

CSR: The Realm of False Prophets



Arguments Against Corporate Altruism

- **However well intentioned, CSR is based on false economics.**
- **CSR is ill-defined and tough to track.**
- **In most cases it is not profitable, contrary to the arguments of its proponents.**
- **Arguments for CSR often are based on an irrational view of globalization.**
- **Companies often use the gloss of CSR to pursue their own advantage, a practice that can reduce social welfare.**

Wooly Definitions 1

“Corporate Social Responsibility is the commitment of business to contribute to sustainable development, working with employees, their families, the local community and society at large to improve their quality of life.”

Source: The World Business Council for Sustainable Development position paper on CSR, 2000.

Wooly Definitions 2

“Companies need to demonstrate, more quickly and with increasing levels of detail, that their operations enhance economic development, ensure environmental protection and promote social equity.”

Source: The World Business Council for Sustainable Development position paper on CSR, 2000.

False Economics

- **Is it appropriate for company managers, with their mandate to create shareholder value, to invest shareholders' money in CSR?**
- **Can CSR, as its proponents argue, lead to profits?**
- **CSR's four permutations (pace Clive Crook)**
 - **Good management**
 - **Borrowed virtue**
 - **Delusional CSR**
 - **Pernicious CSR**

In the Thrall of Global Salvationism

- **Does rampant capitalism require CSR to prevent it from damaging social welfare?**
- **The NGO factor**
- **A changing social contract**
- **The three illusions of power (pace David Henderson)**
- **Manipulation of CSR**

The CFO Perspective 1

CFO of Major Indian BPO Company

- “The money that a company has belongs to shareholders. The mandate is not to use it for CSR.”
- “The money that a company pays back to investors in the form of dividends and buybacks could be used for donations by investors rather than the company investing in CSR. Investors could do it better – it’s their money.”
- “Management capability is extremely limited and managers should focus on doing what one does best. A lot of money in CSR lends itself to abuse and personal preferences.
- “Corporations influence society in the guise of CSR all over the world. Look at the tobacco companies.”

The CFO Perspective 2

CFO of Major Hong Kong Conglomerate

- “Responsibility for CSR is often given to the wrong people in the company. If it’s run by a department it tends to be ineffective. For it to work it has to be run from the top, become imbedded in the company’s thinking.”
- “Regulations in this part of the world are often quite comprehensive, but the enforcement is terrible. Companies do have a responsibility to support social welfare beyond the statutes.”
- “You are betting shareholders’ money, and there is a cost to profits, but the company has to operate in a position of trust with the community, so the expenditure is worth it. It’s our job to argue the case.”
- “Sure it’s difficult to track results of sustainability programs. But the elements of CSR are by their nature tough to track, and let’s not get too concerned about tracking them.”

Summary

- **Is the Boffin View too simplistic?**
- **Maybe, but CSR as it stands is built on erroneous assumptions.**
- **How can CSR contribute to the improvement of social welfare in developing Asia?**

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