

# ***Linking Corporate and Stakeholder Responsibilities<sup>1</sup>***

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## **Introduction**

In the field of corporate citizenship, a major debate is ongoing about stakeholder responsibility towards both firms and other stakeholders. There are indeed several different ways to approach this issue, for example taking into consideration the social responsibility of stakeholders in their own operations and practices or stakeholder responsibilities for the consequences of their unfair behaviors towards companies (eg. theft and fraud). This paper aims at highlighting another side of stakeholder responsibility: the one towards corporate citizenship attitudes, policies, programs and behaviors.

Stakeholders are more and more often called to converse and to cooperate with private sector actors playing a very important role in helping along companies responsible behaviors. In such a way they became out-and-out actors of corporate citizenship policies and programs. Of course, participation implies responsibility. Nevertheless, this dimension of stakeholder responsibility is usually ignored or considered as obvious. It is certainly a great mistake. Indeed, exactly within this specific perspective stakeholder role and responsibilities are extremely important and difficult to define.

For this reason, after some brief remarks on the role that stakeholders can and should play as main interlocutors of companies the attention will be focused on two specific questions: in which way and to what extent stakeholders are and have to be committed to foster responsible business practices and which kind of “dilemmas” stakeholders have to deal with in playing such a role.

The paper tries to thematize these questions analyzing the role that stakeholders have played on the occasion of the tragic "industrial accident" that struck seven workers at the ThyssenKrupp Acciai Speciali Terni steelworks in Turin, on December 2007. The facts are presented as they appeared in the public discourse using the newspaper *Il Corriere della Sera* as main source.

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## **Stakeholder Roles and Responsibilities: An Alternative Approach**

As well-known, corporations have gradually become the most powerful institutions on the planet, so it makes sense that they act in a sustainability perspective and that they play a political role in the local and global context. According to that, the fact that companies produce employment and wealth is not enough to make them “responsible”, they should rather “daily integrate the social and environmental concerns into company’s practices, operations and policies, taking into account their impact on stakeholders“ (European Commission). Therefore corporate citizenship involves far more than meeting the discretionary responsibilities associated with philanthropy, volunteerism, community relations, and otherwise doing “social good”. Corporate citizenship is about identity, cultural and operational patterns of the company.

Within this perspective, a key element of every corporate citizenship policy is represented by the relationships that the firm establishes with its stakeholders. The firm and its stakeholders are indeed embedded in a network of relationships in which stakeholders are and have to be co-actors of corporate citizenship policies, strategies and programs and not only a public to be in relation with. Of course, participation implies responsibility. In that sense corporate citizenship policies development and implementation are also a stakeholder responsibility.

In principle, stakeholder roles and responsibilities are easily identifiable in both the two general dimensions of corporate citizenship: the compliance and the proactivity ones. Indeed, stakeholders have, on one hand, the possibility to require, encourage and monitor companies’ compliance with norms, rules and standards beyond a bureaucratic approach. They could, on the other hand, also promote, cooperate, do not obstruct, endorse and socially legitimate companies’ strategies and programs aimed at supporting the civil, social and environmental development.

In practice, nevertheless, identifying stakeholder roles and responsibilities in both the two dimensions is far more difficult. Making an effort in that sense is at the same time necessary, because stakeholders negligence in playing their roles and assuming their responsibilities in concrete situations can have dramatic consequences as the ThyssenKrupp Acciai Speciali Terni industrial accident shows.

### **Case Study: the ThyssenKrupp Acciai Speciali Terni**

During the night of December 6, 2007 a fire broke out on the production line of the cold rolling mill in the Turin plant. Seven employees of ThyssenKrupp Acciai Speciali Terni tragically lost their lives. The severe consequences of the fire were not only the result of an unfortunate sequence of events but rather they were due to a lack of correct security assessment:

- no automatic fire-extinguisher systems
- few and empty fire-extinguishers
- much oil on the ground
- lack of personnel especially technical experts
- forced shifts

Some serious and well-grounded evidences confirm that not only the company but also some among its stakeholders, in particular, trade unions, public authorities and the insurance company, were well informed of a series of shortcomings in the safety management at the plant.

In detail:

- The company was under dismantle. On 25 July 2007, an agreement on the dismantlement of the German-owned ThyssenKrupp steelworks plant in Turin was signed between the company and the trade unions. The agreement was finalized in the presence of the government and provided for the closure of the steelworks plant by the end of the fiscal year 2007/2008; it also stipulated the transfer of equipment to the company's steelworks plant in Terni with the intention to turn the latter plant into a European leader in stainless steel production. Consultations and debates among the firm, trade unions delegates and public authorities representatives were in progress when the industrial accident took place.
- It was not the first time. On March 2002, in the same plant and in like manner a similar accident took place, luckily without fatal consequences. Moreover, during the ordinary production activity the workers were daily called to put out small fires using fire-extinguishers. Yet, they were not trained to do it. When the accident took place, some of the workers were trying to put out several small fires, but one among them was fed by a broken pipe and this provoked an explosion which led to the death of seven workers.
- The production line was considered unsafe by the firm itself. On June 2006, a fire on an identical production line in the German plant of Krefeld (again without fatal consequences just thanks to a lucky sequence of events) "convinced" the ThyssenKrupp Nirosta (which is part of the ThyssenKrupp Stainless exactly as the ThyssenKrupp Acciai Speciali Terni) managers to provide an adequate safety system. Only eight months later, on February 2007, a 1 million euro investment on safety systems had been approved also for the Turin plant but it was postponed and designed for the Terni plant instead of the Turin one.

