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ABOUT UGSM-MONARCH BUSINESS SCHOOL:

UGSM-Monarch Business School is an accredited private university focused on graduate studies in management. UGSM-Monarch opened in January 2010 as a distance learning university for both active students and returning professionals. UGSM-Monarch Business School offers Master and Doctoral programs in Management by thesis and taught courses. UGSM-Monarch's main learning campus is located in Nicosia, Cyprus with an international student body.

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CSR As Mythology

Author: Dr. Jeffrey Shawn Henderson

ABSTRACT:

In “CSR As Mythology” author, Dr. Jeffrey Henderson, brings to the foreground several issues existing within the state of affairs of CSR study that force a re-evaluation of the efforts produced by academics and scholars within the domain.

Principally, the issue that academics since the early 1950s have felt the need to take a secular view of an inherently moral discourse is shown to have yielded sparse advances in the field of business in society literature up to present day. Coupled with the application of adherence to anachronistic social myths the domain of CSR study has been stripped of its soul by those very people charged with its livelihood. This fact is illustrated by Dr. Henderson to be the limiting factor behind the study of CSR and the primary reason why many investigators claim that the domain of CSR study is presently bankrupt.

Within the article, Dr. Henderson reviews the contributions of Dr. Joseph Campbell and his theories of mythos as applied to the domain of CSR studies. The premise is addressed that true social change will not take place until society replaces the anachronistic archetypical myths that reinforce the orientation of conflict based economic systems for those of a more cooperative form. Inspiration for change can be found in the timeless writings of major figures such as management Guru Peter Drucker who is shown to have taken a homo-centric view of the practice of management, as compared to the often cited writings of Milton Freidman who champions the profit-centered view that tends to deny corporate social responsibility.

The article has profound implications for the day-to-day operations of the firm with respect to human resources management, organizational strategy, and competitive positioning calling on a 180 degree re-orientation as to the roles and responsibilities of the firm within society and especially as to how CSR and management is taught within business schools. By doing so the article readdresses the underlying rationale and cultural assumptions behind the purpose of business and its social construct in society.

In his famous book “Unto This Last”, the English social thinker John Ruskin (b. 1819-d. 1900) discusses the existence of an ossifant theory of progress based on a rigidly conventional pattern of science that effectively negates the soul. (Ruskin, 2005) He compares the nascent theory of political economy of the time to a science of gymnastics that assumes that men have no skeletons. Though not doubting the conclusions of the science, if its general assumption is accepted that men have no skeletons, he simply denies its applicability to reality and by extension to the present phase of the world in which he finds himself. He deems such a theory, due to the gross over-simplification of its assumptions, as uninteresting.

In like fashion, we see that academics up to present day have done precisely this within the field of political economics by introducing and holding on to grossly over-simplified assumptions, such as: perfect knowledge, equilibrium and the efficiency of the invisible hand, that for many observers are seemingly in direct opposition to what actually occurs in the marketplace. In fact, the recent market meltdown of 2008 and 2009 have brought to the forefront the folly and the cost of attending to academic theories that over simplify the functioning of the markets and thereby place the functioning of those same economic markets in peril. (Krugman, 2009)

And so, a similar fact has fallen upon the study of Corporate Social Responsibility, CSR, in its present state. Since the post-war years, theories of CSR have taken on a predominantly secular tone denying men of their souls in the same way that Ruskin’s example of the gymnastics theory would deny men of their skeletons, i.e.:

economic theory denying the basic functioning of the market. (Davis, 1973) (Carroll, 1979) (Wood, 1991) (Freeman, 1984) (Frederick, 1986) That is, in a similar vein to the gymnastics theory that denies that men have skeletons, the academic world has had little reservation in applying economic theory to the real world that denies the basic understanding of the market or applying a social theory to the real world of CSR that denies the basic fact that men have souls.

Yet, the major exclusion of the anthropological fact within the social theories of CSR that men have souls goes without much criticism within the halls of academe or the business world. Otherwise said, authors and scholars have tried, as best they can, to remove and ignore basic anthropological realities in order to provide a neat and tidy science behind the study of business-in-society issues. One of the few secular business writers to discuss the issue of going beyond the existing limited boundaries or frameworks within CSR thought is William Frederick in his article on CSR4 theory when he states, "The study of Social Issues in Management (SIM) has exhausted its primary analytical framework based on corporate social performance (social science), business ethics (philosophy), and stakeholder theory (organizational science) and needs to move to a new paradigmatic level based on the natural science." (Frederick, 1998) Though Frederick tries to step out of the well-worn avenues of thought of his contemporary scholars he falls short of recognizing the theological imperatives of man and again opts for the security blanket of the scientific method of the natural sciences. With this timidity in mind, the question that now faces the scholastic and business communities is whether the

participants of CSR study have also arrived, after much discussion and debate, like John Ruskin, to a point where the leading theories and their gross oversimplifications are simply uninteresting and provide no practical applicability to the present phase of the world in which we find ourselves.

