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Corporate social responsibility: An old wine in a new gourd

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A corporation's moral obligation is said to be sustained by two viewpoints: the narrow and broad views. The narrow view restrains a corporation's moral obligation to the corporation's owners and shareholders while the broad view, which is often deployed to support Corporate Social Responsibility initiatives, extends the corporation's moral obligation towards others beyond the confines of the corporation walls to include all stakeholders, and the environment in which the corporation operates and so on. We argue from an ethical perspective that this dichotomy is a facade. We conclude that the broad view is indeed a narrow view in disguise.

Key words: Corporate Social Responsibility (CSR), broad view, narrow view, stakeholders, stockholders, egoism.

INTRODUCTION

According to Decker (2004), the traditional view of corporations is that companies have primary, if not sole, responsibility towards its owners, or stockholders. Here, corporations have only two obligations – to obey the law and to make money for their stockholders. However, Corporate Social Responsibility (CSR) principles documented in ISO-26000 (10E), an internationally recognize guideline for CSR initiatives, require organizations to adopt a broad-view responsibility beyond legal and profit commitments to include, not only the welfare of stockholders but many other constituencies. These include employees, suppliers, customers, the local community, local government, central government, environmental groups, and other special interest groups (Viswesveran et al., 1998). On this score, Corporate Social Responsibility initiative are said to be largely driven by ethical commitments to ensure that corporations are morally responsible for their actions in the local communities in which they operate. We shall argue that these CSR interventions are strategies designed to promote the interest of corporations to enhance organizational performance. The study is divided into three broad sections. The first section carefully examines some key definitions of Corporate Social Responsibility (CSR). The second section reviews the debate between the narrow view and the broad view perspectives of CSR. In the third section, we argue that the broad view is a narrow view in disguise.

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What is corporate social responsibility?

Corporate Social Responsibility has been a topic of academic study for many years. Yet, due to the dynamic nature of the concept scholars failed to arrive at a common definition. Broadly speaking the concept of CSR elicits social, economic and environmental connotations. In this regard, McWilliams and Siegel (2001) aver that CSR activities have been posited to include incorporating social characteristics or features products and manufacturing processes (e.g. aerosol products with no fluorocarbons or using environmentally friendly technologies), adopting progressive human resource practices into advancing the goals of community organizations.

In pursuant to the above, Blowfield and Fryna's (2005) define CSR as an umbrella term for a number of theories and practices all of which accept the following: a. that companies have a responsibility for their impact on society and the natural environment, sometimes away from legal compliance and the responsibility of individuals b. that companies have a liability for the behaviour of others with whom they do business (e.g. within supply chains) and c. that business needs to manage relationship with wider society, whether for reasons of commercial viability or to add value to society.

Blowfield and Fryna's (2005) definition gives the link between corporations and their community through CSR policies. Thus, the fundamental theme of CSR is that corporations and communities are interlinked rather than distinct entities (Wood, 1991). In fact, this trend has now become globally visible as more business owners have started to work on social implications of their activities. One can discern from the above that current CSR definitions do not only meet the stockholders (owners) but that of stakeholders as well.

Two views of corporations’ responsibility

There are two fundamental views that motivate a corporation’s responsibility towards its target group. These are the narrow view, which restrains corporations’ responsibility only to its owners and shareholders, and the broader view, which broadens corporations’ responsibilities to encompass other target groups beyond the corporations’ owners and shareholders.

The narrow view of corporate responsibility is sustained by a traditional doctrine, according to which a corporation possesses only two obligations – to obey the law and to make money for their stockholders (Olen and Barry, 1992: 426). That is to say that a corporation’s primary or sole responsibility is to make profits in order to maximize the value of investment and to improve growth to the benefits of its owners, or stockholders (Decker, 2004; Bakan, 2005). Scholars have raised various arguments to support the narrow view and we will rehearse a few of these arguments.

