Corporate social responsibility

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The idea that corporations bear a responsibility that stretches beyond their shareholders is not new. Many companies in the 19th century built special housing for their employees in the belief that a well-housed employee was more productive than one living in a dump. In the early years of the 20th century, Theodore Roosevelt, then president of the United States, said:

Corporations are indispensable instruments of our modern civilisation; but I believe that they should be so supervised and so regulated that they shall act for the interests of the community as a whole.

He introduced antitrust legislation and rules on health and safety, and on working hours.

In 1987, Adrian Cadbury, head of the eponymous chocolate firm, wrote in Harvard Business Review:

The possibility that ethical and commercial considerations will conflict has always faced those who run companies. It is not a new problem. The difference now is that a more widespread and critical interest is being taken in our decisions and in the ethical judgments which lie behind them.

The debate then focused on how much of Roosevelt's supervision and regulation was needed to make sure that corporations act sufficiently in the interests of the wider community. Extreme free-marketers say all that is required to ensure the responsible behaviour of corporations is transparency about their affairs. Corporations will then behave responsibly towards the wider community without any coercion because it is in their own best interests. "Being good", said Anita Roddick, founder of an "ethical" cosmetics firm, The Body Shop, "is good business."

In the United States, the Better Business Bureau goes further and argues that unethical business is bad for business as a whole, not just for individual firms:

Unethical business practices create ill-will among customers and the community, not only toward a particular business firm, but toward business as a whole.

The recent debate about corporate social responsibility (CSR) has focused on three main areas:

• The environment. This has stretched way beyond the simple demand that companies stop belching smoke out of factory chimneys to a demand that they control their appetite for natural resources—for bits of Brazilian rain forest, for example, or for the skins of rare animals. The organised hostility to such behaviour has forced companies to change. For example, suppliers frightened by the venom of the anti-fur lobby felt compelled to boast: "Make no mistake; all our furs are fake."

• Exploitation. The second strand is the exploitation of workers, especially of women in the developed world and of children in the developing world. There is a feeling that globalisation has increased the power of multinationals to exploit the poor and underpaid, at the same time as it has weakened the influence of trade unions and other organisations designed to protect them.

• Bribery and corruption. The third strand focuses on corruption, in particular on the question of what constitutes a bribe (when does generous corporate hospitality step over the line?), and what protections should be given to whistleblowers (employees or other insiders who report corporate misdeeds). Here there is a strong cultural element to confuse the issue. What constitutes bribery in western countries, for example, may not be considered such in regions such as the Middle East.

Further reading

Hertz, N., “The Silent Takeover: Global Capitalism and the Death of Democracy”, Free Press, 2001

Porter, M.E. and Kramer, M.R., “Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility”, Harvard Business Review, December 2006

Roddick, A., “Body And Soul: Profits with Principles—The Amazing Success Story of Anita Roddick and The Body Shop”, Ebury Press, London, 1991

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