According to the State of the Future Report for 2008 the present state of the world that Ruskin points to as applied to present day is marred with innumerable examples of corporate greed, ethical lapses within boardrooms and a host of world-wide crises caused by man's ignorance and need for conspicuous consumption that has propagated continued exploitation and widening social injustice. (Glenn, Gordon, & Florescu, 2009) Major examples include: global warming and climbing carbon emissions, water and food availability, civil conflict, ethical disasters in corporate environment, and the instability of world-wide financial markets. It would seem from the intractability and apparent inequity of these issues that man may indeed lack a soul or at least the compassion toward his fellow man to collectively address these issues in an effective manner.

However, we must ask ourselves if it is really because man lacks both a soul and the consideration of his fellow man that there exists such issues of greed triumphing over compassion, or is it because we have been looking for operating theories of the social and economic marketplace in mechanisms that essentially reduce man down to a soulless caricature of his true self. As an artist exaggerates and reduces specific characteristics of a subject by rendering it in caricature form theorist have done the

same with our understanding of man and markets. In doing so, the observer can only stumble and fail to see the real object and in its place ends up at best dealing with some grossly disfigured representation. This fact leads social and economic theorist and participants away from a true understanding of the functioning of social and economic marketplaces and thereby produces a wealth of scholarship that is inconsequential, uninteresting or simply lacking any true application to the real world.

Economists have long argued that man acts selfishly and primarily in his own best interest. The familiar term “homo-economicus” comes to mind. When layered on to the domain of CSR economists like Milton Freidman of the Chicago School of Economics state unequivocally that the “business of business is business” in an attempt to remind the masses that the inclusion of eleemosynary pursuits into the mission of a business goes against the very grain of capitalism and a democratic society. (Freidman, 1970) However, recent economic crises have made it abundantly clear how truly fragile and naive existing economic models have been based on gross or ignorant assumptions about how people are *supposed* to react or how markets are *supposed* to work and not on how they actually do. This has lead to a reaction in the form of increased popularity of behavioral economics/finaince that essentially takes a more humanistic view of the functioning of economic markets. (Shiller, 2003) One would think that with this new found reactionary search for a better explanation to the functioning of the market coming as a result of the various world-wide financial crises that have brought into question the many basic and

previously well-held assumptions in economics as to the nature of man and markets, that it is clearly a warning to social scientists to call into question once and for all the soulless assumptions that dominate within the domain of both economics and CSR studies.

The unavoidable issue in economics that came to the fore most recently was that the well-healed assumptions and models that were suppose to reflect the actual mechanisms of the market were in fact seriously flawed particularly when considering actual human behavior. And by extension those gurus put in place to run those very economic mechanisms based on those faulty theories were more of the ilk of wizards than scientists. (Andrews, 2008) Trust by the many in a system run by a few was put into question. Otherwise said, it has also become quite clear in the last years that the flawed views and misguided assumptions that have affected academics and businessmen alike within modern considerations of morals and ethics is the primary root cause of the financial crisis and ethical lapses that have both preceded and accompanied these crises. This has become so clear that many people in business, government and the media have begun to question the very appropriateness of the capitalistic system for the future of society if it does not in fact undergo serious and deep redesign. (Lee M. , 2009) (Bernard & Lemer, 2009)

Like those misapplied assumptions in the economic sciences the counterparts in the social sciences are proving to be unrealistic to the point of being grossly negligent.

As mentioned, the assumption of soullessness or the need to only consider the

secular view of man, an outgrowth of the Enlightenment, is the issue facing CSR studies that prevents the domain from making further substantial gains. As onlookers are known to cringe at the sight of a caricature being created by the artist many cringe at the sight of present day CSR theories that lack any semblance to actual market participants. The true subject or nature of CSR being a representation of man as a creature imbued with a soul and not its opposite number presently considered within uninteresting academic frameworks.

