establish a welfare state with an extensive social security system. At the same time, companies had their own internal 'welfare policy' in the form of social funds, holiday trips, corporate events. The package of measures often included a 'social worker'. Such a policy was implemented in midsize companies such as the publisher Poost & Brandt, but even more in big companies such as Royal Dutch Shell, Philips or Hoogovens.²⁶ The company took care of its employees 'from cradle to grave'.

In contrast, shareholders were not considered particularly important stakeholders that deserved special attentions. In 1952 the four large Dutch (or partly Dutch) multinationals asked two university professors to write a report on the importance of the company for the national economy. However, the professors did not come up with the hoped for answer. In their report from 1953 they argued that managers had become too powerful in relation to the shareholders. Because companies were able to finance expansion from their profits, managers seldom needed to turn to the capital market. As a consequence managers paid insufficient attention to the interests of the shareholders. The four multinationals found the observations of these academics of 'little relevance', because the trade union leaders were asking for more power to the workers, some political parties were demanding more power for the state, but nobody was asking to give power back to the shareholders. The outcome of the report was not widely distributed.²⁷

Writing about the situation in the US, Bert Spector argued that the roots of corporate social responsibility in the US can be found in the Cold War and the need of the business community to defend the capitalist system against communism. However, in his article he also touched on the influence of the communist revolution in Russia and the interwar discussions about corporate responsibilities.²⁸ In that sense the wish to defend the capitalist system by making it more palatable was already a response to the communist system, before the Soviet Union had become a political threat. In the Netherlands the influence of the Cold War was less marked, or at least, we can see a clear continuity in views on the company and

²⁶ K.E. Sluyterman, *Winnen met papier. Vijftig jaar uit de 250-jarige geschiedenis van Proost en Brandt, 1942-1992* (Diemen, 1992), pp. 91-99; S. Stoop, *De sociale fabriek. Sociale politiek bij Philips Eindhoven, Bayer Leverkusen en Hoogovens IJmuiden* (dissertatie Utrecht: Stenfert Kroese, 1992), pp. 76-104 en 141-176.

²⁷ Paulussen and Blanken, *Samenwerking tussen Nederlandsche industrieën*, pp. 51-60.

²⁸ Bert Spector, "'Business Responsibilities in a Divided World': The Cold War Roots of the Corporate Social Responsibility Movement", *Enterprise and Society*, vol. 9, number 2, June 2008, pp. 314-336.

the role of its managers from the interwar period into the postwar period. That role included collaboration with unions and government for the benefit to economic growth and prosperity. Company managers embraced the mixed economy. CSR was not a way of keeping state influence at bay as seems to have been the case in the US. In 1958 Theodore Levitt wrote about the dangers of social responsibility in *Harvard Business Review*. ‘If the public wants protection against the uneven consequences of all-out capitalism, let it run to its unions and to government. (...) Business will have a much better chance of surviving if there is no nonsense about its goals – that is, if long-run profit maximization is the one dominant objective in practice as well as in theory. Business should recognize what government’s functions are and let it go at that, stopping only to fight government directly intrudes itself into business. It should let government take care of the general welfare so that business can take care of the more material aspects of welfare.’ Indirectly, Levitt seems to argue for more state funded welfare, but in fact he is glorifying free enterprise, business is war and ‘like a good war, it should be fought gallantly, daringly and, above all, *not* morally’.²⁹

This provocative language was a far cry from the measured voice of Dutch enterprise. In 1962 J. Bartels, managing director of Unilever NV in the Netherlands, held a speech about the entrepreneur and his role. In it he emphasized the imbeddedness of the company in the many institutions of the mixed economy. The entrepreneur had become a trustee whose responsibility reached further than his own equity. He had to ensure the continuity of the company and in order to do so, had to take new initiatives, address the interests of his employees and cooperate with the government, semi-government, trade unions and other associations. In the closing sentence Bartels wrote: ‘For the entrepreneur and also for the other stakeholders the most important driver for their actions should be the awareness that the ultimate goal of entrepreneurship is and only can be the good of mankind.’³⁰

In the 1950s and 1960s, senior managers underlined their broader responsibilities to take care of the interests of all stakeholders, including employees, customers, shareholders and society at large. In an internal document from 1962 Royal Dutch Shell senior executives formulated the group’s long-term aims and started thus: ‘Both in law and in fact the first duty of the management of a company is to ensure the health and survival of the enterprise itself. Its basic responsibility is therefore to keep the enterprise strong, prosperous and progressive. (...) Amongst the large issues involved are determination of the appropriate scope and nature

²⁹ Theodore Levitt, ‘The Dangers of Social Responsibility’, *Harvard Business Review*, September-October 1958, pp. 41-50.

