
Drucker on the ‘bounded goodness’ of corporate social respon



By [Craig Smith](#)

Peter Drucker’s immense contribution to the thinking and practice of management extends to social responsibility in business. This work goes back over 60 years but remains relevant today -- notwithstanding the impacts of globalisation and the greater interconnectedness of business and society.

This article first identifies Drucker’s CSR ‘principles’ and then examines their implications for business today, with an emphasis on marketing practice. As well as revealing their significance, it also considers Drucker’s views on the limits of social responsibility, referred to here as “bounded goodness”. It examines how Drucker’s thinking informs the challenging question of “how much is enough?” in relation to corporate responsibility issues such as food marketing and obesity, availability of AIDS drugs in Africa, as well as supply chains and labour rights.

Drucker consistently affirmed his belief in social responsibility in business (and other institutions). His earliest writing (*The End of Economic Man*, 1939

and *The Future of Industrial Man*, 1942) affirmed his view of the social purpose of business and, through his examination of the grounds for corporate legitimacy, the social responsibilities of management. Management, Drucker's (1974) 800-page treatise on the tasks, responsibilities and practices of management, contained five chapters in an entire section on social impacts and social responsibilities. His later writing remained consistent with these beliefs. In some cases, he addressed social responsibility directly, in other cases more indirectly by describing his humanistic conception of management and his concern for the social role and responsibilities of business, as in his last book, *Management Challenges for the 21st Century* (1999).

Drucker differentiated between two types of social responsibilities: those to do with social impacts or what business does to society and those to do with social problems or what business can do for society. Social impacts go beyond the specific contribution the company exists to make, such as providing needed products and services. They are often unintended but inescapable by-products of business, as part of and serving society. Drucker advised that, once identified, social impacts are best eliminated. The principle was clear: identify and address -- if not eliminate -- undesirable social impacts of business activities and, if they cannot be turned into profitable business opportunities, seek a regulatory solution (industry self-regulation or government regulation) that creates an optimal trade-off for all involved. Drucker also viewed social problems as sources of opportunity. He suggested that business has responsibilities in relation to social problems, but that there are also limits to social responsibility in this regard.

In answer to the question 'when to say no?' - the limits of corporate responsibility - Drucker suggested demands for social responsibility in response to social problems be resisted when this would impair the performance capability of the business, exceed its competence, and when it would usurp legitimate authority (such as that of government) or would involve illegitimate authority.

For example, fast food companies certainly appear to have a responsibility to act to eliminate the negative social impacts evident in their contributions to obesity in children. In contrast, the pharmaceutical companies dealing with requests to give away life-saving drugs to all that need them are responding to what Drucker would term social problems rather than social impacts. They are not responsible for the limited healthcare budgets of developing countries that preclude purchase of drugs at developed country prices, but

they might choose to act on the issue of access to essential medicines nonetheless.

Drucker's writing richly and extensively sheds immense light on business and other institutions and their management, remaining as fresh and relevant today as it did decades ago. This is no less true of his writing on social responsibility. In some respects, his insights might be taken for granted and they are far from a complete understanding of social responsibility as it is conceived today. However, Drucker's distinction between social impacts and social problems remains a key consideration, and his three limits on CSR in response to social problems (performance of the firm's specific mission, competence and authority) still have validity even if they only provide a foundational understanding and don't provide a sufficient answer to the question, 'how much is enough?'

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