Fortunately, the view of man as being a soulless creature has not always been the default and the potential to return to a more soulful orientation of the nature of man and business-in-society study and by consequence finally do away with unsubstantiated assumptions is possible. At the time that Friedman made his pronouncement as to the responsibilities of business, circa 1970, he was in fact fighting an opposing current of thought that clearly stated that the role of business within society was much greater than simply the teleopathic¹ search for profit. (Bowen, 1953)² In fact, Peter Drucker, one of the greatest gurus of management theory and the person credited with the founding of management studies is

¹ Short-termism is also known by its more academic term of Teleopathy, as when businessmen and their leaders view wealth maximization as the supreme guide for action. "Combining the Greek roots for "end" or "purpose" (telos), and for "disease" or "sickness" (pathos), teleopathy is the ordering of limited objectives as supreme to the exclusion of other objectives, which distort one's larger purpose." Source: Naughton, M. (2006). The Corporation as a Community of Work: Understanding the Firm Within the Catholic Social Tradition. *Ave Maria Law Review* , 4 (1), 33-74.

² Bowen's book which is often cited as the watershed point in the commencement of modern CSR study by various authors was commissioned by the Federal Council of the Churches of Christ in America and was part of a larger six volume study on Christian ethics. This point is an important one and illustrates that the major work identified by CSR scholars as the start of the "modern" CSR era was in fact theologically oriented. Lee, M.-D. P. (2008). A Review of the theories of corporate social responsibility: Its evolutionary path and the road ahead. *International Journal of Management Review*, 10 (1), 53-73.

identified as being firmly entrenched in the school of thought that places the individual at the center of management theory, *homo-centric view*, and not simply that of profit, *profit-centric view*. (Fletcher, 2006) The main point is that a homo-centric view favors the anthropological reality of a soulful existence of man and that this view is and has been present in many of the ignored management theory writings up to present day.

In order to shift the focus of research and provide renewed vigor in the dominant scholarship it is necessary to re-oriented oneself and question prevailing western cultural paradigms. As illustrated through the insightful work of the American mythologist Dr. Joseph Campbell, culture operates through the sharing of archetypical myths that provide meaning to the opaque nature of man and his surroundings. (Campbell, 2008) One of these main archetypes for the western world is the myth of Adam and Eve being thrown out of the garden of unity and being subjected to the knowledge of opposites. Now separate from God and nature, along with an acute understanding of their own differences, they were placed into conflict against the harshness of their new surroundings. With the knowledge of opposites man became separate of nature and nature became a thing to be conquered and no longer a thing with which to live harmoniously. This assumed fact, or myth, has set the backdrop for western culture's understanding of economic man's relationship to both his fellow man and to nature: i.e.: one of conflict. Campbell further posits that western culture has now gone into a political and economic phase where spiritual principles have been completely disregarded. Western culture has lost its bearings

with respect to its place in nature. (Campbell, Sukhavati, 2007). Campbell also states that myths that are out of sync with the prevailing science of the time will not provide appropriate meaning to man and that new myths will need to be created by the poets and artists to assist in man's understanding of his changing world. (Campbell, 1991). Interestingly, we see that the prevailing science of our own time is overwhelmingly clear on the destructive effect that man is having on his surroundings and therefore is incongruent with the existing anachronistic conflict-based myths.

It is put forward that the assumption of a functioning marketplace based on the conflict-oriented myths of "*homo-economicus*" of John Stuart Mill and the invisible hand of Adam Smith can no longer be held to be helpful in finding solutions to the many critical issues facing the planet, nor are they particularly beneficial to the social functioning of the business enterprise. Economists tell us that Adam Smith's invisible hand will ultimately create the most efficient allocation of resources in society if intervention in the system is kept to a minimum and participants are allowed to follow their self-interest. This is the predominant view of the Chicago School of Economics. Individuals left alone and acting in a self-interested manner will ultimately create an efficient market simply by virtue of the interactional power of their selfish actions. Again, through some kind of economic wizardry the marketplace is supposed to create positive benefits for society as a whole through the collective acts of individual selfishness. In contrast, and with the benefit of hindsight of the financial crisis of 2008, it has become abundantly clear to society and to those

previously mentioned economic gurus that the unfettered marketplace based on the laws of self-interest, antagonism, and the concept that man must conquer nature as opposed to living in harmony with it, more often than not lead away from equilibrium, social justice and efficiency than they do towards it.

