

The anti-CSR lobby

House of straw

A recent US conference on corporate citizenship revealed the logical holes in the arguments of opponents to the corporate responsibility movement, writes Phillip H Rudolph

Several years ago I represented a company in a difficult investigation. Government lawyers kept asking perceptive questions that had the potential to undermine my client's position entirely. We would forward these questions to our high-priced economist, and he would unfailingly respond by snapping: "They're asking the wrong questions!" He would then posit the questions "they should be asking", meaning questions he could answer. This proved to be a remarkably ineffective tactic.

I was reminded of this recently during a conference at which many vocal critics of corporate social responsibility were represented. Throughout the day, I was struck by the degree to which several of these critics attacked corporate social responsibility by mischaracterizing its premises in every imaginable way. Having thus created a false enemy, they eagerly pummeled a conception of corporate responsibility that few of us would recognise. There were so many straw men in the room that day that a spark would have set the whole building ablaze.

For free markets I soon came to realise that the positions espoused by these critics were (and are) completely at odds with the principles they so stridently promote. My epiphany occurred during a panel in which the "moderator" offered an enthusiastic testimonial to Adam Smith and Milton Friedman, and to the manifest superiority of free markets. Then, without a hint of irony, he mounted a spirited attack on social investment funds and social investors, calling investments in such funds "moral laziness" and stopping just shy of suggesting their abolition. This critique struck me as remarkably at odds with his free-market ideals.

Along similar lines, other speakers challenged companies for engaging with stakeholders, publishing non-financial reports, and generally attempting to address the myriad issues and constituencies affected by their business activities. Keynote speaker Clive Crook – author of last year's now-legendary Economist piece on corporate responsibility – eagerly embraced these attacks. He also peremptorily dismissed the significance of activities aimed at "raising profit and social welfare" as simply "good business" and observed that such endeavours were not worthy of special attention or a special label.

This is fine, as far as it goes. Labels are famously weak substitutes for substance. But Crook also sought to score easy rhetorical points by usurping the corporate social responsibility label and affixing it to activities that are manifestly not corporate social



responsibility. By engaging in such sleight of mouth, Crook and others try to distract us from the fact that what he describes (and discards) as "good business" is no different from what most of us think of as true corporate social responsibility.

When I say "most of us" I include business leaders of the countless companies that are increasingly attempting to understand and manage the social, environmental and human rights impacts of the activities of their companies. The National Review recently acknowledged that 81% of business respondents to a US Chamber of Commerce survey agreed that corporate citizenship needs to be a priority for companies.

Common goals

These business leaders – and their numbers are growing – have not thrown Adam Smith or Milton Friedman off the bus. To the contrary, they understand quite well that their job is to maximize shareholder value. They are attempting to practise good management. And the free market ultimately will determine whether they have succeeded.

In this context, it is hard to see engagement with non-governmental organisations, socially responsible investment, social reporting, "ecomagination", hybrid automotive technology, Citigroup's Sustainability Mining Index, and any of countless other corporate responsibility activities as anything but a reaction by rational, profit-maximizing managers to market forces.

There remains plenty of room for legitimate debate concerning whether market forces alone will deliver a sustainable world or will do so quickly enough. I fear not, but that is another topic entirely. One way or the other, however, both Adam Smith and Milton Friedman would be hard-pressed to convince me that the evolution of business towards sustainable and responsible conduct represents anything other than the free market at work. All of which suggests to me that, straw men and heated rhetoric aside, the participants in the debate may not be as far apart as they seem. ■

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