Milton Friedman is often cited as one scholar who vehemently upholds the narrow doctrine of corporate responsibility (Friedman, 1962). He argues that the entire corporation’s obligation should be reduced to a simple directive, that corporation should follow the law, ethical custom and beyond that use all its resources to increase its profits. He attacks the broad view stating that arguments for corporate social responsibility initiatives are nothing but a fundamentally subversive assault on the traditional corporate doctrine which maintains that the directors of companies owe a moral duty to the shareholders to act in the shareholders’ best interests and to maximize their wealth only. He remarks:

> The view has been gaining wide spread acceptance that corporate officials and labour leaders have a ‘social responsibility’ that goes beyond serving the interest of their stockholders or their members. This view shows a fundamental misconception of the character and nature of a free economy. In such an economy, there is one and only one social responsibility of business – to use its activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engage in open and free competition, without deception or fraud (Friedman, 1962).

Friedman borrows heavily from John Locke’s and Adam Smith’s libertarian or capitalist views concerning the development of corporations and property rights. Locke believes that freedom is a natural right meaning that in a state of nature, all inhabitants would be equally free and governed by only moral principles imposed by a supreme being. He argues further that this natural right to freedom should also accompany the natural right to privately own any property that, by one’s own labour, has been taken from nature. According to John Locke:

> Every man has a property in his own person: this nobody has a right to but himself. The labour of his body, and the work of his hands, we may say, is properly his.[1]

This in effect buttresses the argument that a corporation’s sole responsibility is to maximize profit for its owners and shareholders. This is because it is from the fruit of labour of the corporation’s owners and shareholders that has yielded the profits accrued from the company.

Friedman’s argument appears to rest on Adam Smith’s idea of free market economy argument (Smith, 1776), where the latter argues that organizations should be free to promote their own economic interest as such actions turn to benefit the whole society in the end. Adam Smith, Father of Economics posits that there is an ‘invisible hand’ that controls the market and the economy eventually equalises the net effect of the decisions by traders,

[1]Locke, J., Two Treatises of Government at 328-329 (Laslett ed. 1963)

players in the financial sector, and the economy at large. This thinking can be argued to be the bedrock of much modern capitalist society.

Another argument often raised to support the narrow view is drawn from moral and legal status of corporations. According to Olen and Barry (1992: 126), Although corporations are legal persons, they cannot be considered persons in moral sense. Corporations are nothing more than artificial creations of the legal system, and that makes their status as legal persons a mere legal fiction. Unlike real person a company cannot be held as a moral agent, or someone who can assume moral responsibility for its action and can be held morally accountable for them. It cannot, rightly speaking at all. Individuals in the corporation can act, and they can certainly be responsible for all they do, but how can a corporation which is nothing but organization composed of individual agents, be itself an agent that acts morally or immorally?

The morale of the above argument is that as long as a corporation is not a real person, we cannot speak of it as having a moral obligation towards a society or a certain group. The argument goes that it is only a sound human adult who can be endowed with morality, an endowment traditionally anchored on the condition of rationality. That is to say, it is by virtue of our inclination to reason, as human beings, which makes us rational agents capable of making moral decision. But corporations are non-human entities and cannot be considered as moral agents. For this reason, proponents of the narrow view argue, we should eschew the practice of considering corporations as moral agents who are capable of performing or fulfilling their moral obligation towards the communities in which they operate.

A further argument supporting the narrow view contends that corporation owners and shareholders lack the moral and social expertise to carry out social intervention programmes. In other words, corporations ought to allow governments and its officials to deal with social problems whilst businesses also do what they know best. A related argument is that since the sole aim of businesses is to make profit for its owners and shareholders, any other commitment will place corporations' activities outside their core duties (Hayek, 1969).

Sharply opposed to the narrow view is the broad view which asserts that profit is not the core motive of corporations. Defenders of the broader view assign social responsibility to corporations outside the corporations' primary self-interest. The arguments supporting the broad view are not farfetched. First of all, it is argued that corporations must embark on social initiatives for their own long-term self-interest. The thrust of this argument is that if corporations will have the luxury of operating for a longer period, then it will be in their own interest to undertake either environmental or social initiatives that will preserve the healthy climate in which they operate (Carroll and Shabana, 2010).