³⁰ J. Bartels, *De ondernemer en zijn taak* (Rotterdam: Unilever, 1963), speech on 10 November 1962.

of the business; and the establishment and maintenance of sound relations with shareholders, employees, customers and the governments and public of the countries in which it operates.’³¹ And even broader horizon for the company painted P. Kuin, another member of the board of Unilever, who in 1966 addressed a group of young managers: ‘Management are in charge of the great process of transforming natural resources and human energy into useful goods and services. (...) Managers should not voice the view of other groups, such as investors or tax payers. These can take care of themselves. Above all, management should never take up the cause of the rich against the poor, the privileged against the masses, the private against the public good. This is a confusion of social roles fatal to management prestige. However dear the rich may be to some of us – for instance as potential providers of capital – management has its own cause to serve, and that is the preservation, expansion and improvement of the nation’s economy. The more management concentrates on this task, and is seen to concentrate on it, the greater its authority.’³² The young managers were told very clearly that contributing to the growth of the national economy was more important than looking after the interests of the shareholders. The views on corporate responsibilities after the Second World War and until the mid-1960s showed a lot continuity. The reconstruction of country and the creation of economic growth were seen as important societal goals in the Netherlands and companies were expected to contribute to that goal within the context of a mixed economy. Government, employers and trade unions worked together to create economic prosperity and social security. Companies played their part by focusing on growth and continuity and introducing welfare arrangements in their own companies. Around the mid-1960s the public began to question the benefits of economic growth for the environment, for personal wellbeing and for developing countries.

‘Socialisation of the company’

In the mid-1960s the atmosphere changed and society became increasingly critical towards businesses, in the Netherlands but also elsewhere. Pressure groups played an important initiating role in formulating new demands on business, and pressure groups in the Netherlands often found their inspiration abroad, in particular in the US. As a consequence, we can see the same issues highlighted, though often with a time lag of several years between

³¹ Shell London Archives, PA 13, The Group’s long-term aims, 15 March 1962.

³² P. Kuin, ‘Goals for management in the next ten years’, paper presented at the 14th International Management Congress, Rotterdam, 1966.

the US and the Netherlands. To start with the new environmental concerns: for a long time the Dutch state had only environmental rules with regard to the negative consequence for the direct neighbourhood. As long as chimneys were high enough or drain pipes long enough, the companies had met their obligations. The industrial processes and products turned out to have implications for the environment that moved far beyond the immediate area. For instance, the synthetic detergents, which consumers used in large quantities, influenced the amount of fish in the rivers and pesticides entered the food chain.³³ The first public concerns about the quality of air and water in the Netherlands emerged in areas with a strong regional concentration of industry, such as the Botlek-area. Industry responded with information to reassure the public but also with initiatives for joint industry action.³⁴ In the late 1960s the first modern environmental laws were passed in the Netherlands.³⁵ Meanwhile, a large number of environmental pressure groups were launched. Public concerns were not limited to issues of environmental pollution. The public also became worried about the finite nature of fossil fuels and minerals following the publication of the Club of Rome report, *Limits to Growth*, in 1972.³⁶

Besides the societal concern about the environment companies were facing an increasingly strong call for internal democratization. The employees should be able to express themselves fully in their job and some participation in the decision making process was seen as a prime prerequisite. The pursuit for industrial democracy was expressed at different levels. At company level, trade unions demanded an extension of the powers of the work's council, which in 1979 were granted in the new law on the Work's Council. On work floor level, trade unions asked for more consultation and work structuring to increase the influence of workers on their own work situation.³⁷ In the early 1970s expectations were high with regard to more democratic relationships at work. In 1972 the Social Democrat economist Cees de Galan argued that the authoritarian internal structure of the company would continue to decline: 'This structure is no longer acceptable. Powerful groups such as the organized employees, the government and the communication media will rise in protest. In the background are the same driver that on a political level led to a –though not always perfect functioning – democracy: human equality as a central norm, need for participation and deployment, mistrust of

³³ About pesticides: Rachel Carson, *Silent Spring* (Boston: Houghton Mifflin, 1962).

³⁴ In 1963 the oil majors established the foundation CONCAWE (Conservation of Clean Air and Water, Western Europe).

³⁵ E. Homburg, 'Chemie', in: *Techniek in Nederland in de twintigste eeuw, vol. II, delfstoffen, energie, chemie*, ed. J.W. Schot, et al. (Zutphen: Walburg Pers, 2000), pp. 269-408, 400-401.

³⁶ D. Meadows, et al., *Limits to Growth* (New York: Universe Books, 1972).

³⁷ Joop Ramondt, *Bedrijfsdemocratisering zonder arbeiders. Een evaluatie van werkervaringen met werkoverleg en werkstructuren* (Alphen aan den Rijn/Brussel: Samson Uitgeverij, 1975).

leadership. The better and longer education and the greater expertise of the employees, better informed by more intrusive media communication, increases the need for participation and makes the spread of worker's participation achievable.³⁸

Companies were held to account for their responsibilities in political matters. Again, pressure groups played a leading role, including religious pressure groups. The developments in the Netherlands were clearly related to those in the US, where protestant churches together with the National Council of Churches, and supported by the Interfaith Center on Corporate Responsibility, questioned companies on their social responsibilities. They used the annual meetings of shareholders as platform and motions as instrument to voice their criticism. In the 1970s more than half of these motions demanded companies to withdraw their investments from South Africa in order to end the apartheid system in that country. Following the lead of the World Council of Churches, the Dutch Council of Churches confronted the banking sector in the hope of convincing them to refrain from further loans to the regime in South Africa. With the action 'Paid Reply' (Betaald Antwoord), churches encouraged their members to withdraw their account at the contested banks.³⁹

