

# **Economic Prosperity Through Institutional Civic Responsibility (ICR)**

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## **Economic Prosperity through Institutional Civic Responsibility (ICR)**

### **Abstract**

The newly emerging concept of institutional civic responsibility (ICR) can play a significant role in helping businesses achieve financial success and pave the path to prosperity of the entire nation by economic means. Drawing on the American tradition of individual civic duties, ICR holds that institutional citizens have ethical and moral obligations to the general public beyond legal requirements for the benefit of the society as a whole. With mutual cooperation and assistance on the national and international level, especially with the help of influential organizations such as the World Bank Group or the United Nations agencies, all institutions committed to ICR programs can directly or indirectly help generate economic prosperity shared by all stakeholders in society.

# **Economic Prosperity through Institutional Civic Responsibility (ICR)**

## **Introduction**

Traditionally, the success of businesses in the private sector depended on government mandates or initiatives in many countries. In modern days, a number of democratic nations have granted the freedoms necessary for private businesses (both domestic and foreign) to pave the path to economic prosperity. Generally, the term “economic prosperity” of a nation is interpreted as a state of growth, which leads to a reasonable profitability in business and full employment for its citizens. This paper will focus on what roles business institutions should adopt to achieve profitability, contribute to economic development and help the public attain comfortable financial security. Further this paper will explain how the emerging concept of institutional civic responsibility (ICR) based on civic obligations derived from institutional citizenship can be instrumental in achieving sustainable economic growth shared by all stakeholders in society.

## **A. Business and Development: A Focus on the Common Good of Stakeholders**

The terms “business” and “development” are interlinked as a mutually supporting process especially in the area of creating prosperity in a society. A sustainable business practice can contribute substantially to achieving economic development of a society. Ultimately, this economic development paves the way for sustainable prosperity of the country in which the business is flourishing. A question may arise: what is the best way to build a road to reach the goal of economic prosperity for all? The answer is: all business entities

irrespective of their size or concentration should utilize all practical means to implement and actively pursue appropriate institutional civic responsibility (ICR) programs.

An institutional civic responsibility (ICR) can be defined as an ethical or moral obligation of an institutional citizen to the general public beyond the requirement of a legal duty for the benefit of the society in particular and the entire nation in which it prospers in general. Under the laws of a civilized society, there are two kinds of citizens: one is natural person and the other is legal or institutional citizen (an institution is an entity existing under the laws of a specific jurisdiction or a nation). The term “ institution” includes, but is not limited to, corporations (large, medium and small businesses); non-profit groups (trade, professional, community, associations, etc.); academic institutions and educational groups; and all other entities legally incorporated, permitted or existed such as social cultural, religious charities; and public entities (government branches and agencies). Under the concept of ICR, all institutions, especially private business groups, can contribute to the well being of all their internal and external stakeholders including all members of the general public through investment initiatives, business transactions and execution of social or civic responsibility policies.

In order to attract best investment for business expansion, draw more customers for increased sales and attain rewarding profits, any business should first serve well their own internal as well as external stakeholders beyond their legal obligations. For many businesses, their investors or shareholders are the most important internal stakeholders. However, businesses often forget to take care of reasonable interests of their employees

who count as internal stakeholders. Employees are part and parcel of the successful survival of any business entity in modern times. An employer should be fair and reasonable by preserving and enhancing their employees' health and economic interests. Some business groups ignore the necessity of practicing fair or equal employment programs. By honoring and respecting its own employees, any business will gain high level of productivity.

Just like employees or shareholders, customers are an important segment of a company's stakeholders. Apathy in maintaining a good customer relations and negligence in protecting consumer interests with quality products and services can backfire and damage both profitability and the passage to prosperity. An observation of the history of businesses in any country will reveal stories about many large businesses that failed or disappeared due to dissatisfaction of their customers.

Too often corporations that are financially doing well forget to serve the general public by giving back to the society. The corporate leaders of these businesses approve, support and follow only certain direct means and ways, which attract potential investors, customers and employees. In this process, they ignore to serve the larger interests of members of the general public including potential customers. While some of the businesses claim that they are good corporate citizens, they do not perform their basic corporate civic or social responsibilities. They believe that such generosity may not yield immediate financial gain.

