

The last word

## Is corporate social responsibility serious business?

**Jon Entine reflects on a recent American Enterprise Institute debate about the real value and purpose of CSR**

This article launches a new column for Ethical Corporation: The Contrarian. The title only partly explains the intention. Its raison d'être was captured at a recent conference I organised for the Washington DC think tank, the American Enterprise Institute, which encourages research by scholars who are more interested in changing public policy than tilting at windmills.

The speakers were ideologically diverse, from Wal-Mart hating professors who view low consumer prices as too high a price for union workers to pay, to reflexive defenders of the free market at any cost who see chief executives that embrace corporate social responsibility as reincarnations of Neville Chamberlain. The conference posed a question considered in bad taste at most corporate social responsibility celebration fests: is CSR serious business?

A decade ago, corporate social responsibility was a trendy idea promoted by quirky entrepreneurial companies such as the ice-cream maker Ben & Jerry's. Now, more than half of the Global 250 corporations issue corporate responsibility reports, and the public expects visible social initiatives from businesses of all sizes. Many companies use corporate responsibility as a way to burnish their images, generate brand equity, and increase employee loyalty. Corporate critics and "socially responsible investors" have helped promote wide-ranging policies covering labour rights, economically targeted investments and global warming.

But is corporate social responsibility really a win-win situation as its promoters claim – for corporations and the public good?

### An unknown realm

The explosion of interest in business ethics grows out of perceived lack of controls, regulatory and otherwise, limiting the power of multinational corporations. And because the collateral consequences of growth can cause societies to question the legitimacy of corporations, corporate leaders themselves are struggling with fundamental questions about how far their social responsibilities extend: do they span to shareholders, employees, communities where they operate, the ecosphere, humanity as a whole and future generations?

Elaine Sternberg, a Leeds University scholar teaching this year in the US, launched the debate at AEI by drawing a sharp distinction between "business ethics," which she applauds, and corporate social responsibility, which she believes is an "external bolt-on" aimed at promoting pet social causes, whose public benefits, while unquestionably assumed by their supporters, often result in unintended consequences. Business ethics is about "how you conduct your business every day, every time," she argued.

Of course, most corporate social responsibility advocates



acknowledge this view. However, according to popular wisdom, turning out a good product, responsibly produced and at a fair price is a morally tiny part of a corporation's ever-growing responsibility to a lengthening list of what is benignly called "stakeholders". And the seed of an idea has grown into the big business known now as the CSR movement.

David Vogel, a University of California, Berkeley, professor and author of "The Market For Virtue: The Potential And Limits Of Corporate Social Responsibility", was brave enough to point out that there is no clear evidence that corporate social responsibility initiatives help the bottom line or lead to higher stock prices.

Mark Cohen of Vanderbilt University, who helped organise the conference, said corporate social responsibility was eagerly embraced by many corporations after they realised it could raise the operating costs of less-well-heeled competitors that have to buy "certified" fish (McDonald's), organic coffee (Starbucks) or shoes made in union-endorsed factories (Nike) to keep market share. Only in the future, as the competition thins, will we be able to assess the unintended consequences of many well-meaning but ill-thought-out initiatives.

Aron Kramer, the new head of Business for Social Responsibility, a San Francisco-based liberal trade group, remarked on the quality of debate at the conference. "I'm used to heated debates at CSR conferences between the really committed and the really, really committed," he joked.

The old "true believers" harbour an illusion that corporations are fundamentally corrupt ("pathological psychopaths" in the terms of the best-selling book and documentary *The Corporation*), and that the rot is increasing, particularly in the environmental arena – a conclusion at odds with almost all the evidence.

As a consequence, with public concern about corporate misconduct heightened in the wake of business scandals in the US and Europe, and trust of multinational corporations near an all-time low, business leaders are increasingly paralysed by caution, reacting rather than leading. Corporations, policy-makers, and, most critically, the public, are all net losers. It's time for a contrary view. ■

Jon Entine is an adjunct fellow at the American Enterprise Institute and a consultant on business ethics.

runjonrun@earthlink.net

www.jonentine.com

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