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Corporate Social Responsibility: Fallacies and Flaws

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CORPORATE SOCIAL RESPONSIBILITY: FALLACIES AND FLAWS

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Over time, the ideals of business and society have become discordant from one another. When exactly this occurred is not as important as the effects it has had. When society began asking more from business, it voiced its concerns over companies solely existing to create profits, as well as their lack of responsibility to society. Consequently, businesses were coerced into performing acts of Corporate Social Responsibility (CSR), and philanthropy, to justify the profits they receive. However, in the pursuit of CSR, both business and society got short changed. They misconstrued the tenants of CSR. Each thought that it was the answer to their problems.

Through an examination of the relationships between companies and CSR, several flaws can be indentified. For instance, organizations, in order to remain competitive, are forced to adopt CSR acts and policies to their business strategies. This may not be entirely consistent with the tenants of social responsibility. Forcing a company to do good may make the act itself disingenuous. In the same manner, it becomes wrong for a business to make a profit off its efforts of CSR. Additionally, in an effort not to waste time, businesses are quick to adopt CSR and may fail to consider the responsibilities and ramifications that come with their new acts. Lastly, this paper will attempt to put the ills of CSR into focus, in order to reclassify and readjust the term, as well as offer a possible solution.

History of Corporate Social Responsibility

The origins of CSR can be traced back to before World War II (Carroll & Shabana, 2010). In 1946, Harvard Business School Dean Donald K. David alluded to CSR at a commencement speech. David advised the graduating class to “take heed on the responsibilities that had come to rest on the shoulders of business leaders” (as cited in Carroll & Shabana, 2010). In the 1950s, concerns such as those of Frank Abrams, the executive at Standard Oil Company, in New Jersey were made. Abrams believed that management should consider their workers and consumers, as well as the community, and not simply focus on returns (Carroll & Shabana, 2010).

To follow were the many civil rights and environmental movements of the 1960s, of which both encouraged, and were in-line with, some of the core values behind CSR (Carroll & Shabana, 2010). However, it was not until the 1970s that the term CSR began to take off, gaining more attention as evidenced by the number of topics in academic journals. It was during this time that formal definitions of CSR began to arise with a focus on accountability and responsibility. Over the last two decades, more research was conducted to link CSR and finances, as well as examining the global perspective of CSR (Carroll & Shabana). CSR was further solidified as a business concept with the corporate misdeeds of the 2000s: namely Enron, Bernard Madoff and Goldman Sachs. At this time, the public began to criticize the greed of businesses, adding proof to their argument that the country should be asking more of their business leaders and consequently their businesses. Business ethics textbooks now cite corporate social responsibility as the "responsibilities that a business has to the society in which it operates" (Hartman & DesJardins, 2011, p. 206).

The Ethical Dilemma of Corporate Social Responsibility

Many may tend to forget that CSR is rooted in ethics. The current concept of CSR seems to go against the concept of doing good. If one has to be forced into acting a certain way, or feel the need to advertise the acts, it is no longer entirely genuine and sincere. Good should be viewed in terms of both the end result as well as the means utilized to achieve that result. Therefore, while doing good is admirable, oftentimes selfless and leads to good, how one gets there, or the path they take to achieve that good is just as important as what good it generates.

For example, take two organizations, where one does not advertise their philanthropic and CSR activities, and one that does. Despite the fact that both organizations are doing good deeds, it is the organization that chooses to advertise these deeds that is perhaps less good. In fact, this could even be the reason why there has been an increase of anonymous donations in recent years (Goose, 2009).

There are a number of articles in business journals which speak of the competitive advantage of corporate philanthropy and CSR as well as the strategies of how to get there. For instance, Maon, Lindgreen, & Swaen (2008), utilizing a series of case studies, created a nine step guide to implementing CSR for modern business. One such step requires businesses to adopt CSR policies and frameworks, which fits within their existing organization. Corporations now consult with agencies, non-profits, and academics in the name of CSR (Porter & Kramer, 2006). While the core concept of CSR seems innocent, these articles seem to provide a blueprint on how to maximize CSR which tends to leave one with an uneasy feeling. However, with increased accessibility and information gathering, society seems to want to know every good deed a company does, which perhaps puts business in difficult situation.

Does the ethical dilemma fall within the concept itself? Perhaps having to put a name to a concept objectifies the idea of social responsibility. Therefore, each time that companies participate in CSR for the wrong reasons, the core of the concept becomes jeopardized. The need to conceptualize the act of giving back into a term that can serve business is no doubt hypocritical. Why did corporate social responsibility need to be created? Perhaps it was created to satisfy businesses self-serving nature.