## **B. Institutional Civic Responsibility (ICR): An Emerging Concept**

Many countries around the world have recognized the necessity of fulfilling civic responsibility beyond the call of any legal obligation. Mandatory legal requirements became necessary to uphold reasonable expectations of members of the general public whenever and wherever business leaders failed to adopt and implement appropriate corporate governance program as part of their own corporate accountability. For example, a few years ago, the U.S. Congress adopted and the U.S. President George W. Bush signed the Sarbanes-Oxley bill into law to cure certain corporate governance problems. History has repeatedly shown that no nation can achieve the goal of economic well being of its citizens by depending solely upon mandatory legal compliance. The only way a civilized country will move forward is if both its natural and legal persons individually and collectively perform their civic responsibilities for the benefit of all the members of the general public.

In the United States, the term “civic responsibility” includes duties, services, and obligations to all fellow members of the society derived from the precious gift of U.S. citizenship or from the privilege of living, learning, working, or doing business in the country. The American society has traditionally encouraged and supported the performance of individual civic duties. In recent years, however, a new focus has been developed around the need for institutions—not just individuals alone—to do their part in fostering and performing civic activities. For example, several business entities, including major corporations and non-profit groups have encouraged their employees/members to work collectively to perform their civic or social responsibilities for the betterment of all

people within their own communities. Furthermore, several government agencies have recognized the value of such voluntary services and supported various efforts of those groups. For example, during the U.S. administration of President Bill Clinton, the U.S. Government established the Corporation for National and Community Service to assist all private institutions to encourage their civic responsibility programs.

Today, American business institutions often play supportive roles in the process of civic engagement by informing employees of volunteer opportunities within their local communities. Some employers give their employees a certain number of paid days off each year to volunteer with community organizations of their own choosing, reward employees and the organizations in which they serve for giving back to the community, and encourage retired employees to donate their services to the community. Some corporations also make pro-bono work and/or community service a requirement for their employees and executives. However, despite all this positive development, there is a sense that civic responsibility is not a top priority for many American businesses. On the international level, with the help of organizations such as the World Bank Group and United Nations agencies, private business entities in various parts of the world and especially emerging economies show growing commitment to civic responsibility programs.

### **C. Corporate Social Responsibility (CSR) v. Corporate Civic Responsibility (CCR)**

Generally, people in the business community around the world identify their voluntary activities with the term “corporate social responsibility” (CSR). “Social responsibility” (SR) programs are admirable and beneficial, though there is a growing feeling among the general public and the media that these programs originate from an attitude of “nice to have” on the part of business entities as public relations tools. At present, an increasing number of business and non-government organization (NGO) leaders believe that businesses should adopt institutional or “corporate civic responsibility” (CCR). Corporate civic responsibility flows from moral or ethical obligations derived from the institution’s very existence as a legal business entity, incorporated or established under the laws of the land. These laws enacted by the elected representatives of the people protect the interests of all corporations. In short, corporate civic responsibility embodies “must do” commitment while corporate social responsibility is considered as something “nice to have.” Further, the concept of civic responsibility in its very nature encompasses acts of social responsibility.

A model corporate social responsibility (CSR) program originates from a corporate entity’s desire to do good things beyond any of its legal, financial or other business obligations. In other words, it is a self-assumed function to express and advance charitable or otherwise positive activities for the benefit of the general society in which a business entity prospers economically. Nevertheless, as pointed out above, CSR activities are often rooted in a “nice to do” attitude of certain corporate leaders. In some

cases, companies come under pressure from their customers, employees, shareholders, media, and social activist groups or NGOs for not doing enough to improve the welfare of the people of the society in which the corporations financially flourish. In other cases, CSR programs are employed to enhance the image of corporations for public relations purposes. In general, however, CSR connotes noblesse oblige (at least to some degree), and involves genuine efforts that confer benefits not only upon beneficiaries, but also upon benefactors.

Corporate civic responsibility programs spring from the hearts of business leaders to express and implement their genuine commitment to perform certain activities for the commonweal (public good) because they consider their business entity a legal entity—a legal institutional citizen. Like a natural citizen, an institutional citizen assumes certain duties beyond any legal obligation because an institutional citizen is born by an act of incorporation under the laws of a particular jurisdiction in any part of the globe. The local laws, which protect the legal interests of the institutional citizen, are enacted, approved, and enforced by elected representatives of the general public and their appointees in that jurisdiction. As such, one can argue that a corporate or institutional citizen has a moral or ethical obligation to contribute to the general public because elected leadership of the public is the primary source of the laws that provide legal protection and other benefits to institutional citizens. In this sense, institutional citizen's activities for the public good are "civic activities." Therefore, business responsibility activities aimed at conferring benefit upon the general public through economic prosperity can be identified aptly as a CCR program instead of CSR program because of the moral and ethical obligations derived

from an institution's status as a legal citizen. Further, in order to address all business entities and not only corporations, using the term "institutional civic responsibility (ICR)" may be the most appropriate.

