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SOCIALLY RESPONSIBLE BUSINESS

# The First Rule of Corporate Social Responsibility Is Not What You Think

What corporations do to society is far more important than what corporations can do for society.

By Peter Karoff | 2 | Dec. 10, 2012

For some, the very notion of corporate social responsibility remains an oxymoron. For example, the push-back that I get in my class in the Global and International Studies program at UCSB is that corporate social responsibility (CSR) as a concept is part of the neo-liberal conspiracy to make everything market-driven, and students view me as the spokesperson. I will say that after giving me a hard time, they ask how they can get a job working for those exact same corporate culprits.

Peter Drucker, perhaps more than any other influential thought leader on management science, wrote expansively and passionately on what he termed "The Age of Social Transformation," which identified the growing potential and creativity of both nonprofit and for-profit private sector organizations. Drucker also differentiated between two types of corporate social responsibility: those having to do with social impacts or what business does to society and those having to do with social problems or what business can do for society. INSEAD Professor Craig Smith called Drucker's distinction "the bounded goodness of corporate social responsibility."

In the Council on Foundations practitioner's guide to corporate philanthropy published earlier this year are the results of the 2011 poll on society's expectations of corporate responsibility. The poll differentiated along the same lines as Drucker. For what the poll termed "operational responsibilities"—such as producing safe and healthy products, not harming the environment, ensuring responsible supply lines, and treating employees fairly—there was no surprise: The poll found that people have very high expectations, with 61-79 percent believing that companies should act responsibly. For "citizenship responsibilities"—those things that companies can do for society, such as making goods available to low-income customers, supporting community projects, increasing global sustainability, human rights, reducing the rich-poor gap, and solving social problems—those surveyed had much lower expectations—only 31-53 percent believe that companies should act responsibly.

What does this tell us? I think it tells us that the first role of corporate responsibility is the first rule of life—which is to do no harm. If a business is not successful in satisfying that imperative, no amount of charitable giving, employee volunteerism, or creative ideas around social innovation is going to matter.

That is the fundamental tension, and it reminds me of the push back on CSR I got when interviewing eBay founder Pierre Omidyar for The World We Want book. Pierre found the term itself offensive, in that it carried an assumption that corporations were bad actors and had to establish specific programs to rectify those actions. That is not the kind of company eBay was or aspires to be, and yet there are "bad" corporate actors, and those are the ones who get the most press.

Doing no harm, however, is not merely a zero-sum game if there is evidence of improvement between what is prevented from happening and positive societal expectations. For example, if a company is an extractor of natural resources that, unchecked, can devastate ecology, and the company invests in and implements systems to preserve and sustain that ecology, doing no harm is far more than defensiveness—it is a proof that business and the world can productively co-exist.

This suggests that the most creative role for corporate social responsibility and philanthropy goes far beyond being an act of redress, correction, amendment, or atonement for a misdeed. The toughest return on investment for this work—and the most important—is in the "heart of darkness" that every commercial venture must face one way or another. Think about the courageous leadership role played by Reebok International within the footwear industry on worker equity and human rights. Or the Shell Global-led transparency agreement between the extraction industry and developing countries in which it operates—a ten-year effort that radically reduced fraud and abuse of funds. The value added for corporate philanthropy—defined in the broadest terms—is not frosting on the cake of goodness; it's meeting squarely those aspects that are most troubling. To turn a negative into a positive is a very good thing indeed.

This raises the ante I think—it raises the potential of the corporation as a platform for creative work in the resolution of social dilemmas, and it raises the bar for those who work in this field.

It also dramatically shifts the influence and position of CSR in the corporate culture from one that is often-marginalized and on the sidelines, to one that is at the center of operations and planning.

So, is this an accountability discussion? The answer is yes. The first question for every actor in the public space, including corporations, is: To whom and for what am I accountable? At the end of the day, we do have accountability for our actions as they play out in a community, literally and figuratively, on the ground or in the sea, and for multinationals around the world.

Is this a values and moral discussion? The answer is yes. The intersections between the values of the actor and, in the case of a business (its stated operating principles), the expectations of its associates, markets, and customers, and the indigenous communities it works within, are the pathways that corporate social responsibility and philanthropy travel.

At the 2007 World Economic Forum in Davos, Richard Parsons, then chair and CEO of Time Warner, said this: "It isn't a question of corporations acting in a socially responsible manner. The reality is that we—multinational companies—have no choice but to own the situation. Nation states cannot do it alone."

This may only reaffirm my status as a certified neo-liberal, but I agree!

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