Secondly, it is argued in support of corporations that they have moral obligations to all the stakeholders who are affected by their actions and inactions. These include shareholders, employees, customers, suppliers, the society and the environment. This argument entreats organizations to evaluate the repercussions of their initiatives and choices with regards to their stakeholders. For instance, in the wake of the shift from manufacturing to service industry, we witnessed the relocation of businesses, closing of plants, manufacturing, and the layoff of a greater number of workers. Defenders of broader view argue that corporations must accept responsibility for problems they have caused and address them through social intervention programmes (Goodpaster and Matthews, 1982).

A further argument justifying corporations' social initiative programmes is that corporations of today possess great economic power and this comes with responsibility. Since organisations today are often large and influential entities with a pool of great talents, great expertise, and huge capitals, it is crucial to give businesses the chance to embark on social intervention programmes as governments should not be made to carry the entire burden of the society (Davies, 1973).

Now let's turn our attention to some theories that seek to support the broad view. From the discussion, it appears that the concept of the broad view is predicated on three main theories: stakeholder theory, social contract theory, and legitimacy theory. The stakeholder theory is used as a basis for analyzing those groups to whom a firm should be responsible. Stakeholder theory can be looked at from two angles; primary and secondary. Clarkson (1995) defines a primary stakeholder group as one without whose continuing participation the corporation cannot survive as a going concern. The primary group includes shareholders and investors, employees, customers, suppliers, governments and communities. Primary stakeholders basically provide infrastructure, markets, laws and regulations for the players in a particular industry. The secondary groups are defined as those who influence or affect, or are influenced or affected by the corporation, but they are not engaged in transactions with the corporation and are not essential for its survival. Secondary stakeholders are made up of the local, civic institutions and groups, special interest groups, trade and industry groups, media and competitors (Schwartz and Carroll, 2003).

Consequently, Freeman's (1984) stakeholder theory avers that managers must satisfy a variety of constituents e.g. workers, customers, suppliers, local community organizations who can influence firm outcomes. Donaldson and Preston (1995) also contend that companies have ethical obligations to its stakeholders. For them, it is not sufficient for managers to focus exclusively on the needs of stockholders, or the owners of the corporation. It is imperative for corporations to pay equal attention to CSR activities that non-financial stakeholders perceive to be important. Failure to meet obligations that arise as result of this corporation-stakeholder relationship has negative implications such as withdrawal of support which can affect the growing concerns of the business.

According to the social contract theory, it is in everyone's interest to live in a society than alone in a state of nature. But to live in a society, people must agree to follow certain rules and these rules imply corresponding rights. In the context of CSR, a corporation ought to act in a responsible manner not because it is in its commercial interest, but because it is part of how society implicitly expects business to operate.

In CSR, legitimacy theory is a generalized assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions (Gray et al., 1996). The argument is that the more resources each of us has, the more power each of us has to do something about the problem we face as a society. Hence multinational entities such as Microsoft, Coca-Cola, Toyota, Samsung etc… are morally bound to undertake CSR activities.

The broad view, a narrow view in disguise

While the narrow view rests on the fundamental assumption that corporations do not possess extra responsibility besides making profit for its owners and shareholders, the broad view supports Corporate Social Responsibility (CSR) initiatives, according to which the fundamental aim of corporations is to seek the interest of 'others' beyond the corporations' boundaries. These others include employees, customers, the local environments, the government, etc.) Our focus here is to argue that the broader view is a narrow view in disguise.

Let us begin by looking briefly at the ethical underpinnings of social responsibility initiatives. Corporate Social Responsibility is said to be a kind of utilitarian or altruistic initiatives where a corporation caters for the interest of others besides its own interest (Frederick, 1960; McGuire, 1963). This means that much of corporations' initiatives are geared towards maintaining the welfare of the society and the local communities in which these corporations operate. But is this really the case? Are corporations that altruistic to shirk their own interest for the interest of others? So what exactly is the ethical basis of corporate social responsibility initiatives? To answer these questions we will first of all require an answer to whether corporations are moral agents. Recall that one of the main stances of proponents of the narrow view is to assert that corporations are not or cannot be considered as moral agents because they are non-human entities (Olen and Barry, 1992). This claim appears to ride on the assumption that it is only human beings whom by virtue of rational inclination can be considered as moral agents. Since non-human entities do not have the capacity to be rational, they are considered amoral, in the sense that they cannot be morally praised or blamed for their actions. This argument appears to be seriously flawed considering the current advancement made in the area of ethics.