The criticism towards companies and in particular the large international companies was not limited to the banks and their role in South Africa. The public felt a more general concern about the power of large companies. Who controlled these powerful organisations that could move employment from one country to the next, that could make or break political regimes, and that polluted the environment and suppressed the workers? Was it not time for international regulations, and, if so, who should then ensure them? For the time being, codes of conduct were seen as the best way forward. In 1976 the Organisation for Economic Co-operation and Development (OECD) introduced guidelines for multinational companies. In the same year, Royal Dutch Shell launched its own internal guidelines, the Statement of General Business Principles. The Statement opened with a clear message that the company's purpose was to engage efficiently, responsibly and profitably over the long term in the oil, gas, chemicals, coal, metals, and related businesses. In addition to the duty of protecting shareholders' investment and providing an acceptable (not maximum!) return, three further interdependent responsibilities were recognized, those to employees, to customers, and to society. Royal Dutch Shell stated that its companies should endeavour always to act

³⁸ C. de Galan, H. Hoefnagels (s.j.), and P. Kuin, *Kritiek en tegenkritiek. De onderneming in de huidige maatschappij* (Den Haag: SOMO, 1973), p. 15.

³⁹ Roy W. Morano, *The protestant challenge to corporate America; issues of social responsibility* (Ann Arbor, Michigan: UMI Research Press, 1982), pp. 163-188; C.A. Verburg, *De maatschappelijke verantwoordelijkheid van het grootbedrijf. Pleidooi voor een politieke organisatiesociologie* (Amsterdam: VU Boekhandel/Uitgeverij, 1982), pp. 145-254.

commercially, operating within existing national laws in a socially responsible manner and to avoid involvement in politics.⁴⁰

The larger companies responded to the increasing social demands from the general public with the release of social audits. Most did not contain much more than company information on the personnel policy and work's council. Sometimes a short version of the annual report was included.⁴¹ In the US companies allowed their employees to engage in community work during office hours. This kind of typical American 'civil society' work did not take place in the Netherlands, at least not in the context of companies, until the late 1990s. Many people volunteered in one form or other, but that happened outside the company. From his rich experience with Unilever, Harvard Business School and Erasmus Universiteit, P. Kuin commented in 1977 that the average Dutch company did not see any benefit in enabling its employees to fulfil societal tasks during office hours. He believed that following the American example certainly deserved some consideration. With some irony he argued that it would not harm the world of welfare work to have some management skills and work pace added to their social welfare humanity.⁴² Though companies did not organise volunteering projects, some had special projects for Third World Countries. In 1973 the Dutch co-operative bank Rabobank founded the Rabobank Foundation to support locally operating credit and saving banks.

During the mid-1970s entrepreneurs in the Netherlands (and elsewhere) seemed almost unanimous in their acknowledgement that companies had a societal responsibility. At the annual meeting of the Dutch Centre of Company Directors (Nederlands Centrum van Directeuren) in 1975 'Decent Entrepreneurship' (Fatsoenlijk ondernemerschap) was the main theme, and at the jubilee conference of the NIVE in that same year the managers discussed the 'socialisation of the company'. The European Council of Management developed a code of ethics for professional managers, which distinguished, alongside the care for the one's own company, five responsibilities: the suppliers, financiers, employees, consumers and customers and ultimately the community.⁴³ The code of ethics, however, did not solve the main issue: how should the different interests be balanced against each other? Who decided

⁴⁰ *Jaarverslag Koninklijke Nederlandsche Petroleum Maatschappij*, 1976; Keetie Sluyterman, *Keeping Competitive in Turbulent Markets, 1973-2007*, vol.3 of *A History of Royal Dutch Shell* (Oxford University Press), 307-309.

⁴¹ H.K.M. Cregten et al., *Maatschappelijke verslaggeving. Een aanzet tot een fundamentele beschouwing over het maatschappelijk functioneren van ondernemingen en non-profit organisaties* (Leiden/Antwerpen: H.E. Stenfert Kroese, 1978), pp. 11-17.

⁴² P. Kuin, *Management is méér... De sociale verantwoordelijkheid van de ondernemer* (Amsterdam/Brussel: Elsevier, 1977).

⁴³ J.P. Barth, 'De plaats van de NV in de maatschappelijke orde', *Naamlooze Vennootschap* 55 (1977): pp. 53-64.

which interests had the highest priority? The Dutch entrepreneurs had the feeling that matters were out of balance and in 1976 the leaders of nine large companies, including Philips, Royal Dutch Shell, Unilever and Akzo, took the unprecedented step to directly address the general public with an open letter to government and parliament. In this letter they complained about the increasing costs of social security and the associated high wages which threatened the competitive position of Dutch industry.⁴⁴ Indeed, more and more companies struggled with declining sales and disappointing profits. As a consequence they found it difficult if not impossible to meet the increased demands from society.

