

# Corporate Social Responsibility

The Good, the Bad and the Ugly

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# Introduction

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In January 2001 Kofi Annan, then secretary general of the United Nations, delivered the keynote address to the United States Chamber of Commerce. The topic of his speech was the ‘revolutionary role business can play in the fight against HIV/AIDS’. Announcing the creation of the Global AIDS and Health Fund to support national programs to fight the epidemic, Annan urged business leaders to join the global fight against HIV/AIDS. According to Annan it was important for business to do so not just for humanitarian reasons but

because your business will see benefits on its bottom line. You will see direct benefits, such as protecting investment and reducing risk. And you will make less tangible, but no less important, gains in assets such as reputation and customer loyalty. In fact, there is a happy convergence between what your shareholders pay you for, and what is best for millions of people the world over.

In his address he also urged business leaders to join the Global Compact, which he had launched in January 1999. The Global Compact is a voluntary initiative between the United Nations and business, which encourages corporate responsibility in the areas of human rights, core labor standards and the environment.

My intention in writing this book is to critically analyse contemporary notions of corporate social responsibility (CSR). Corporate social responsibility has become a mini-industry these days both in academia and in the business world. A recent Google search with the keywords ‘corporate social responsibility’ yielded over 77 million hits. A search of books available at Amazon.com with ‘corporate social responsibility’ in the title resulted in 1035 books dating back to 1973. More than 70 percent of these books were published in the last ten years targeting a wide audience including business practitioners, policy makers, academics, students and social workers. If, as Kofi Annan claims, corporations are to become agents for positive social change, it becomes important to critically analyse theories and practices that enable corporations to address social issues. This book is an attempt to develop such a critique. I argue that ‘enlightened self-interest’, the fundamental philosophy driving CSR, can only go so far in terms of producing positive social outcomes. I want to problematize the notion that corporate initiatives designed to address social misery are perfectly compatible with the shareholder wealth-maximizing model. Ultimately the limits of corporate rationality determine the limits of corporate social respon-

sibility. Thus, to quote Bakan (2004: 50), if ‘a corporation can do good only to help itself do well, there is a profound limit on just how much good it can do’. Any meaningful and sustainable corporate involvement in addressing global social problems requires a radical rethinking of the purpose and legal personality of the corporation accompanied by structural changes in the larger political economy.

In this book I try to describe the good, the bad and the ugly faces of corporate social responsibility. The good focuses on what CSR discourses tell us: about what CSR is, why business firms should be accountable to the broader society and what corporations should do to become more responsible. The bad is what these ideas and discourses conceal: how the imperatives of profit accumulation and shareholder value maximization do not always create win–win situations but often result in dispossession, and how the current political economy results in an economic capture of the social that marginalizes millions of people in the world. And the ugly is about how relentless corporate and government public relations campaigns create an illusory perception of good when describing the bad.

The current debate about CEO compensation is a case in point. A recent study has shown increases in CEO compensation has little to do with increasing shareholder value: in fact the study found a *negative* relationship between CEO pay and stock performance: the CEOs of ten large US corporations that posted negative returns in terms of their 2003 stock performance received significant pay increases in terms of salaries, bonuses and stock options (Strauss, 2003). Total compensation of the top five American CEOs between 1993 and 2002 was \$260 billion, increasing from 5.7 percent of gross corporate income to 10 percent (Madrick, 2004). Another study found that the biggest CEO raises were linked to the largest layoffs. While the median pay increase for CEOs was 6 percent in 2002, the figure for CEOs of 50 companies that announced the biggest layoffs in 2001 jumped to 44 percent (Kristof, 2003). Of course all of these 50 companies produce slick, glossy corporate social responsibility reports annually. And the oft-repeated mantra that layoffs, like inflated CEO salaries, are an inevitable part of any corporate strategy because ultimately they are good for the global economy begs the question: whose globe and whose economy?

The book is organized as follows: Chapter 1 provides a historical background of corporate social responsibility. Using archival data this chapter discusses how the modern corporation took shape in the United States. It critically analyses different theories of the firm and discusses how political, economic, social and legal forces produced the currently dominant view of the corporation as a shareholder value-maximizing entity. Chapter 2 provides a critical review of contemporary concepts and theories of CSR. More than 50 years of research on corporate social responsibility have produced a plethora

of models, frameworks and taxonomies of CSR. This chapter discusses and critiques the fundamental assumptions of CSR. Chapter 3 discusses the emergence of the stakeholder view of the firm as an alternative to the dominant shareholder value maximization view. It discusses theoretical and practical approaches to identify a firm's primary and secondary stakeholders and describes several case studies of conflicts between corporations and their stakeholders as well as the power dynamics underlying relationships between governments, non-governmental organizations, international institutions, and corporations. Chapter 4 discusses the emergent literature on corporate citizenship and its relation to CSR. It discusses and critiques various models of citizenship that are found in the literature. Chapter 5 discusses the dilemmas and paradoxes of CSR and corporate citizenship. It discusses a variety of cases to show the problems faced by corporations and stakeholders in implementing CSR. Chapter 6 provides a critical review of current debates on sustainability. It discusses the three major themes of environmental, economic and social sustainability and the challenges of integrating social and environmental issues into corporate strategy. Chapter 7 provides a critical analysis of the role of human rights and its relationship to CSR. It describes various human rights initiatives like the United Nations Global Compact and industry and corporate human rights codes of conduct and discusses their limitations. It also describes the emergence of new social movements such as farmers' rights movements in developing countries protesting the patenting of seeds by TNCs, environmental movements, fair wage and anti-sweatshop movements and indigenous rights movements.

In Chapter 8 the focus shifts from the individual corporation to an analysis of networks of power in the political economy. By drawing on insights from political economy and sociology the chapter discusses how discursive formations of the economic produce particular forms of social arrangements of various actors, institutions and networks that constitute a particular image of the 'social' and the inclusions and exclusions that result. In the final chapter I discuss some alternate visions that may allow us to rescue the social from the economic. I discuss alternate formations of the corporation that could make them more effective agents of social change. I discuss possible reforms in the operations of international agencies and outline new approaches to corporate governance. The chapter concludes by discussing directions for the future and provides a critical research agenda for corporate social responsibility.

I do not take a moral approach to CSR in this book: many other writers have already done that. Rather I focus my arguments on the political aspects of CSR discourse: how power dynamics between actors and institutions in the political economy produce particular representations of CSR and the inclusions and exclusions that result. If, as Kofi Annan claims, there is indeed a convergence between maximizing shareholder value and 'what is best for millions of people

the world over' a critical analysis of CSR will enable us to identify which millions in the world are served best and which millions marginalized by corporations.