Currently ethical considerations have been extended to non-human entities to include sentient creatures. Peter Singer (1975) and some few others following Jeremy Bentham, the founder of utilitarian ethics, settle upon the concept of 'sentience', the capacity to experience pleasure and pain, as a less hypocritical - and arguably a more relevant - qualification for moral consideration. This is meant to secure the ethical standing of the so-called marginal cases and to cast the ethical net wider enough to encompass other human and non-human entities, since irrational, unintelligent, or irresponsible people and animals are capable of experiencing pleasure and pain. This argument opens membership in the moral community not to only human beings but all other sentient beings as well. In a similar vein, Goodpaster (1978) argues that all living beings, as well as animals, have interests and that beings who have interests deserve moral 'considerability' – a term Goodpaster uses to indicate precisely what he calls the ethical status of moral patients (those on the receiving end of moral action), as distinct from moral agents (whose commit moral act)

From the forgoing, it easier to discern that current discourse on ethics extends moral considerations to non-human entities to include corporation which are also non-human entities. On this note, it will not be out of place to consider corporations as moral agents since they have a moral interest in a form of responsibility or obligation towards the society. If corporations are moral agents what then are their moral foundations?

On a superficially level, Corporate Social Responsibility (CSR) initiative appears to be founded on altruistic ethics, a theory of moral conduct that regards the good of others as the end of moral action. According to Carroll and Shabana (2010: 95):

Corporation's ethical responsibilities refer to a corporation's voluntary actions to promote and pursue social goals that extend beyond their legal responsibilities. These goals are of importance to society or to different stakeholders in a society, but their promotion and pursuit are beyond the corporation's immediate financial interest.

This is a clear allusion to ethical altruism as the basis of a corporation's social intervention initiatives. This argument appears to suggest that the primary motive of a corporation is to seek the interest and wishes of others other rather than the interest of the cooperation itself. In other words, the actual beneficiary of a corporation's moral action should be some other entity instead of the cooperation itself. But are corporate social responsibility (CSR) protocols actually founded on the ethics of altruism?

To answer this question, it is pertinent to consider the core motive of CSR initiatives. Why should corporation offer scholarship schemes, provide social amenities or donate teaching and learning materials to communities in which they operate? Again, why should a corporation embark on health programmes to eradicate communicable diseases, reduce maternal and child mortality among others if not to establish stakeholder synergy, customer loyalty or gain government support and possibly escape some tax obligations? According to Carrol and Shabana (2010), when corporations engage in social intervention programmes, they receive numerous rewards in financial and economic terms including reductions in the cost elements of production and risk, enhancing corporate reputation, building of a strong competitive advantage and creating perceived win-win situations for the larger society in which they operate. This means that CSR initiatives are a disguised ways of making profit for corporations ridding at the back corporate social responsibility.

In fact, these days, CSR has become a necessary ingredient for competition and business survival. It has become a strategic decision often sanctioned after cost and benefit analysis. Companies such Price Waterhouse Coopers (an International Accounting Firm), Barclays Bank Limited and some Universities offer scholarships to brilliant students which they end up retaining in their workforce to keep a pool of very smart and productive employees.

In Ghana, for instance, Lever Brothers Company (Gh), now Unilever (Gh) Ltd, one of the largest manufacturers and distributors general goods sponsored a National Science and Maths Quiz Programme dubbed the Brilliant Science and Maths Quiz for half a decade (1993-1998).