Other priorities during the recession

The economic crisis in the late 1970s and early 1980s shed new light on the responsibilities of business: making profits was important again as was the creation of employment. In 1980 a nuanced discussion about whether or not companies were allowed to reduce their activities and add to the growing problem of unemployment took place in the Netherlands. Some argued that it was time for a code of conduct comparable with the SER-merger code from 1971.⁴⁵ However, many companies faced increasing losses and had to reorganise drastically, code or no code. The one goal that had been paramount since the 1930s, full employment, could no longer be reached. The trade unions tried to defend the standard of living of their members while at the same time stemming the rapid rise of unemployment. Employers' organisations saw it as their responsibility to help reduce unemployment and the result were arrangements to reduce the length of the working day in exchange for more people at work, or less redundancies. Discussions about corporate social responsibility took a backseat for awhile, though the national organisations of employers demonstrated their responsibility by taking an active interest in measures to safeguard employment. The demands with regard to the environment received less priority in these years. Social audits disappeared quietly. At the same time companies, including Philips and Hoogovens, reduced their extensive social services in response to their financial problems.⁴⁶ Because of rising unemployment government spending on social benefits increased rapidly. To cut its expenditures, the Dutch

⁴⁴ Keetie Sluyterman and Ben Wubs, *Over grenzen: multinationals en de Nederlandse markteconomie*, vol. 2, *Bedrijfsleven in Nederland in de twintigste eeuw* (Amsterdam: Boom, 2009), pp. 158-159.

⁴⁵ Th. P. van Hoorn and H.J. van der Schroeff, eds., *Als sanering dreigt... Signalering, preventie en besturing van afbouw van bedrijfsactiviteiten*, (Alphen aan den Rijn/Brussel: Samsom, 1982), pp. 130-137.

⁴⁶ Stoop, *Sociale fabriek*, pp. 306-311.

government took measures to trim down social benefit claims. Thus companies and government cut back on social care simultaneously.

The economic recession had little impact on the politically motivated attacks on business. These even became violent in some instances.⁴⁷ Once again the spotlight was on the presence of companies in South Africa, this time with actions against Royal Dutch Shell and the Dutch trading company SHV. After several fires in its Makro stores SHV reluctantly pulled out of South Africa. Royal Dutch Shell chose to stay, despite numerous incidents at their petrol stations. However, the actions forced the company to explain its policy to the general public. While condemning apartheid, Royal Dutch Shell pointed to the great measure of independence of Shell South Africa within the decentralized company structure and to the interests of the employees and customers in South Africa. The company hoped to improve the situation in South Africa by remaining and supporting equal rights for the black population. It considered leaving as abandoning the employees who counted on Royal Dutch Shell.⁴⁸

The discussions about social corporate responsibility continued at a low level under the heading 'company ethics' (bedrijfsethiek). As so often, also this new academic field was inspired by American literature. The journals were American and many of the cases under discussion were American and were focused on personal dilemmas.⁴⁹ Should an employee raise the alarm if a product showed failures and the superiors took no action? If the lack of building permit threatened to stop the construction of a factory that would provide much local employment, would it be okay to pay bribes to serve this higher goal of creating employment? Responding to the wishes of a client is considered sound business. But what if the client asked a temporary employment agency to provide only white workers?⁵⁰ The emphasis in the business ethics literature on individual choice and individual responsibility fitted perfectly in the rising trend of neo-liberalism.⁵¹

The paradox of the 1990s

⁴⁷ *Bedrijfsleven, politie en (politiek) geweld*, (Stichting Maatschappij en Onderneming, 1988), pp. 26-44.

⁴⁸ M.J. van Riemsdijk, *Actie of dialoog. Over de betrekkingen tussen maatschappij en onderneming* (Proefschrift Universiteit Twente, 1994), pp. 3-97; D. Watkins, 'Business and South Africa: reason and responsibility', (paper presented at the Business International Conference, London, 3 October 1988).

⁴⁹ H.J.L. van Luijk, *In het belang van de onderneming. Aantekeningen voor een bedrijfsethiek* (Delft: Eburon, 1985).

⁵⁰ A.F. Brand et al., eds., *Bedrijfsethiek in Nederland - Onderneming en verantwoordelijkheid -*, (Utrecht: Het Spectrum, 1989); Johan Verstraeten and Jef van Gerwen, *Business & Ethiek, spelregels voor het ethisch ondernemen* (Tiel: Lannoo, 1990).

⁵¹ Philippe van Parijs, 'Werkelijke vrijheid voor allen. Een antwoord op het neoliberalisme', in: *Terugkeer van de ethiek. Denken over economie en samenleving*, ed. L. Bouckaert (Leuven/Amersfoort: Acco, 1989), pp. 131-146.

As mentioned above, the recession of the early 1980s had caused a change in ideology. The government seemed no longer capable of defending the welfare state. Quite the opposite, the state was seen as stumbling block: less government and more market was the new maxim. The fall of the Berlin Wall marked the end of communism in the Soviet Union and Eastern Europe and the start of a renewed appreciation for free market capitalism. The economic upturn after 1991 seemed to offer confirmation of the strength of capitalism. Deregulation and privatization went hand in hand with increasing globalization. The rise of internet with its wonderful new possibilities for fast communication further contributed to the euphoria over globalization and the benefits of capitalism.

