Overview and Critique of Corporate Social Responsibility

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Corporate Social Responsibility
An Overview and Critique

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CSR: A new model of development?

- Featured in much of the popular press.

- “continuing commitment by business 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.
  Holmes and Watts (2000) of the World Business Council for Sustainable Development

- community economic development, education, disaster relief, environmental protection, health promotion (World Bank).

An end to the Enrons and WorldComs of the world?
"I pledge to explore and take into account the social and environmental consequences of any job I consider and will try to improve these aspects of any organizations for which I work."

Humboldt State University (California) Graduation Pledge of Social and Environmental Responsibility
CSR: Three schools of thought

Neo-liberal school
(markets provide CSR)
- CSR product market demand
- Labour market demand
- Capital market demand

“Third sector” school
- Company membership organisations
- Human rights
- Educational organisations
- For-profit organisations

State-led school
- National governments
- International government

Public-private partnerships for applied CSR

A combination of all these schools drives “applied” CSR…
Neo-liberal school: CSR in product markets

- Reasons
  - Incentives …
  - Role of signalling
    - naughty….
    - …versus nice

CSR will catch on due to market incentives
Neo-liberal school: CSR in product markets

- **Mechanisms**
  - triple bottom line initiatives (social, environmental, and financial impacts)
  - stakeholder boards (more than shareholders)

Markets will clear and provide optimal supply and demand...
Neo-liberal school: CSR in product markets

- Voluntary compliance with codes
  - Caux Principles
  - Global Sullivan Principles,
  - Keidanren Charter

- “Certificates”
  - Global Reporting Initiative (GRI) guidelines,
  - Social Accountability 8000 (SA 8000) standard,
  - AccountAbility 1000 standard

A Gorilla Game: No standard ethics standard
Input markets: Labour and Capital

- **Labour markets**
  - CSR executive posts
  - Training programmes

- **Capital markets**
  - “socially responsible investing”
  - Dow-Jones Sustainability Group Index and the FTSE4Good UK Fund
  - Domini Social Index's 10 year return has outperformed the S&P 500
    - But McWilliams and Siegel (2000) find some degree of misrepresentativeness in correlations between CSR and financial performance

*Downstream markets encourage adoption by upstream ones*
State-led school: CSR as public policy

- National Governments
  - “talking up“ CSR (?!?)
  - establishing rewards for CSR programmes
  - establishing high-level CSR government posts (UK)

- International Governments
  - UN’s Global Compact
  - OECD Guidelines for Multinational Enterprises
  - EU green paper (quite impressive!)

CSR part of a broader “public-private partnership”
“Third-Sector” school: CSR as site of participation (A Taxonomy)

- company membership organisations
  - Copenhagen Centre
  - Business Social Responsibility
  - WBCSD

- human rights groups
  - Civicus
  - Social Accountability International

CSR is a third-sector “club good”
“Third-Sector” school: CSR as site of participation (cont.)

- educational establishments
  - International Business Leaders Forum
  - Resource Center on Corporate Citizenship

- for profit organisations
  - Coalition for Environmentally Responsible Economies
  - Corporate Citizenship Company
  - CSR Europe

CSR is a third-sector “product”
Is CSR really the way forward?

- “Today’s conception of Corporate Social Responsibility (CSR) marks a new departure.” (Henderson, 2002)

Don’t even need “discursive analyses” -- can critique with positivist means
CSR: Three possible critiques

- Neo-liberal critique
  - Distortions in the firm
  - Distortion in the economy

- "Third sector" critique
  - New Social Movement?
  - NGO capture

- State-led critique
  - National governments
  - International government

A combination of all these critiques unmasks “applied” CSR…
Neo-liberal school: resource misallocation within the firm

- Diversion of time and resources
  - staff time dedicated to activities which are essentially in the marketing function
  - Managerial time diverted in creation of CSR executive posts

- Politicisation of the organisation
  - "stakeholder" boards may introduce a range of politically appointed or “token” representatives
  - Create DUPs or “tournaments” rather than responsibility.
  - CSR function as another “lobby” for budgetary resources and senior managerial attention

- Probably not stable equilibrium

- Example: Jollibee and Citibank

*Private sector not competent or willing to internalise social costs*
Distortion of incentives within the economy
- Max (CSR) = distorted prices, input decisions, and production decisions
- Misallocation by directing resources toward enterprises which engage in “visible” CSR (training and conferences)
- Rewards a particular type of marketing rather than the efficient production of goods and services

Action on CSR itself appears to suffer from a “tragedy of the commons” type collective action problem

No Centralised consideration of market imperfections (Social planning optimum)
CSR as a site of political contestation

- What about defining and funding social objectives at the national level?
  - democratic deficit
  - “capture” and “retreat” of the state

- Depoliticisation
  - “market socialism” and the “Third Way”
  - “experts” (namely those persons advocating CSR programmes)
    sole domain over decisions taken about CSR

- Political contestation at the international level
  - adding another layer of governance
  - “mandate creep”

- Example: EU

*Neither Guidelines nor Compact directly mention “corporate social responsibility”*
CSR as a site of social contestation

- “new social movement”? 
- “depoliticisation”
- NGO “capture” of state and state capture of NGOs
- Example: all the CSR organisations
## Conclusions

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**CSR shouldn’t “just be applied”**
Conclusions (2)

- Deeper conclusions
  - CSR is part of a larger transformation in the relations between government, business and civil society
  - it touches the 80 year debate between capitalism and socialism
  - Advocates of CSR benefit, but does society?

Back to the drawing board…