#### **D. Government Role in Assisting Private Sector Businesses' Economic Development Efforts**

As promoters and guarantors of the commonweal (public good), government agencies can encourage, promote and assist various efforts of private businesses to contribute to the prosperity of the public and the nation in general. In fact, many national and local governments around the globe have already developed specific plans to create business opportunities for private sector including tax incentive programs and the reduction of bureaucratic barriers. In return, several major transnational and domestic corporations contribute money, products and services to their local communities. They often become involved in areas such as promoting public health, safety, and environmental protection. They also create increased number of jobs in their work places and uphold the practice of equal employment opportunity programs beyond the call of their legal obligations. These mutually beneficial programs have led to the formation of successful public-private partnerships in many countries.

Recently, the U.S. Department of Commerce has taken independent initiatives to look into ways to encourage American and local business institutions to adopt generous social responsibility programs in several Latin American countries. In the past, education departments of several state governments in India (e.g., the state of Kerala) had short

educational programs on “civic responsibility” as part of their regular syllabus for school children. Students were taught the value of “giving back to the society” by helping their fellow citizens without giving any special consideration to their religion, language, ethnic origin and their financial status. Today, some of those children are successful leaders of private businesses and NGOs in India and abroad.

After the United Nations launched the UN Global Compact in 2000, a voluntary informal association designed to promote corporate citizenship programs, many public and private institutions were encouraged by national governments to promote socially responsible programs. This level of encouragement and support of elected government leaders and public agencies proves crucial in helping businesses to get involved vigorously in building economic prosperity through their corporate citizenship programs.

### **E. Encouragement of International Public Organizations to Promote Social Responsibility (SR) Programs**

The UN Global Compact has become a catalyst for the development and promotion of social responsibility programs of several regional and international public organizations. Some of the regional organizations are Asian Development Bank, African Development Bank Group, Inter-American Development etc. They encourage social responsibility (SR) programs with a goal to promote private sector prosperity. Similarly global economic groups such as the International Finance Corporation (IFC) within the World Bank Group, International Labor Organization, Organization for Economic Cooperation and Development, United Nations Development Program, United Nations Industrial

Development Organization etc. also promote SR programs. Leaders of many international economic organizations have taken initiatives to fight against transnational and domestic corruptions, which obstruct direct investment and finance programs in many parts of the world. For example, the World Bank has recently launched serious efforts to curtail corrupt practices including official bribery and other related immoral activities of government officials that hinder the flow of global trade and foreign investment in many nations. The president of the World Bank argues that such unfair practices defeat the efforts of small and medium sized companies (SMEs) to expand overseas. These admirable initiatives of the World Bank will definitely help advance transnational economic development of both developing and less-developed economies around the globe. However, a few more effective measures put in action by influential international organizations are needed to help promote ethically motivated private sector business development, which ultimately will enhance the prosperity of an average person in any society. Some of the new areas of opportunities are recommended below:

***1. Organize Regional and Global Forums for Exchange of Experiences and Views***

The IFC should take a direct initiative to convene international seminars to discuss the potential contributions of private sector businesses through society-based generous activities that will ultimately promote economic prosperity. These seminars would help to exchange views of representatives of government and non-government institutions on civic or socially oriented generous activities. The outcome of any of these conferences should encourage all institutions around the planet to get involved in such activities without any ulterior motive of “gaining back.” The findings of the conference should be publicized around the globe through well-established publications. Such publicity will

attract the attention of financial policy makers and foreign private investors to consider accepting and adopting socially oriented projects.

**2. *Launch a Quarterly International Publication on Institutional Civic Responsibility (ICR)***

At present, there is no specific print or electronic magazine to disseminate information how social/civic responsibility programs are beneficial to economic development. Major global economic media such as the *Financial Times* or *The Wall Street Journal* should be encouraged to launch a publication of this kind.