As companies' strategies moved from internal growth to buying and selling companies, managers had to take note of the financial markets as the share price of their company became an important instrument in those acquisition strategies. In the 1990s they placed great emphasis on the increase of shareholder value as the most important criteria to judge their performance. Though managers and shareholders were obviously aware that the long-term interests of the shareholders were best served with a broader stakeholder approach, and for that reason the contrast should not be exaggerated, there was undeniably a shift in emphasis both in verbal expressions and in actions. Important in this context was the introduction of reward systems directly linked to increases in shareholders value. For instance, Unilever posed higher demands on its managers, on the one hand rewarding managers higher for good performances, on the one hand ending managers' employment if their achievements were considered substandard.⁵²

The rising profitability in business was not used to realize the 1970s ideal of industrial democracy. Instead, stock option plans were introduced that gave employees a flexible play and encouraged them to become shareholders of the company in which they worked. But not for all workers was a place at the table. Employees were no longer encouraged to remain their whole working life with one employer. In 1946 Philips had included the provision of employment in the Netherlands as an important company goal in its articles of association. In the 1980s this goal was removed from the articles of association.⁵³ As it was no longer deemed necessary to shape lifelong relationships with the employees the social programmes such as housing, medical care and entertainment, were ended or turned into a sponsorship

⁵² Geoffrey Jones, *Renewing Unilever. Transformation and tradition* (Oxford: Oxford University Press, 2005), pp. 94-102, 230-231.

⁵³ Marcel Metze, *Kortsluiting: hoe Philips zijn talenten verspeelde* (Nijmegen: SUN, 1991), pp. 125.

relationship.⁵⁴ Instead, employees were offered opportunities to increase their own employability by following training and courses. Flexibility and employability became keywords in human resource policy. When the trade-unions in the Netherlands became concerned about the loss of employment in 1995, they demanded shorter working days. The director Human Resources of AKZO in the Netherlands argued instead that the problem of unemployment could only be solved by adapting the labour force, lowering labour costs and creating broader employability and more flexibility. As compromise both parties agreed to more flexibility by giving employees more choice in the length of their working day.⁵⁵ The changes at the company level had their impact on the collective labour agreements in the Netherlands, which became more flexible and more decentralised.⁵⁶

During the 1990s rising stock prices and generous stock options for senior management went hand in hand with reorganisations and mass redundancies. Managers focused very much on the creation of ‘shareholder value’. Surprisingly at the same time as managers focused on shareholder value the discussions on corporate social responsibility resurfaced. The combination is striking, because it would have been more logical that companies would underline more than ever the famous (or notorious) quote of Milton Friedman that the social responsibility of business was to increase its profits.⁵⁷ How can we explain this paradox?

When the expression MVO, or in English CSR, resurfaced in the 1990s in the Netherlands, it was initially used predominantly for labelling corporate initiatives outside the workplace. Advocates of such initiatives looked to the US for inspiration and for models. The MVO-activities stood midway between sponsoring and philanthropy and in particular involved company volunteers working for community projects such as renovating parks and playgrounds, assisting children with their homework or helping in nursing homes or hospitals.⁵⁸ Though people in the Netherlands were traditionally very active in volunteering,

⁵⁴ S. Stoop, *De sociale fabriek. Sociale politiek bij Philips Eindhoven, Bayer Leverkusen en Hoogovens IJmuiden* (dissertatie Utrecht: Stenfert Kroese, 1992), pp. 95-104.

⁵⁵ John Miltenburg and Anne-Claire Veerman, 'Akzo Nobel: een experiment met gevolgen', in: *Innovatie of imitatie? CAO-vernieuwing op ondernemingsniveau*, ed. Marc van der Meer and Evert Smit (Den Haag: Elsevier Bedrijfsinformatie, 2000), pp. 25-38.

⁵⁶ Jelle Visser, 'CAO-vernieuwing bezien vanuit de vakbeweging', in: *Innovatie of imitatie? CAO-vernieuwing op ondernemingsniveau*, ed. Marc van der Meer and Evert Smit (Den Haag: Elsevier Bedrijfsinformatie, 2000), pp. 141-149.

⁵⁷ M. Friedman, 'The social responsibility of business is to increase its profits', *The New York Times Magazine* (1970). Friedman weakened his own argument by adding that companies should conform to the ‘basic rules of the society, both those embodied in law and those embodied in ethical custom’. The debate about CSR is just about the content and extent of ‘ethical custom’.

⁵⁸ B. Boudhan, I. Vonk, and F. Nelissen, *Maatschappelijk ondernemen. Dienen en verdienen* (Den Haag: SMO, 1996), pp. 63-67.

this kind of company-organised volunteering was practically unknown before. Even the word 'philanthropy' was hardly ever used in Dutch management literature and if it was used at all, it was the English, not the Dutch word.⁵⁹ A study from 1999 showed that the Dutch society as a whole spend some 4,500 million euro on philanthropic goals and 51 per cent came from companies by way of sponsoring and gifts. It is perhaps telling that the study contained no breakdown of the figures between gifts and sponsoring. The total amount had increased considerably since 1997.⁶⁰ Of that total amount a quarter went to sport and leisure activities (football, cycling), 18 per cent to social purposes, 16 per cent to education, and culture and health received both 14 per cent of the total amount.⁶¹ Quite a number of theatres renamed their main hall to please a sponsor.⁶² The *Ondernemerschapsmonitor* of the ministry of Economic Affairs from 2002-3 showed that many companies sponsored social activities. Some 30 per cent allowed employees to volunteer during working hours. The involvement with neighbourhood projects was modest.⁶³

Why should companies that had ended the social work for their own employees in the 1980s suddenly interest themselves in social work for the community? The most likely explanation is that philanthropy served as a justification for the high profits and generous incomes of the late 1990s. As discussed earlier, Neil Mitchell argued that in the interwar years the American corporate managers advocated CSR to forestall state interference. Apparently, this argument did not apply to Dutch managers in the 1990s, because government tried to reduce its tasks. In fact, the government encouraged companies to take on social tasks that it had abandoned or wanted to abandon itself.⁶⁴ In this respect, CSR was seamlessly connected with the trend towards liberalization.

