THE (APPARENT) INCOMPATIBILITY BETWEEN THE AIM OF PRIVATE CORPORATIONS TO MAXIMIZE THEIR PROFIT AND CORPORATE SOCIAL RESPONSIBILITY

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The classical and still main stream dogma is that a private (as opposed to state owned) corporation is fundamentally an instrument the purpose of which is to generate the highest possible profit in its owners - i.e. shareholders - interest. *Prima facie*, this is not compatible with corporate social responsibility (CSR) understood as the concept pursuant to which corporations are due to act in a socially responsible manner and thus to also take into account - and sometimes even favor - other constituencies' interests, such as those of their employees, suppliers, creditors, local communities as well as sustainable development (in particular its environmental component). In a nutshell, for a corporation and its directors to discharge their CSR duties means pursuing stakeholders value and not only shareholders value.

This contribution will analyze whether the dilemma is real or only apparent. It will show that, to a large extent, the latter (apparent) prevails over the former (real). In fact, there is, world-wide, a growing attention to corporations' social responsibilities, an issue which was until recently almost unknown or at least neglected. More fundamentally, the idea is making its way through that corporations, as such, have social - French literature tends to use the neologism "societal" - duties. Thus corporations' interest does not plainly correspond to that of their shareholders; the perimeter is significantly broader. In other words their duties are not limited to fiduciary duties towards their shareholders. The traditional agency theory is here at stake or at least to be revisited.

It is thus expected that corporations take the interests of all their constituencies into due account, even if this has a cost and even if it affects short term profits. Such expected behavior is increasingly brought to the public's attention inter alia by non-profit organisations and by the standards that they set. Corporations are required to comply with these benchmarks and to show that they do. The burden of proof is on them. If they do not discharge it or, worse, if they are found not to act in conformity with what is considered as proper CSR conduct, naming and shaming processes come into play which, magnified by social networks, can cause a potentially considerable prejudice to the relevant corporation's reputation, image and therefore profit. It derives therefrom that the well understood corporations' interest, at least in a long term perspective, is often to spontaneously and proactively adopt a socially responsible behavior.

As empirical studies show, this increasingly has *ex ante* effects on corporations' behavior. In fact, the larger and more global they are, the less can they afford not to comply with CSR's standards of good conduct. To that effect, the trend is for listed companies to put in place specific corporate governance structures, such as CSR's committees of their boards of directors. Reporting about corporations' CSR visions, missions and achievements is becoming common, expected and even required. Corporations are increasingly rated not only based on their financial wealth but also of their CSR's behavior. A low CSR rating can affect corporation's ability to have access to certain markets, transactions and sources of financing. This, in turn, can have a negative impact on its financial results, both short and long term and, ultimately, on its value. As a result it can probably be said that, even in a pure and traditional shareholders' value perspective, acting in a CSR compliant manner is not incompatible with corporations and their management's duties, but allowed and probably even necessary.

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