**3. *Finance and Support Regional or National Conferences of Individual Institutions on ICR***

Currently, many academic institutions, professional groups and civic organizations hold annual conferences on CSR. One of the reasons behind the success of these conferences is generous financial support of major multinational corporations. Those institutions should be also encouraged to organize regular executive seminars on various aspects of ICR programs including topics that address how giving back to the society can generate economic development and lead to prosperity. International economic organizations such as the World Bank Group should find ways to raise funds to support these conferences.

## **F. Private Sector Initiatives and Public Prosperity**

The term ‘private sector initiatives’ is used here to include initiatives of a wide array of institutions that are not government or quasi-government entities, but legally existing privately established institutions in any part of the world. In other words, the term encompasses relevant initiatives of all legal persons or institutional citizens existing in the private sector such as business corporations and firms; various business councils

(including chambers of commerce); and all non-profit organizations, such as forums, clubs, foundations, ethnic and cultural groups, educational institutions, and professional and trade associations, from the smallest to the largest.

All these institutions can take periodically new initiatives to empower every citizen to become an integral part of the social and economic prosperity of their local communities. These voluntary initiatives may include, but should not be limited to, basic non-academic educational programs for poor and disadvantaged children, business and technology trainings, donations of equipment for professional development, promotion of sanitary and hygiene, loans for housing and transportation facilities or facilities for adult safety and health education in addition to similar programs supported by the government. These voluntary activities are necessary to lay the foundation of a financially strong and stable society. Business corporations can thrive by attracting new customers and sales of increased number of products and useful services. These generous efforts pave the path for ultimate prosperity for every citizen of every nation.

An analysis of history of business successes and failures in any country reveals that in the absence of proper economic development, sustainable prosperity of the general public is not possible. This is the experience of many developed countries. In the past, many countries did not allow foreign and local private business to develop in their countries because their powerful political leaders believed that they could economically lead their countries by promoting agriculture, nationalizing private businesses, or receiving foreign financial aid or loans from the global lending agencies without any help from the private

sector. At present, the same countries including China and India have realized that successful private business expansion can contribute to education, employment, health and wealth of their own citizenry and the nation as a whole. Currently, even socialist governments and dictatorships around the world are welcoming foreign direct investment including “outsourcing” of manufacturing facilities and technological services to their countries. Transnational firms in foreign lands should take additional initiatives to develop civic oriented economic development programs such as creating new jobs and developing employee skills to help members of local communities of the host countries progress financially.

On June 5, 2006, a major international economic newspaper published a leading story “U.S. Business Increases its Share of Economy: Fastest Rise Since End of Second World War.” In this story, the correspondent pointed out: “As profits have increased as a share of national income, the slice of the pie going to workers has declined.” This news may draw a lot of criticism against American businesses from certain political leaders, labor union advocates and socially minded NGOs. Successful businesses in the United States should perceive their success as an opportunity to increase the income of their employees. It is well established that reasonable remuneration with appropriate appreciation will help develop more productive work force in any company. As discussed earlier, any business group should consider their employees an integral part of their own internal stakeholders and support them.

On the same day of the above story, the same newspaper printed another story, “U.S. Groups Fail to Understand Customer Needs.” This article starts by stating: “U.S. companies are failing to respond to fast-changing markets because they are unable to understand and adjust to what their customers want, according to a study...” released by the Business Performance Management Forum, an American industry organization. Again, this is an example of how even successful corporate leaders conveniently ignore the need to protect the interests of an important segment of their own stakeholders.

The reason to mention the above two stories relating to economically successful American businesses is mainly to point out that even in a well-developed countries, certain successful businesses can neglect their own stakeholders’ interests. The time has come for all institutions to treat all segments of the society and especially their own stakeholders as important part of their enterprises’ success. This attitude will generate not only good commercial results for business, but also will open new doors for economic prosperity of the general public.

## **Conclusion**

The above discussion reveals one important fact: the term corporate social responsibility (CSR) will not be a sufficient concept to identify all the needed efforts of both corporations and the diverse non-corporate institutions that will generate and promote a broader awareness of the virtue of giving back to the society with non-selfish motives or goals. As discussed earlier in detail, this paper suggests a common term “institutional civic responsibility” (ICR) to bring together appropriate civic, social or any other

generous contributions of all local, national, regional and global institutions intended to create private prosperity by economic means. Economic growth, profitability and the common good do not conflict so long as all citizens—individual and institutional alike—are aware of, and committed to civic responsibility. In conclusion, the practical implementations of socially responsible or civic oriented programs by all institutions—both private and public—can enhance the ability of all members of the general public to travel along the path of prosperity.

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