Second, we can point to the successful actions of pressure groups against individual companies as important motive for CSR programmes. The loose pressure groups of the 1960s had become professional international organisations, the so-called Non-Governmental Organisations, or NGOs, that were able to mobilize the public in several countries simultaneously. In 1994 Tony Brak, head Public Affairs at Royal Dutch Shell, remarked that NGOs had become very professional. He warned the managers that corporate reputations

⁵⁹ D. Pronk and P.J. Tack, 'Van 'corporate social responsibility' tot 'corporate giving', in: *Filantropie en Sponsoring; een wetenschappelijke reflectie*, ed. S.J.M. Hoff (Amsterdam: VU Uitgeverij, 1997), pp. 67-93

⁶⁰ Th.N.M. Schuyt, 'Een tweede gouden eeuw?' *ESB* (2002), pp. 496-498).

⁶¹ Th.N.M. Schuyt, *De Filantropische Sector en 'Philanthropic Studies' in Nederland. Wetenschappelijke belangstelling voor een maatschappelijke sector in wording* (Houten/Diegem: Bahn Stafleu Van Lochum, 2001), pp. 10-13.

⁶² *De Groene Amsterdammer*, 18 December 1996.

⁶³ Ministry of Economic Affairs, *Ondernemerschapsmonitor, winter 2002-2003*, Den Haag 2003, pp. 13-23.

⁶⁴ SER, *Corporate social responsibility: a Dutch approach* (Van Gorcum, 2001), pp. 104-106.

could be badly damaged by a single event or issue if not managed effectively, because the media were under constant pressure to publish news and television had become global and instant.⁶⁵ A year later, Royal Dutch Shell experienced how true these warnings had been. The enterprise came under heavy pressure over the proposed deepwater disposal of the Brent Spar and over its operations in Nigeria. First Greenpeace made Royal Dutch Shell its focal point in its action against the sinking of decommissioned offshore oil installations. It campaigned against Shell's plan to sink the Brent Spar, a huge oil storage tank, in the Atlantic ocean. The campaign caused considerably damage to Shell's reputation (though Greenpeace also had to admit it had given incorrect information) and forced the company to reconsider its decision to sink the Brent Spar. Royal Dutch Shell's reputation suffered further when Amnesty International and others held Shell co-responsible for violent action of the Nigerian government against the Ogonis living in the oil rich Niger Delta. From the resulting negative publicity Shell concluded that it should find ways of reaching a dialogue with the NGOs and the general public. Instead of discussing solutions, the company should share dilemmas with NGOs and try to find a solution together.⁶⁶ Other companies also experienced the force of international coordinated action. A consumer boycott in the USA forced Heineken to abandon its plan to set up a brewery in dictatorial Burma.⁶⁷

Citizens, organized in NGOs, have become the new supervisors, but their self proclaimed duty also comes with responsibilities. To fulfill their role to satisfaction they need public recognition, and verifiable and transparent decision-making. It is also problematic that they often act as both prosecutor and judge.⁶⁸ The NGOs focused on various aspects of business. First there was the concern for the environment: to preserve the earth and safeguard the continued availability of sufficient energy for future generations.⁶⁹ In addition, pressure groups asked critical questions about working conditions, especially those abroad. They scrutinized multinationals about their possible direct or indirect involvement with child labour in poor countries. Comparing the discussions in the 1990s with those in the 1970s we can conclude that companies were no longer made responsible for a situation of full employment in the country, not was it expected that they would provide jobs for life. On the other hand,

⁶⁵ Interview with Tony Brak', *Shell World* (1994).

⁶⁶ Sluyterman, *Keeping competitive*, pp. 356-365.

⁶⁷ Rob van Tulder and Alex van der Zwart, *Reputaties op het spel. Maatschappelijk verantwoord ondernemen in een onderhandelingsamenleving* (Utrecht: Het Spectrum, 2003), pp. 165-301.

⁶⁸ W.J.M. van Geneugten et al., *NGO's als "nieuwe toezichhouders" op de naleving van mensenrechten door multinationale ondernemingen* (Amsterdam: Boom, 2004).

⁶⁹ G. Verbong et al., *Een kwestie van lange adem. De geschiedenis van duurzame energie in Nederland* (Boxtel: Aeneas, 2001), pp. 111-114; World Commission on Environment and Development, *Our Common Future* (Oxford: Oxford University Press, 1987).

