

Should Corporations Have a Conscience?



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Supporting Questions

1. What is corporate social responsibility (CSR)?
2. What are the benefits of corporate social responsibility?
3. What are concerns about corporate social responsibility?
4. Is social responsibility in the best interest of society?



12th Grade Corporate Social Responsibility Inquiry

Should Corporations Have a Conscience?

New York State Social Studies Framework Key Idea & Practices	12.E3 THE IMPACT OF AMERICAN CAPITALISM IN THE GLOBAL ECONOMY: There are various economic systems in the world. The United States operates within a mixed free-market economy characterized by competition and a limited role of government in economic affairs. Economic-policy makers face considerable challenges within a capitalist system, including unemployment, inflation, poverty, and environmental impact. Globalization increases the complexity of these challenges significantly and has exerted strong and transformative effects on workers and entrepreneurs in the United States economy. <input checked="" type="checkbox"/> Gathering, Using, and Interpreting Evidence <input checked="" type="checkbox"/> Economics and Economic Systems
Staging the Compelling Question	Research corporations' efforts to be socially responsible (e.g., Tyson Foods' "Hunger Relief," Häagen-Dazs' "Honeybee Preservation," and the "Ronald McDonald House" campaigns). Make a list of reasons why corporations would start these types of campaigns and what issues might arise from these efforts.

Supporting Question 1	Supporting Question 2	Supporting Question 3	Supporting Question 4
Understand	Understand	Understand	Assess
What is corporate social responsibility (CSR)?	What are the benefits of corporate social responsibility?	What are concerns about corporate social responsibility?	Is social responsibility in the best interest of society?
Formative Performance Task	Formative Performance Task	Formative Performance Task	Formative Performance Task
Create a classroom definition of corporate social responsibility (CSR).	Prepare for a structured academic controversy (SAC) by creating notecards summarizing the benefits of corporate social responsibility (CSR) and evidence to support each benefit.	Prepare for a structured academic controversy (SAC) by creating notecards summarizing the concerns about corporate social responsibility (CSR) and evidence to support each criticism.	Participate in a structured academic controversy (SAC) about whether social responsibility is in the best interest of society.
Featured Sources	Featured Sources	Featured Sources	Featured Sources
Source A: "What is Corporate Social Responsibility?" Source B: Excerpt from <i>Corporate Social Responsibility: Making Good Business Sense</i> Source C: Excerpt from <i>The Public Role of Private Enterprise: Risks, Opportunities and New Models of Engagement</i>	Source A: "Triple Bottom Line" Source B: "Does Social Responsibility Help Protect a Company's Reputation?"	Source A: "The Social Responsibility of Business Is to Increase Its Profits" Source B: "Hype vs. Hope: Is Corporate Do-Goodery for Real?"	Source A: Featured sources from Formative Performance Tasks 1, 2, and 3

Summative Performance Task	ARGUMENT Should corporations have a conscience? Construct an argument (e.g., detailed outline, poster, essay) that addresses the compelling question using specific claims and relevant evidence from contemporary sources while acknowledging competing views.
Taking Informed Action	ACT Write a letter reacting to the efforts of a company that is engaged in a social-responsibility project.



Overview

Inquiry Description

There has been much debate about the role of corporations and how they function in today's global society. Arguments abound as to whether or not these entities pay their fair share of taxes to the governments of the countries in which they operate and whether or not they have a social responsibility to act according to basic principles of human rights. Although corporations are said to provide jobs and direct investment in the economy, some argue that corporations should expand their missions to solve local and global problems. After considering the costs, benefits, and realities of corporate social responsibility (CSR), students should be able to make claims supported by evidence as to whether corporations should develop a conscience beyond their bottom line. This inquiry embeds the Taking Informed Action sequence throughout.

In addition to the Key Idea listed earlier, this inquiry highlights the following Conceptual Understandings:

(12.E3c) The freedom of the United States economy encourages entrepreneurialism. This is an important factor behind economic growth that can lead to intended consequences (e.g., growth, competition, innovation, improved standard of living, productivity, specialization, trade, outsourcing, class mobility, positive externalities) and unintended consequences (e.g., recession, depression, trade, unemployment, outsourcing, generational poverty, income inequality, the challenges of class mobility, negative externalities).