Is it Wrong to Make a Profit From Corporate Social Responsibility?

Determining whether or not it is wrong to make a profit from corporate social responsibility is a difficult question to answer. This itself is an ethical dilemma, of which perhaps is without a correct answer. However, like many ethical situations which pose a dilemma, one typically uses their best judgment after consulting their values and morals.

While it has yet to be determined whether CSR is good or poor business ethics, research has tried to delineate whether or not there is profit to be made on CSR. In a survey done with 200 American, finance and corporate social responsibility executives, most executives felt that CSR can increase profits (The Economist Intelligence Unit, 2008). In fact, this report states that 74% of American executives believe that CSR can increase gains “over time.” When asked their motives for doing CSR, 16% stated that their company’s goal was to raise gains, while another 13% said it was to lower costs (The Economist Intelligence Unit, 2008). Margolis and Walsh (2003) conducted a meta-analysis on the topic of CSR and profitability (N=127), and determined that there was, in fact, a relationship between acts of CSR and profitability. However, there are validity concerns with many of these studies (Margolis & Walsh, 2003). Ultimately, these study limitations bring doubt as to whether or not acts of CSR actually do lead to profits.

Therefore, individuals whom are making the decisions to embark on initiatives of CSR may be making the decision to do so solely for the sake of financial gains. As a consequence, profit is motivating more corporations to adopt initiatives of CSR. According to American economist Milton Friedman (1970):

> There is one and only one social responsibility of business--to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud. (p. SM 20)

As such, if the goal of business is to make a profit, does that hold true for all ventures, or is CSR an exception to this rule? In the same manner, does the pursuit of CSR outweigh the need for-profit? Hence, is making a profit the most important goal of CSR or is Friedman's philosophy flawed?

Implications of Corporate Social Responsibility

CSR has become both a competition and a race. Companies are trying to keep up with their competition. If a company's competitors are promoting their CSR acts, then that company must also do so to remain competitive. Naturally, the thought exists that only good can come from more companies participating and promoting CSR, however that is not always the case. Companies rush the idea of CSR, much like the race to get a new product to market and as such, may not contemplate the responsibilities, nor the possible consequences of their new venture.

Disingenuous Acts and Advertising

The case of Skechers ™ shoes versus TOMS Shoes ™ is a perfect example of how the pursuit of CSR should not be taken lightly. Mycoskie (2006), the founder of TOMS Shoes ™, created the business model of "one for one," while backpacking in Argentina and seeing many children without shoes ("One for one movement," 2011). Mycoskie's "one for one" model meant that for every pair of shoes that TOMS Shoes ™ sold, it would donate a pair of shoes to a child in need in a developing country. Mycoskie built his entire business on this concept. To be fair, it is unclear at times whether or not TOMS Shoes ™ can be considered a charity, or an organization based solely in philanthropy. Mycoskie ultimately opted to be a for profit organization because it allowed him to donate more shoes to children in need ("How we wear," 2011).

While TOMS Shoes ™ is a privately owned corporation and its financial standings are withheld, it is unclear just how much damage it was doing by taking away profit and customers from competitors within the shoe industry. By April 2010, TOMS Shoes ™ sold upwards of $33 million dollars worth of shoes during its four years of being in business (Binkley, 2010). It is clear that after observing Skechers ™ recent advertisements, that it was one of those companies who was now in competition with TOMS Shoes ™. In October 2010, Skechers ™ released their newest line of shoes called Bobs ™. To follow was the advertising and marketing blitz for the new line of shoes. Bobs ™ was a shoe that looked practically identical to TOMS Shoes ™ by shoe style, label and advertisements. In addition, Skechers ™ decided to market their shoe in the same fashion as TOMS Shoes ™; for every pair of Skechers ™ shoes purchased, Skechers ™ would donate a pair of shoes to children in need. Skechers ™ cites that its Bobs ™ shoes, "isn't a new idea, but it's a great idea and happy to be part of a charity movement that has potential to impact so many" ("Our story," 2011, para. 1). It is unclear if this statement was on Skechers ™ website at the time that it first introduced Bobs ™ to the market, or if this statement was Skechers ™ response to criticism. Either way, Bobs ™ appeared to be the younger brother of TOMS Shoes ™, identical in almost every way, however just more immature and disingenuous.

In the past, Mycoskie, not in the context of Bobs ™, has been cited as stating that he hopes that other companies will follow suit in his business model (Mainwaring, 2010). However, CSR and personal blogs quickly began to indicate a negative response to Bobs ™. Society began to pick up on what they felt was a disingenuous act by Skechers ™. Their motive at this time cannot be truly known.

