

Corporate Social Responsibility: Is this another a hoax?

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Abstract

Corporate social responsibility has increasingly become a strategic concept in business, with some organisations becoming deeply engrossed in the initiative, while to some it is another way of competing in highly aggressive markets.

This paper raises questions about the misuse of this whole idea, as another marketing gambit, with much disapproval of how a host of companies cover unsocial activities with the CSR veil hence a hoax.

The terminology of 'human responsibility' and 'business responsibility' raises further questions, on where the boundary lies between corporate responsibility and societal expectations. The paper as well assesses how possible it is for companies to balance the triple bottom-line.

Finally, the paper shows (with examples), how companies have lost strategic focus due to much CSR dedication to the detriment of their core operations.

Introduction

As the intensity of competition increases in the world of business, so does the intensity for organisations to adopt ways to counteract that competition. As a result we see new concepts like strategic alliances, business process re-engineering, green procurement, outsourcing, off shoring, CSR etc, taking over business' *modus operandorum*.

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But what is motive behind all these mind boggling concepts? What does the public think about businesses that adopt them?

Currently a more dominant phenomenon is corporate social responsibility (CSR) and now the relatively new social responsible investment (SCI). All these concepts are synonymous with “the continuous commitment by businesses to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large”¹.

But critically looking at the much hype about corporate social responsibility, many questions arise; what is considered socially responsible? How are firms socially responsible?

Responsibility for what? Responsibility for whom? Is it possible for business firms to equally balance their profit motive, with *social expectations* of society²?

These questions form a basis for this paper and hence my motivation to disagree of the hypocrisy by businesses in pursuit of their survival motives under the CSR veil.

It is important to point out the key factors that have contributed to the increased interest about corporate social responsibility; perhaps these could explain the reasons behind the current CSR surge.

- Competition
- Globalisation
- Social expectations and legislation
- Capitalism forces
- New technologies like the Internet.

These forces have changed the way companies operate, and not necessarily how they'd have wished to operate. An example is 1989, Exxon Mobil's *Valdez* incident in Alaska.

Proponents of corporate social responsibility base much on the above factors to advance theories about how companies should act responsibly towards societies they operate ignoring the fact that such organisations have veiled motives.

As such the trend has taken up with so many organisations especially the global and big MNC's³ adopting the concept as part of their organisational priorities. Some include General Electric, GM Corporation, Starbucks, shell, BP, Johnson & Johnson, Volkswagen, BAT, ConocoPhillips, Pfizer, Royal Dutch Shell, Unilever etc.

¹ CSR defined by *The World Business Council for Sustainable Development*

² Balancing John Elkington's Triple bottom line - profit, people and planet.

³ Multinational Corporations

Embedded in some of their mission statements and part of their strategic goals are ‘sweet coated’ , well thought words that are not put to action but aimed at winning favour of consumers, which practically explain the highest form of business hypocrisy as we shall find out below. I find this very horrendous and awful that some companies are using CSR for their concealed motives, other than the real exploits behind the actual concept. Does it real make any sense to make Company Social Responsibility efforts public through their websites and published responsibility reports, when real deed is missing⁴? Is it just for companies to use CSR as another marketing ploy?

One example is a British American Tobacco (BAT), a fortune 500 global corporation, with the following statement as part of their responsibility strategy

*“We’ll continue to balance our commercial objectives with the expectations of a broad range of stakeholders, thus ensuring a sustainable business...”*⁵

Logically, what is sustainable business, when the most recent estimates show that around 114,000 people in the UK are killed by smoking every year, accounting for one fifth of all UK deaths⁶? In the US, in every 5 deaths, one is cigarette related⁷!

Yes, one may argue that, on cigarette packs it’s explicitly written to caution the public that *smoking kills*, but how far have these companies gone to develop lower risk tobacco products, or even educating consumers about the consumption dangers?

What is socially responsible when an estimated 50,000 potential school going children are involved in tobacco growing in the west-nile region of Uganda? What a CSR hoax?

Companies (not only BAT) need to walk the talk; they need to act on information they put to the public.

BAT is just one example, but there are a host of companies that really care less for the welfare and employee conditions of their workers or even the environment. They are big global and multi national corporations that have moved production to Asian sweatshops so as to cash in on low cost production saving in the name of business, as well as being driven by competition. Recently Nike and GAP have been highly criticised for their inhumane labour conditions by their Asian contractors.

⁴ Termed by some authors as ‘*green washing*’ their image – a practice where organizations cherry-pick the good activities a company is involved with and ignore the others. Then they use those good activities to explain to the public at how socially responsible they are!