The programme which was, and still very popular with Senior High School students, parents/guardians, and former students (old boys and girls) as they take great pride in the performance of their schools. The decision to sponsor this student-related program could be a strategic decision for creating awareness, educating, and appealing to their wide target markets to make purchasing decision that will favour them.

Students who were widely aware of this relationship almost two decades ago will are, now adults, more likely to make favorable buying decision in the interest of the sponsoring company. Similarly, Nestle Company Ltd, (Gh) the main sponsors of Inter-School and Youth Games will have a tremendous benefits for its goodwill to the people of Ghana provided all other things are equal. The point we are trying to make is that, Corporate Social Responsibility programmes appear to be an instruments for developing and sustaining stakeholder-relationship. CSR initiatives also enhance the moral credibility for corporations which eventually lead to customer loyalty.

Now, we can discern that corporate social intervention programmes are skewed towards the cooperation’s self-interest, which is making profit for owners and shareholders. To argue that Corporate Social Responsibility is driven by altruistic instead of self-seeking motives is a misrepresentation of corporation's core or hidden agenda. Put succinctly, any Corporate Social Responsibility policy couched as an act of sacrifice will be inimical to the growth and sustenance of corporations. The obvious reason is that any business that fails to initiate and engage in social intervention policies these days is bound to have a dry coffers and risks folding up.

Granted that a corporation’s core motive is to promote its self-interest, then the ethical foundation of a corporation’s social intervention policies are egoistic rather altruistic in the sense that it is in the corporation’s self-interest to undertake social intervention programmes directed at enhancing its own performers. On this showing, the hidden egoistic drive that propels corporations’ engagement in social intervention policies has crucial implications on the broad view. However, it might be objected that though a corporation’s motive is to make profit, corporations also engage in other social initiative that inure to the benefit of the society such as ethical and philanthropic initiatives. Porter and Kramer (2002) contend that such philanthropic gestures have a greater reciprocal benefit to the corporations in the form of fulfilling the welfare of their loyal customers and sustaining the loyalty of customers.

To make this point more lucid, it is important to draw a cleavage between the terms, selfish interest and self-interest. Both of these views are forms of egoism, the former denoting a kind of radical egoism advocated by Hobbes (1651) and the latter denoting rational egoism, the brand advocated by Ayn Rand. Psychological egoists are of the opinion that whatever an entity or a man does is for his own selfish-gains and these could involve crippling, destroying or impoverishing others to achieve this selfish ambition. Rational egoism, on the other hand, is the view that we ought to behave in a manner that will promote our own self-interest even if we have to engage in the good of others to achieve this (Rand 1964).

The broad view appears to be supported by rational egoism in the sense that it shows a kind of corporation’s engagement with others beyond its fortress in order to enhance business performance; effectiveness and efficiency and its growing concerns. This is the surest way of accumulating profit for owners and shareholders. If we grant this argument any plausibility, then the broad view is a narrow view in disguise. In fact, the core motive of corporate social responsibility policies, sustained by the broad view, resonates with the fundamental tenets of the narrow view in the sense that all social intervention programmes, albeit indirectly, are ways of enhancing the financial performance and sustainability of the company; no business will run social intervention programmes to its own disadvantage. So, when Friedman and others argue that a corporate sole responsibility is to make profit for its owners and shareholders, they do not mean that corporations should not engage in social intervention programmes in practice. Rather, what they mean, in essence, is that whatever policy a corporation embarks on whether within or outside its fortress is designed in principle to make profit for its owners and shareholders and also to enhance corporate performance.

Conclusion

From the discussion, it is clear that the concept of Corporate Social Responsibility is not altruistic as purported by the broad view. Rather, the broad view appears to be a perfect scheme for maximizing profit for stockholders. Adherents of the broad view therefore owe an apology to Friedman Milton and other defendants of narrow view for the assault on the traditional corporate doctrine that preached against extending responsibilities beyond the fortress of the corporation. Since the broad view acts only in its long-term interest, invariably, we can describe this action at best as Friedman Milton's old wine in new wine skin.

CONFLICT OF INTERESTS

The authors declare that they have no conflict of interest.

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