Dutch companies were expected to speak out on human rights in countries with dictatorial regimes, and should refuse to pay bribes, even in countries where this might be normal business practice. Companies should also pay attention to equal opportunities for minorities. Companies were aware of the importance of a good reputation, not just for the sake of their sales, but also to be able to hire good people and have a good relationship with local governments. The interest of companies for CSR was therefore partly a response to strongly organized and well formulated criticism from NOGs.

Third, the expressed interest in CSR also had to do with the fact that companies liked to keep the initiative in their own hands. By introducing codes of conduct on their own initiative, they hoped to forestall governmental measures. For instance, the alcohol beverage industry in the Netherlands introduced the slogan: 'Enjoy, but drink in moderation', because it wanted to avoid governmental measures that would force them to warn the public with ominous black stickers on their bottles in the same way as the tobacco industry had to do. Finally, we should not forget that corporate managers are part of the same society as their critics and could easily share the same concerns about global warming or the violation of human rights, and thus act on the strength of their own beliefs.

During the 1990s the concept of CSR became more comprehensive. Companies had to confront the dilemma of how they could balance various demands of society. Who was going to decide what was the proper balance? Was the entrepreneur solely responsible? Should society leave the decision to the companies? Would the free market forces achieve a satisfactory balance? Or should society have a say in the matter and if so, how? The companies showed a preference for entering into a dialogue with pressure groups and other stakeholders. Also, the Dutch Social and Economic Council (SER) argued for a dialogue of the company with all its stakeholders. The role of the government should be to encourage this dialogue, to provide guidelines (not laws), to expand the reporting requirement in the annual reports and to establish an information centre. The Dutch government endorsed the report's conclusions and was content to limit its own role primarily to encouraging the various parties to share knowledge and exchange ideas.⁷⁰

But not all were convinced of the benefits of MVO. Some opponents militated against CSR, because companies were asked to move outside their own field of expertise.⁷¹ This was

⁷⁰ SER, *Corporate social responsibility*, pp. 99-113.

⁷¹ Johan Norberg, 'Why corporations shouldn't be socially responsible: a critical examination of CSR', (paper presented at the Conference 'Managing on the edge', University of Nijmegen, 25 September 2003); Michael Porter and Mark Kramer, 'Challenging assumptions', in: *EBF on.. Corporate Social Responsibility* (European Business Forum, 2004), pp. 3-4.

also the argument of Morris Tabaksblat, chairman of the board of managing directors of Unilever, who wrote in 1997 that society should not expect companies to solve the big issues of the 21st century: poverty, scarcity of resources, global warming. That should be the task of governments and ethical institutions. Companies had neither the mandate nor the capabilities to take these responsibilities on their shoulders, but by acting responsibly companies could offer their modest contribution to a move in the right direction.⁷² He received support from the economist and social democrat politician Arie van der Zwan, who argued that the media, pressure groups and idealists were wrong in pressuring companies to become involved in social tasks for which they had no specific qualifications or legitimacy.⁷³

Of the different aspects of CSR, the business philanthropy received the most sceptical reception of the general public. Some people considered business philanthropy at best enlightened self-interest and more likely a compensation for dubious business practices. Others were mostly concerned about the continuity in societal projects once the economic tide would turn. Indeed, a study into the experiences of nineteen companies in the Netherlands with sustainable production practices showed that attention for sustainability increased when profits were high and diminished when financial results were weak. In the latter case companies had other priorities.⁷⁴ During the first decade of the 21st century, corporate volunteering became more focused with a clearer link to the business activities.⁷⁵

In that respect, Dutch companies apparently agreed with the argument of Heike Bruch en Frank Walter voiced in 2005 in de MIT Sloan Management Review that companies should manage their philanthropic activities more professionally. These activities should be related to the core capabilities of the companies and should have a clear benefit for the company as well as society. They also gave the advice to formulate clear goals and to be open about the duration of their support right from the start of a project. Finally they told companies to advertise their philanthropic activities effectively, otherwise money would be wasted. This advice shows how much, in their view, philanthropy was part of reputation management.⁷⁶ Though these recommendations were logical from the perspective of the company, and gave

⁷² Morris Tabaksblat, 'Dialogo binnen de samenleving. Unilevers visie op verantwoord ondernemen', (paper presented at the Symposium Veerstichting, Leiden, 1997).

⁷³ Arie van der Zwan, 'Naar een nieuw paradigma in het beleid van ondernemingen', *Socialisme & Democratie* 55 (1998): 433-439.

⁷⁴ Jacqueline Cramer and m.m.v. Wilfried Aarsen et. al., *Ondernemen met hoofd en hart: duurzaam ondernemen: praktijkervaringen* (Assen: Koninklijke Van Gorcum, 2002), 6, 28-30.

⁷⁵ MVO op agenda kenniseconomie: www.p-plus.nl; zie ook People Planet Profit, Autumn 2004.

⁷⁶ Heike Bruch and Frank Walter, 'Een andere kijk op bedrijfsfilantropie', *HRM Select* (2006): 62-75: Dit artikel is een vertaling van: Heike Bruch en Frank Walter, 'The Keys to Rethinking Corporate Philanthropy,' *MIT Sloan Management Review*, najaar 2005.

those who received money a clearer insight in what to expect from the company, they left one big question unanswered: who would defend the interests of people who did not belong to the target group or special competencies of anyone company? Would these people become the responsibility of the state? And if so, why should not the state be responsible for all, and create a welfare system in which the various groups in society would benefit equally.