And so we see a lack of synchronization between the myths we hold in the study of economics and social studies and the prevailing science of the day. This means that man needs to discard the assumptions or myths of the separation of man and nature, inevitable conflict, the “invisible hand” and “*homo-economicus*” given to us by our eighteen and nineteen century theorists whose focus was clearly on an economic actor who seeks to maximize his profit in an antagonistic fashion against all others players in the system. (Mill, 1844) (Smith, 1776) These strongly held secular myths have proven to be responsible for leading modern economies down an unsustainable road of development that now threatens the very foundation of the system. In order to reverse this trend the competition based model of economics that has taken root since the time of Smith needs to be replaced with an economic system or understanding that is increasingly referenced to a clearer understanding of social justice based on economic and social cooperation and communion with nature.

However, Campbell states that the creation of new myths or understanding takes time and that modern society is presently in a type of free-fall into the future.

Society does not know where it is going due to an ever-increasing rate of change and

this effect creates huge levels of anxiety for all until a new more relevant myth replaces the old. (Campbell, Sukhavati, 2007) This anxiety is evidenced by the numerous protests of various interest groups whenever major political powers assemble to discuss economic planning as was shown with the WTO conferences since Seattle in 1999.

What this means from a social studies standpoint is that man must learn to view economic and social relationships and transactions differently. Otherwise said, man needs to create and utilize a new archetypical myth that provides greater explanatory power to assist in effecting positive change in society and that myth must have at its core cooperation and a harmonious relationship with nature. A change in perspective is needed in order to transform the economic world into an economically cooperative mindset based on the understanding that man is a soulful creature that must live in harmony with its surroundings and its community. What is required is that people must come to realize that simply because their economic interest may appear to be antagonistic it does not follow that their actions towards one another or nature must be.³ Otherwise said, it is possible to obtain a greater profit or greater efficiency from a series of transactions if the players realize that it is in their long-term benefit to take a cooperative and not conflicting mindset. This fact has been proven by social scientist with respect to multi-staged game playing and the iterated prisoner's dilemma exercise. (Darwen & Yao, 1993) That is, over the

³ John Ruskin provides an example of a starving mother and child that only has one piece of bread amongst them. Though their interests seem to be antagonistic, i.e.: each wishes to eat the piece of bread, it does not follow that their actions will be. Ruskin, J. (2005). *Unto This Last*. Stiltwell, KS, USA: Digireads.com Publishing.

long-term or across multiple generations players learn that it is in their mutual benefit to cooperate with one another even though the short-term advantage may be obtained by acting selfishly. By extension we can say that this is also true for the larger society.

The important thing to understand is that in order to foster this cooperative behavior market participants must reject their long held and well worn behaviors of economic narrow mindedness and short-termism. That is, they must reject the prevailing cultural myth, under which they have been operating, that reinforces the belief that acting selfishly is in society's collective long-term benefit and will result in a more efficient system for all. As mentioned earlier, *teleopathy* is a sickness that affects market participants individually and society as a whole whenever wider, long-term goals are replaced by very narrow short-term targets. Profit thereby becomes a goal unto itself. And when profit becomes a goal unto itself society and the people within it are subjugated to a secondary, if not inconsequential role. The soul of society is lost. This is the apparent outcome of the prevailing competition and interest based mythology of the marketplace currently being followed throughout the modern world which must be replaced if mankind is to make significant steps in addressing and solving collective social problems and crises and return itself as primary actor to the ultimate position of importance.

What is required by society is the foresight and bravery to look upon the system and recognize that it is no longer in the collective benefit of the community at large and

that new paradigms, or myths, must be developed by the poets, artists and philosophers. These thinkers must give to the modern world a new understanding of economics and social justice that enables society to break away from its well-worn patterns of economic exploitation based on the competitive marketplace. Only once all the benefits and inherent costs to society are recognized, i.e.: social, spiritual, economic and ecological can a new paradigmatic myth take the place of existing competitive free-market myths and steer society to greater social justice for all. Until that time man will continue to act based on a limited, soul-less, competitive view that by its nature negates or ignores larger social costs⁴ and over-emphasizes and over-estimates the importance of limited personal gain.

⁴ An example of a social cost that is not explicitly considered in the modern economic system is that of pollution. These types of costs are referred to as externalities by economists as they are not included in the cost of a product and are shifted to society at large through the introduction of higher taxes. Otherwise said, society is forced to pay part of the direct production costs through indirect taxes. A further example is the proposed introduction of a world-wide tax on financial institutions to safe-guard against future economic insolvency of banking institutions. As opposed to forcing banks to regulate their behavior or having them create self-insuring industry mechanisms consumers are targeted for new taxes to safe-guard against the irresponsible and greed induced behavior of these market makers.

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