- The production line was considered unsafe also by the assurance company. After the Krefeld accident the insurance company decided to rise the excess clause specifically for the production lines of the cold rolling mill of the ThyssenKrupp Stainless (including the Turin one) from 30 million Euros to 100 million Euros evaluating the security standards not adequate to the risks of fire.
- The risk of fire was not the only one to menace workers safety in their workplace. The Local Sanitary Agency detected 116 infringements of security standards after the event. Moreover, the dismantlement phase, which was ongoing since October, created a difficult situation, starting with the management of shifts. Workers were forced to work long exhausting shifts in order to preserve their right to severance pay. The dead or seriously injured workers on December 6 had already completed their regular shift of eight hours and were working four overtime hours; twelve consecutive hours of work in an unsafe workplace.

If the company responsibilities for the fatal accident are clearly visible, it seems nevertheless quite evident that at least some among the ThyssenKrupp Acciai Speciali Terni's stakeholders knew enough to intervene forcing the firm to behave in a more responsible way. Following the proposed theoretical approach, they would have operated, at least, in the compliance dimension, obliging the company to assure adequate safety standards to its workers even in a dismantlement phase. But it didn't happen.

### **Stakeholder Responsibility Dilemmas**

As already discussed, in the ThyssenKrupp Acciai Speciali Terni case, stakeholders had been certainly somehow responsible for negligence in playing their role. Nevertheless, generally speaking it has to be admitted that do it is not easy at all. Indeed quite often stakeholders have to deal with full-blown dilemmas in managing the sometimes difficult relationship between their mission and "core business" on one side and their role as corporate citizenship actor on the other.

Giving some examples could be useful to clear the concept up. We continue to use the ThyssenKrupp case as point of reference. The most involved stakeholders' dilemmas seem to be the following.

- Trade unions. Traditional trade unions' mission is negotiating with employers over wages and workers' rights. But since corporate citizenship issues and discourse have taken place, their role has significantly increased. On one hand, trade unions aim continue to be representing the interests of people at work and negotiate with employers for better terms and conditions for their members; on the other hand, as core corporate stakeholders, they must do this supervising and monitoring the state of health and safety at work, promoting the creation of safe

and harmless working environment and embracing workplace health and safety as a non-negotiable priority. Though in principle these two roles are complementary, in practice things could go differently, since it could happen that it is possible to defend employment only to the detriment of health and safety of workers.

- Public authorities. On one hand, public authorities, as entities for the purpose of safeguarding and improving the "common well-being" or the "general welfare", have to protect employment in the territory they are responsible for; on the other hand, as corporate stakeholder but also as entities for the purpose of safeguarding and improving the "common well-being" or "general welfare", they should be engaged in supervising and monitoring the state of health and safety at work in order to promote a safe and harmless working environment and assume workplace health and safety as a non-negotiable priority.
- Insurance company. On one hand, insurance companies, as profit entities and in accordance with their core business, "have to" define the excess clause in consequence of the calculated risk; on the other hand, as corporate stakeholder, should they accept to cover on-the-job injuries when the company do not do its best in assuring a safe and harmless working environment?

How stakeholders can manage the relationship between their "institutional" role and non-negotiable priorities is a problem of the utmost importance for their role as corporate citizenship actors. The fact that it is not easy cannot be a good reason to avoid to do it.

## **Conclusion**

Although corporate citizenship has been a very debated issue in the last few years both by academics and practitioners, it doesn't exist yet a shared knowledge on it. The paper tries to propose an alternative approach characterized by the active role that stakeholders play as co-actors of corporate citizenship policies, strategies and programs. Within this perspective, stakeholders have a specific responsibility in fostering responsible business practices, even acting in a continuum between conflict and cooperation. This dimension of stakeholder responsibility is usually ignored or considered as obvious both by academics and practitioners. Nevertheless just in that sense stakeholder role and responsibilities are extremely important and problematic for two main reasons: on one hand they are far more difficult to trace (because of knock-on effects) and specify, but on the other hand, as in the ThyssenKrupp case, when stakeholders neglect their responsibilities, the costs can be extremely high.

Quite often, stakeholders are not aware of their responsibilities as corporate citizenship actors. It gets across also in the ThyssenKrupp case. Few examples can demonstrate it.

Few days after the blaze, the Italian Confederation of Workers' Unions Secretary-general openly admitted in an interview to *Il Corriere della Sera* that to defend employment they often have to act to the detriment of health and safety of workers negotiating non-negotiable priorities. Just few days after the Mayor of Turin declared again to *Il Corriere della Sera* that during the discussions to define ThyssenKrupp dismantlement strategy the safety issue had not been considered at all, none among the involved actors pointed it out. It seems clear that that none of them was aware of its role as corporate citizenship actor and of the connected responsibilities.

A careful consideration of this dimension of stakeholder responsibilities can be useful first of all to help stakeholders to recognize such a role, to reflect on the opportunities and difficulties in playing it and then to act consequently. This paper wanted to be a spur for discussion.

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