Was Skechers ™ out to do good, or out to remain competitive? Was it out to gain customers and at the same time line their pockets? The thought of some was that Skechers ™

entered into an insincere marketing campaign with its Bobs ™ product (Mainwaring, 2010, para. 8). This was evident on numerous blogs/forums, which called for the prompt removal of the entire Bobs ™ brand. Furthermore, Skechers ™ blatantly copied TOM's business concept, marketing and advertising strategy, and the product style. The only real difference was the price, with one being $5.95 cheaper, which again could have more of the "disingenuous marketing campaign" ("Shop Bobs"; Mainwaring, 2010, para. 8). Therefore, Skechers' ™ implementation of CSR with their Bobs ™ product mocked, as well as blurred, the lines CSR. While the motives behind their actions cannot be confirmed, their attempt at CSR and their actions were of those of a company who seemed that they were forced into it in order to remain competitive or for a possible motive of profits. Their very motives question, objectify and jeopardize the concept of CSR.

Untoward Consequences of Corporate Social Responsibility on Business

The decision to participate in CSR, is at times, a no win situation. If corporations submit to CSR, they open the door to another realm of criticism. Adopting policies of CSR also can lead to a certain degree of vulnerability for companies, which can shake the very foundations on which the business is built, which is operating to make a profit. However, if companies choose to not enter into CSR acts, they may still be criticized by not just society, but the business world itself for not staying current.

Generally speaking, organizations with exemplary models of CSR have not faired any better than their non-CSR competitors (Vogel, 2008). For instance, Starbucks ™, a leader in CSR, had their shares decrease by almost 50% in the first half of 2008, despite its aggressive initiatives on fair trade and environmental impact. Vogel notes, "the long-term performance of socially responsible investment funds has been no better, or worse, than those of funds that use other criteria to predict shareholder value" (Vogel, 2008, para. 6). One of the many reasons why there is not a difference in profit for the companies, whom project CSR, is because most consumers make their purchase decisions on "price, convenience and quality" (Vogel, 2008, para. 7).

Some companies, in their quest to remain true to CSR, are falling behind. American Apparel ™, a clothing store in the United States, refused to have their products made outside of the country (Preston, 2009). Not only are they deep in debt, but authorities in 2009 raided one of their factories and found that one quarter of their workforce were illegal immigrants (Preston, 2009). One has to ask the question that if American Apparel ™ was not trying to hold true to its promises of corporate responsibility, would it have been in that mess?

Perhaps even more perplexing is the case of General Electric ™ (GE). GE ™ appeared to be a CSR forerunner with their introduction of their "Ecomagination" line of products, which were all environmentally responsible as well as praised by environmentalists (Vogel, 2008). While the "Ecomagination" products brought large sales, its stock price did not rise. It has also been cited that GE ™ was profitable under its previous CEO Jack Welch, whom was no friend of "environmental responsibility" (Vogel, 2008, para. 12). Welch, in February 2011, noted that if GE ™ "…doesn't turn green into green, it doesn't turn out to be a helluva good business. The whole idea is to grow jobs…the main social responsibility for a company is to win" (Singh, 2011, para. 2).

Furthermore, Carlos Torelli, an assistant professor of Marketing at the University Minnesota Carlson School of Management, through his research, discovered that incorporating CSR into the business of 'luxury brands' could prove detrimental to the brand (Torelli, Monga,

& Kaitkati, 2011). Torelli found that "luxury brands" received more criticism by subjects after viewing commercials, including their CSR policies, than non-luxury brands (Torelli et al., 2011).

Untoward Consequences of Corporate Social Responsibility on Society

The pink-ribbon breast cancer awareness symbols are everywhere. They are on water bottles, every form of apparel, key chains, markers, blankets, and even in the shape of pastries. Name a product and one can probably find a pink ribbon on it. However, with the abundance of news attention, as well as marketing and advertising within the marketplace, one could be led to think that the breast cancer must be the single most prevalent killer of women in the United States or even the world, but that is not true ("Breast-cancer awareness," 2007). Did organizations, contribute to sending out this wrong message? According to the Centers of Disease Control (CDC), heart disease is the number one killer of women and men in the United States ("Heart disease is," 2011). Furthermore, while the CDC states that breast cancer is the most prevalent cancer in women, it is not even the number one cancer killer, which is lung cancer ("United States Cancer," 2011). One has to wonder where all the red ribbons and red dresses are to bring awareness to heart disease, the number one killer of women in this country, as compared to the pink ribbons? Is it simply that there was more marketability and profit margin available to organizations along the way? Did the sensualization of breast cancer hold more clout than that of heart disease? Perhaps breast cancer is simply a sexier topic than heart disease.

