

Clara E. Laeis, Thesis Paper for the EBEN Annual Conference 2005 in Bonn:

Corporate Citizenship:

***Entrepreneurial Civic Competence in the Service of a Renewal of the
Social Market Economy: A Concept for Owner-operated Businesses***

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The key-term within this buzzword ‘corporate citizenship’ is the notion of the citizen. Therefore it is typically translated into the German terms signifying ‘the company as good citizen’. The concept of corporate citizenship however – which stems from America and bears the marks of Anglo-American reflections – remains somewhat unclear when applied to the business setting in Germany.

At issue, then, is the relationship between a company and the society of which it is a part.

My point of departure was the observation that not only does the topic of corporate citizenship originate from joint-stock companies (global players) active in the international arena, but that its conceptualizations and descriptions also relate to those companies as well. From this, the question underlying my research arose:

What does this term – so inextricably linked with management-run joint-stock companies and globalisation – mean for the 96% of business managements in Germany that consist not of managers but of owner-operated businesses?

My central research findings and results are the following:

1. Owner operated businesses differ from joint-stock companies through their management structure. Since decision making and debate regarding corporate citizenship takes place at the executive level, consideration of the varying management structures is indispensable to a treatment of this topic.
2. Given the personalized structure and tight staffing resources, when it comes to mainly small and medium-sized owner operated firms, it is above all the company owner-manager himself who demonstrates a personal commitment as citizen working to enrich and support his local community through financial contributions and/or voluntary activity. The fact that the owner of a company incorporates the capital of his business together with his staff often blends entrepreneurial and private, or entrepreneurial and social involvement. (By contrast, the type of manager, perform in a trustee capacity with few risk of his own, making decisions mainly under instruction, acting on behalf of and on account of third parties and under constant supervision.)

An outstanding example of how entrepreneurial and social involvement can become identical is the Schwann publishing company (1821-1971), as investigated and presented to the public for the first time by me. Its publications were quite Catholic in character, and yet open to the contributions of the sciences. This gave rise to a tension typical for the Catholic merchant middle class of the Rhineland, a tension between French-liberal thought and ultramontanistic, Roman Catholic teaching guidelines (cf. ‘*Kulturkampf*’, German for ‘clash of cultures’).

3. As my empirical observations in the Rhineland, primarily in Cologne, reveal, there is a long tradition of entrepreneurial-civic involvement tracing back both to strains of Christian-social thought and to the history of democratisation. For the Rhenish entrepreneur, civic and social involvement have always offered entrée into city society, as I was able to demonstrate. This, in turn, gave rise to the feeling that one was in good hands within the community, a feeling that in this region favoured co-operative marketplace behaviour in a spirit of partnership over an excessively competitive approach, prompting coinage of the term: ‘Rhenish capitalism’.
4. The process associated with ‘Model Cologne 2020’ [*Leitbild Köln 2020*] (visionary guidelines), in which I took part, is the latest example of the potential for civic involvement that can be found in the Cologne city society practised in democracy. My investigation of the process from the very wide range of perspectives of approaches in modern scholarship reveals it - inter alia - to be a deliberative citizenship model of a stratified European citizenry, the underlying theory of which is set forth in the report of the governmental survey commission “Future of Civic Engagements” (2002).
5. This Survey Commission report identifies 6 general fields of action for civic engagement. In Model Cologne 2020 there are defined 5 fields of action for civic engagement specific to the communal character, which are designed to give shape to a model of civil society of an urban social framework under circumstances of real State withdrawal. At the same time, these 5 fields of action also provide a point of reference for action in keeping with the civic engagement of businesses in Cologne. This way, and in a manner without precedent, I was able to offer an empirical demonstration of corporate citizenship as a democratic-theoretical model.
6. For every citizen involved, this consensual exercise in political ethics required – and provided practise in – the kinds of competences that Maak describes in his *Die Wirtschaft der Bürgergesellschaft*, competences distinctive for a modern, republican citizen: participation, reflection, communication and understanding, legitimization, cooperation and learning. This directs attention to the dynamic dimension: to the *exercise* of one’s status as citizen. This definitional approach, then, is inspired not by a ‘property-owner’ approach to citizenship but rather by the dynamic open and learning citizen him- or herself, subordinating his or her own interests in service of public welfare. This characterization fits precisely to the conception of citizenship defined by the Economic and Social Council of the UN 2002, when it distinguished ‘corporate citizenship’ from ‘corporate social responsibility.’
7. All of these investigations and empirical studies in the first, practical section of my dissertation – as well as my pilot study of 20 small and medium-sized owner-guided businesses – indicate that corporate citizenship should be understood more as a model *issuing from* owner-guided companies than as a model that must be applied to them.
8. In the second part of my dissertation, I examined the chief theoretical conceptions of corporate citizenship for their applicability to owner-guided smaller businesses. My initial observation was confirmed: nearly all of these conceptions relate to large-scale,

management-run joint-stock companies. Their aim is primarily to make the enterprise's own civic involvement economically useful, i.e. profitable and appealing, and/or they implement it as an instrument of human resources development. These kinds of strategic-instrumental conceptions of corporate citizenship, as well as the political conception offered by Matten and Crane, miss the mark when it comes to the realities confronting the owner-guided smaller firm.

9. On the contrary, the point of departure for a conception of corporate citizenship for the owner-guided business is to be found in a recognition of its entrepreneurial civic competence and in an enlistment of the business in the service of renewing the social market economy. The business' executive competence as an educator and trainer of future citizen-entrepreneurs should always be viewed from the point of view of democratic conservation and empowerment. For democracy is the form of governance provided by owner-guided business organisations. Its vitality rests on the competence of the individual, and it alone guarantees the individual citizens' rights of self-determination, personal responsibility and freedom of decision. Ideally, the head of an owner-guided company will prove to be a model or leadership figure for the modern citizen.
10. This personal role-model function and these fields of executive competence on the part of the prototypical owner of a business must, however, be complemented by regulatory measures for the establishment of institutional structures to promote and protect civil rights (and civil responsibilities) (cf. conception presented by Matten/Crane 2004); or – as Maak puts it – there must as well be created institutional structures for the exercise of civic competence. In future, this task, one that genuinely devolves to the State, will increasingly become the mission of corporations and similar large-scale organisations. For Germany, I have identified two such organisational forms: at the federal level, the 'Freedom and Responsibility Initiative' [*Initiative Freiheit und Verantwortung*]; and for Cologne, the 'Model Cologne 2020' [*Leitbild Köln 2020*].
11. The approach of this dissertation is to emphasise the personal forms of entrepreneurial civic competences which can only be developed intersubjectively as a form of a successful relationship of mutual recognition. This is the position in society for entrepreneurial leading persons. This is the locus of his or her mission in society in the service of a renewal of the social market economy from within and of a fundamental democratic empowerment of fellow citizens. Current debates have once again identified a need to introduce values to businesses and to the society to which they belong; given this, it is, first and foremost, the business owner him- or herself who will be in a position to contribute.
12. In conclusion, a word in regard to the methodology of the work:

The methodology chosen here is oriented around the content of the work, which means: an effort was made to bring methods and substance in line with one another. Since discussions of corporate citizenship involve the so-called 'soft factors' within a company, factors difficult to quantify, in this work, priority is given to a qualitative methodological approach.