PATERNALISM AS A PARTICULAR APPROACH TO BUSINESS SOCIETY INTERACTIONS – AN EVOLUTION THROUGH TIME

Helen Schneider, ESSEC Business School
Research question

1. How did business engage in CSR before it was called CSR?
   1. Implicit vs explicit CSR (Matten and Moon 2008)
      ➢ paternalism

2. What has happened to paternalism in this era of CSR?
Introduction

- The concept and key insights

Paternal business practices

1. Trace the evolution of paternalism
   - From the social/catholic entrepreneur to the welfare state
2. Identify similar outcomes and practices today
   - The turn to CSR
   - Shaping structure and content of business - society relations

Discussion and further research
The concept: Paternalism

- No common definition: narrow vs broad view (Ackers 1998)

- “Paternalism is generally characterised by an interference with individuals' liberties justified by a claim of alleged better protection of their interests. Under paternalism people in authority make decisions for other people which are often beneficial but which prevent those people from taking responsibility for their own lives” (lankova 2008)
In search for an improved concept

How can this be applied to the corporation acting for the common good?

Hypothesis:
Paternalism is still widely present in business-society interactions but in different forms and under different labels, like HR/CSR

- Principle of complete implication (1979)

N. Fotion: Wholistic concept beyond its coercive aspects, integrating change

Thaler and Sunstein: Architecture of choices for the individual’s and the common good (ex. Speeding)
Key insights from literature review

Paternal practices are just as present in corporate capitalism as they were in family capitalism

Paternal aspects of CSR practices are not identified

- Negative connotation
- Focus on State-level

Paternal lens enhances understanding of business-society relations

- Motivation
- Structure
- Content
Traditional paternalism

18/19th century family firms and charismatic entrepreneurs as “caring fathers” of their employees
1859: Jean-Baptiste-André Godin creates a “social palace” in rural Northern France

housing the entire worker community and corporation delivering the “equivalents of wealth”

Lallement (2009)
Léon Harmel (1829-1915): Catholic entrepreneur, owner of textile mills, and social reformer

Identifies patron’s responsibility towards 4 main stakeholders:

- the Catholic Church
- civil society
- the work-family or corporation
- and the family of the individual worker

Coffey (2003)
Industrial paternalism

- More diversified ownership structures and larger stockholder models
- Discretionary paternal power
- Utilitarianism
- Factory towns

Barse MILLER, 1946
Crisis of paternalism and the rise of the Welfare State

- Abuses of employer's power
- Violent strikes and riots
- Trade union and social democratic movement

- Bismarck's social reforms in the 1880s
- De-responsibilization of business
The turn to CSR and what remains of paternalism

- Neoliberal movement:
  - from „give-it-to-me“ to „do-it-yourself“

- CSR movement
Acting for the common good
Paternalist influence on structure of business-society relations

- An example of assumed roles: The Swedish Trade Union Confederation

- “Not acceptable, however, seems to be the role as welfare provider in the local community and in developing countries. (…) Welfare services and distributive politics is a common issue and should be agreed upon in democratic order and should be financed by public funds.

- Corporations, rather, should pay the taxes that the legislation of different countries demands. (…) What is also not acceptable is the idea that corporations should take up the relay where states are not pulling their weight. (…) The contributions of corporations must be under the control of public authorities in order not to undermine the politics of elected politicians” (in De Geer, Borglund et al. 2009).

Result of 1st crisis? Nationalization of social question, State’s role to redistribute wealth
Paternalist influence on structure of business-society relations

A diffusion story in developing countries? Shell in the Niger Delta region

Shell has gone beyond what was necessary and delivered benefits to the communities precisely because of government failure. (Boele et al., 2001b) in (Ite 2004).

- Protests, State and local community blame MNCs
- Establishing a „dependence culture“

Highlights: shared responsibility between private and public institutions and partnership logic, risk of de-responsibilization and dependency of actors
Paternalist influence on content of business-society relations

Targeting the local community

- CA [Community Assistance] approach
  - focused on what Shell felt the communities lacked (Ite 2004)

- CD (Community Development) approach
  - emphasis on the empowerment of communities (Ite 2004).

Highlights: paternalism is still practiced in somewhat different forms and under different labels; CSR is not all good and paternalism is not all bad
## Selected literature overview

### Historical analysis

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<th>Crisis 1</th>
<th>Crisis 2</th>
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<td>Nationalization of social question</td>
<td>Neoliberalism</td>
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#### State-level


#### Business-level

- Ethical/performance justifications (pro-contra)

### Conceptual analysis

- Family firms (employee focus): Mueller and Phillipon 2011

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Discussion and further research

- **Towards a “new corporate paternalism”**
  - Extend the concept to modern stakeholders
  - Investigate SMEs and cultural differences

- **Applications to stakeholder theory**
  - Internal and external stakeholder involvement
  - State intervention for the common good

- **Instrumentalizing paternalism**
  - Business case for CSR
  - Paternal measures as Sales argument (explicit CSR)
  - BOP strategies
  - PPP
“New corporate paternalism“: Examples Targeting the client (1/2)
"New corporate paternalism": Examples Targeting the client (2/2)
Bibliography

Bibliography

Bibliography

APPENDICE
A changing management mentality: practices and objectives

- Housing, baths, supermarkets
- Streets, schools, hospitals
- Workforce efficiency and stability
- Political activism
- Control
- Well-being and health
- Family welfare programs
- Education