However, the real problem is that businesses are participating in a movement that they should not be. Are companies joining forces with Breast Cancer Awareness Month and products that go back to foundations to aid breast cancer research, doing women the most justice? There are many women in this world whom think that their single biggest enemy is breast cancer, and as long as their mammograms are normal, that they are in the clear, when that is not the case. It is concerning that women can be negligent about the facts of heart disease and their gender. While they may be purchasing a pastry in the shape of a ribbon for breast cancer awareness month, they are instead contributing to another killer: cholesterol and heart disease. In this manner, organizations, in their plight to do good, are doing more harm, yet adding to the argument that organizations should stick to what they know best.

In the same manner, consumers are often not aware of exactly how much of their purchases from pink items actually go to the to the foundations they support. Perhaps many businesses have become keen to the idea of how much they can possibly make on such products. Moreover, business can reap profits by taking a percentage of the overall sale, instead of donating all proceeds from the sale to research. Thus, businesses profit from breast cancer awareness campaigns, while at the same time, appear as if it is part of their CSR ("Breast-cancer awareness," 2007).

Stefano Puntoni, an associate professor of marketing management at the Rotterdam School of Management, and partner researchers Steven Sweldens of Insead and Nader Tavassoli of London Business School found that women who were "primed with gender clues," such as the color pink, felt that they were "far less likely than the control group to think they'd get cancer and far less likely to donate" (Puntoni, 2011, para. 2).

Moreover, The British medical journal, Lancet Oncology, notes that while such awareness campaigns can bring good, it can also promote increased unreasonable worries not previously there. For example, mastectomies, requests for breast cancer screenings, and hereditary breast cancer testing through embryos, are all on the rise. Awareness campaigns and products could be contributing to these fears, thus leading women to make decisions they might not have previously made, due to their feelings rather than facts (“Breast-cancer awareness,” 2007). Lancet Oncology has even gone as far as stating that, perhaps “awareness campaigns should be better coordinated” to ensure that the masses are not being saturated with a message which may lead to a loss of efficacy. Furthermore, the journal feels that there should be some reevaluation “of the need for direct to consumer advertising in countries where it is legal” (“Breast-cancer awareness,” 2007, para. 5).

A New Term and Standard for Business and Society: ISRP

The concept and practice of CSR is not without merit. However, the shortcomings of CSR cannot be ignored. Organizations are, at times, in an attempt to achieve financial gains, forced into adopting CSR. In some instances, they respond disingenuously. This is not consistent with the tenants of social responsibility. Businesses, in a quest to quickly add CSR to their business strategy, at times, fail to consider the responsibilities and ramifications of which come with these actions. Their actions can have negative consequences on both business and society as a whole. One cannot help but conclude that adopting and implementing CSR policies may lead to more harm than good.

Perhaps the concept of corporate social responsibility needs to be reevaluated or deemed obsolete. Instead, there should be two types of businesses, one who operate for profit, such as Skechers ™ and the others whom operate for philanthropic causes, such as TOMS Shoes ™. While that may seem as if that is the path to the least good, it may not be. If business leaves giving back, doing good, and philanthropy, to those who do it best, would it not get more done? If business eliminates the “fake” social responsibility being committed by corporations and replaces it with genuine giving back, how can business loose?

While society has contributed to the CSR movement through purchases or business actions, it could support a new movement which might do even more good: an Individual Social Responsibility Policy (ISRP). CSR could be replaced with ISRP. Instead of forcing companies to include their CSR in annual reports, perhaps society should do such inventories of themselves. If each person is held accountable to themselves and those around them, in terms of what they are doing to give back, cannot the most be done?

In the same manner, holding companies to the standards we wish we could hold ourselves to is wrong. Society is quick to judge the behavior of CEO's and the mass wealth they generate as wrong. However, perhaps shareholders and society should be asking more of these executives and the organizations instead of merely calling them greedy. Perhaps executives need to reveal their ISRP's during the interview process. It seems to me that if their ISRP's were as impressive as MyCoksie's, an individual who values many things, maybe we would not have some of the corporate scandals as of late. As such, it is the purpose and responsibility of a business to create profits, for a charity to raise funds and awareness, and for individuals to give back to their communities. Therefore, each should be left to their own purpose and responsibilities, allowing each to do what they do best.

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