⁵ http://www.bat.com/group/sites/UK_3MNFEN.nsf/vwPagesWebLive 2008-04-14

⁶ <http://old.ash.org.uk/html/factsheets/html/fact02.html> 2008-04-14

⁷ http://www.cdc.gov/tobacco/data_statistics/factsheets/cig_smoking_mort.htm 2008-04-14

Most proponents for CSR efforts have ignored the fact that, it is *almost impossible* to balance Profit motives with social requirements of society, because the main reason businesses exist is to maximise wealth of owners, not social responsibility; and Elaine Sternberg emphasises this when she asserts that, “*using business resources for non-business purposes is theft- an unjustified appropriation of the owners' property*”.

Friedman Milton, a respected economist and New York Times, reaffirms the same position that, “... in any case, the responsibility of a business is to increase profit as long as it stays within the rules of the game...” i.e. provided that such business is not detriment to stakeholder expectations.

Factors like intense industry competition, cost of innovation, political influence (Shell in Nigeria) and unclear CSR accountability are part of the many facets making the triple bottom line a complex jigsaw to crack, hence difficult to balance later on achieve.

We should agree that the word ‘responsibility’ by itself could have a different meaning with entities and people. What does it mean to say that a "business" has responsibilities? Only people can have responsibilities. A corporation is an artificial person and in this sense may have artificial responsibilities, but "business" as a whole cannot be said to have responsibilities, even in this vague sense..

Shell’s Bert Fokkema, in a recent CSR seminar at Maastricht school of Management⁸ agreed that actually what we call business ‘responsibilities’ are in real sense ‘society expectations’. Corporations are not human beings and therefore may not assume ‘responsibilities’ as normal human beings do.

What a marketing gloss? By and large the concept has been misused by most companies to sell their products and brands to the unsuspecting public. And we the consumers have easily fallen for this bait. How best can Toyota⁹ sell its Prius or the Lexus Hybrid drive SUV to environmentally sensitive American and European buyers respectively? How best can SABMiller, the world’s 2nd largest brewer, market Eagle Lager, a Ugandan local brand without mentioning the Eagle lager project in Northern Uganda? Answers to these will explain how CSR efforts have been misused by some companies as their selling gambits. Other sceptics have termed this ‘window dressing’.

The question whether CSR is an end by itself or a means to an end, is subject to much debate. But looking at it rationally, we see companies using social responsibility as a way to achieve the crucial business motive (profit) against the genuine idea behind the concept. This partly

⁸ www.msm.nl

⁹ <http://www.hybridsynergydrive.com/sp07/index.html> 2008-04-15

explains why the triple bottom line is hard to balance and later on achieve; because, often the Economic aspect will be placed on high priority to the detriment of social and environmental aspects.

Unlike individual proprietors who manage their own businesses, some hired executives have lost focus to businesses by focusing on external matters using a cloak of social responsibility initiatives like donating huge sums of shareholder money organisations that speak for (endangered) species like Whales, polar bears, shoebills, Mountain gorillas etc with farsighted personal motives, yet matters internal to their businesses that may give the company competitive edge are suffocated of the company's strong financial muscle. It's not a surprise that, there always exists an agency problem in most organisations. How sure are we that, bird watching or fishing or gorilla tracking is not the CEO's favourite leisure pursuit?

More specifically, companies which have deeply devoted CSR in their corporate strategies may lose it all. They lose focus on the cores of the business. Pearce *et al* (2007), criticises Ben & Jerry that single-mindedly dedicated itself to social responsibility efforts as unrealistic. Levi Strauss & Company management that diverted from its core operational challenges to execute social responsibility goals may have accelerated the company's closure of all of its North American manufacturing operations.

Companies need to review their CSR commitments as part of their overall strategy, or else such dedications continue to obscure or cloud their broad strategic business goals.

Conclusion

Personally I must admit that CSR is firmly and irreversibly an element of the corporate fabric, and cannot baselessly close my ears to the enormous benefits to society and those beyond today (sustainability). However, the misuse of the whole concept by businesses for their clandestine motives and to conceal unethical business practices makes it by and large one big hoax. Executives need to refrain from this hypocritical window-dressing but adopt practices that beyond doubt support society and the planet we live in.

Recommendations

- Executives should find other plausible ways to meet the company obligations to all stakeholders without compromising the basic need for a fair return for shareholders.
- Betsy Atkins advises that for companies to be considered socially responsible citizens by the consuming public, they should
 - ✓ Be transparent in their financial reporting.

- ✓ Produce a quality product, and not misrepresent it.
- ✓ Be alert incase they know something about the product that endangers the consumer, be forthright and let the public know.
- ✓ Not use predatory practices in offshore manufacturing, such as child labour.
- ✓ Not pollute the environment or other environments, and adhere to laws and regulations.
- ✓ Be respectful, fair and open in their employment practices.

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