In the first decade of the 21st century CSR remained firmly in place in the Netherlands. The focus shifted somewhat towards issues of sustainability. Often the two terms, CSR and sustainability, were used interchangeably. The slogan ‘people, profit and planet’ appeared regularly in annual reports.⁷⁷ Two issues and their remedies were paramount: the environment with particular focus on measures to mitigate global warming, and the impact of globalisation around the world and the responsibility of companies for the supply chain. In the Netherlands, the Social and Economic Council (SER), which represents both employers’ organisations and trade unions, supported measures to encourage and facilitate CSR at both national and international levels. The council urged Dutch enterprises operating abroad to acknowledge their CSR in their own production facilities and those of their suppliers. But it also underlined the importance of international agreements in the form of widely accepted treaties and conventions, and the introduction of accepted standards with quality marks and labels. To underpin the good intentions, the SER drew up a document describing and explaining a normative framework for international corporate social responsibility in order to achieve sustainable globalisation. The signing of the document was followed by the introduction of a set of measurements to benchmark the performances of companies with respect to CSR by analysing the annual sustainability reports. The ‘transparency benchmark’ was first published in 2009.⁷⁸

Conclusion

From this historical overview we can conclude that companies have been aware of their societal responsibility throughout the period under discussion. The leaders among them acknowledged the impact of their company on society and responded to criticisms from society, though not always in the way the critics wanted. The expectations from society,

⁷⁷ John Elkington, *Cannibals with Forks, the Triple Bottom Line of the 21st Century* (Oxford: Capstone Publishing, 1997).

⁷⁸ SER, Advisory Report: On sustainable globalization: a world to be won (Advies Duurzame globalisering: een wereld te winnen), nr. 6, 2008, pp. 9-20, 199-237; SER, Verklaring inzake Internationaal Maatschappelijk Verantwoord Ondernemen, 19 december 2008.

however, were not constant but changed over time. In the introduction we distinguished between three aspects of corporate social responsibility. First we considered the relation between the company and its closest stakeholders, the employees, shareholders, suppliers and customers. For much of the 20th century employees were considered the prime responsibility of the companies. Company managers were proud if they could provide employment and willing to offer acceptable wages, social security in coordination with state provisions, and some welfare provisions if possible. Up till the late 1980s shareholders were rather taken for granted. They deserved a reasonable dividend in return for their capital, but managers preferred to keep the most of the profits in the company for expansion. In the 1990s the priorities shifted drastically. Creating shareholder value became the main preoccupation and employees were encouraged to take their own responsibility for their own employability. On the other hand, safety issues became a prime consideration. Customers were always important in the sense that companies needed to sell their products and services, and providing good quality was one of the strategic options for creating success. Responsibilities towards customers other than serving your clients became part of the CSR discussions in the 1970s, but was not a hotly debated topic. The supplier as stakeholder is a recent phenomenon.

Second we looked at the impact of entrepreneurial activity on employment, economic growth and the environment. We already mentioned that providing employment and keeping the existing workforce in place were considered important social responsibilities for much of the 20th century. Making your employees redundant was only allowed if the company made losses. This view changed fundamentally during the 1990s. Even profitable companies launched reorganizations with mass redundancies. The environment became an important 'stakeholder' in the 1960s, received less attention during the 1980s, but became even more important in the 1990s and remained so. No company can afford not to have a policy on environmental issues, including global warming. Citizens expect companies to solve societal problems, such as poverty and global warming, without necessarily changing their own consumption patterns or preferences at the ballot box. Thirdly, philanthropy and sponsoring can be seen as the icing on the cake, most welcome for those who receive the money, or get new chances; but corporate philanthropy can never solve all societal problems because it is dependent on the initiatives of individual companies.

Finally, why did companies take on social responsibilities that went further than the law required? Entrepreneurs and managers are part of society and they share its priorities. Its logical that they looked for ways of improving society from what they knew best, their company. At the same time, it is obvious that not all societal issues could and can be solved

by companies alone. But if managers didn't have the inner conviction to accept certain social responsibilities, Non-Governmental Organisations (NGOs) could be very persuasive, and managers knew it was not wise to ignore them. Managers could use CSR to avoid legislation that would limit their options. In the Netherlands, managers seem to have been in two minds about the role of the state. On the one hand they liked to keep the initiative in their own hands, preferring gentlemen's agreements over laws and regulations. On the other hand, they had to take the competition into account, and therefore could not move too far ahead of the competition in accepting responsibilities that added to their production costs. Only governments could set rules that forced competitors to take similar action. Companies in open economy as the Netherlands had to face a specific problem that NGOs and multinationals move across borders, but governments are national. At the moment, international regulations are still far behind national ones. NGOs pressure companies to take their social responsibilities ahead of international regulations, and the leading multinationals are responding, but only as far as the competition allows them. For that reason, the Dutch Social and Economic Council, in which Dutch entrepreneurs are represented, supports action to reach international agreements in the form of widely accepted treaties, conventions, standards and quality marks.