(12.E3d) A degree of regulation, oversight, or government control is necessary in some markets to ensure free and fair competition and to limit unintended consequences of American capitalism. Government attempts to protect the worker, property rights, and the marketplace as well as to promote income equality and social mobility have had varied results.

NOTE: This inquiry is expected to take four to six 40-minute class periods. The inquiry time frame could expand if teachers think their students need additional instructional experiences (i.e., supporting questions, formative performance tasks, and featured sources). Teachers are encouraged to adapt the inquiries in order to meet the needs and interests of their particular students. Resources can also be modified as necessary to meet individualized education programs (IEPs) or Section 504 Plans for students with disabilities.

Structure of the Inquiry

In addressing the compelling question “Should corporations have a conscience?” students work through a series of supporting questions, formative performance tasks, and featured sources in order to construct an argument with evidence and counterevidence from a variety of sources.

Staging the Compelling Question

The compelling question could be staged by having students research corporations' efforts to be socially responsible (e.g., Tyson Foods' “Hunger Relief,” Häagen-Dazs' “Honeybee Preservation,” and the “Ronald McDonald

House” campaigns). Students could make a list of reasons why corporations would start these types of campaigns, how they might identify a niche or cause, and what issues might arise from these efforts.

Supporting Question 1

The first supporting question—“What is corporate social responsibility (CSR)?”—initiates the inquiry by directing students to define the major tenets of CSR. The formative performance task asks students to create a classroom definition of CSR that incorporates the main ideas from the featured sources. The featured sources include three descriptions of CSR from the United Nations Industrial Development Organization, the World Business Council for Sustainable Development, and the Harvard Business School’s Social Responsibility Initiative.

Supporting Question 2

The second supporting question—“What are the benefits of corporate social responsibility (CSR)?”—has students consider the positive outcomes from companies adopting policies or programs that are socially responsible. The formative performance task asks students to create note cards summarizing the benefits of CSR and evidence to support each benefit. These notecards should assist students as they participate in a structured academic controversy (Formative Performance Task 4) in which they initially take one side of an issue and look at the evidence that supports that side before ultimately coming to a group consensus by considering all the evidence. More information on a structured academic controversy can be found in Appendix A and at the following website: <http://teachinghistory.org/teaching-materials/teaching-guides/21731>. The featured sources for this supporting question include an article from *The Economist* that explains the triple bottom line of “people, planet, and profit” and an article from MIT’s Sloan Business School detailing a study that reported on CSR and its impact on a company’s reputation and profits.

Supporting Question 3

The third supporting question—“What are concerns about corporate social responsibility (CSR)?”—has students consider the negative impacts of companies adopting policies or programs that are socially responsible. The formative performance task asks students to create note cards summarizing the concerns about CSR and evidence to support each concern. These notecards should assist students in participating in a structured academic controversy (Formative Performance Task 4). More information on a structured academic controversy can be found in Appendix A and at the following website: <http://teachinghistory.org/teaching-materials/teaching-guides/21731>. The featured sources include a *New York Times* article by Nobel Prize–winning economist Milton Friedman, who argues that maximizing profits is socially responsible behavior for corporations and a *Mother Jones* article by Bill McKibben questioning the motives of companies who engage in “do-goodery.”

Supporting Question 4

The final supporting question—“Is social responsibility in the best interest of society?”—anchors the formative performance task, which is a structured academic controversy that asks students to discuss the benefits and concerns of corporate social responsibility. In groups of four, two students should argue that that social responsibility is in the best interest of society and two should argue that it is not in society’s best interest. More information on a structured academic controversy can be found in Appendix A and at the following website: <http://teachinghistory.org/teaching-materials/teaching-guides/21731>.

Summative Performance Task

At this point in the inquiry, students have created a working definition of CSR and examined both the benefits and concerns about corporate campaigns that are grounded in CSR. Students should be expected to demonstrate the breadth of their understandings and abilities to use evidence from multiple sources to support their distinct claims. In this task, students construct an evidence-based argument responding to the compelling question “Should corporations have a conscience?” It is important to note that students’ arguments could take a variety of forms, including a detailed outline, poster, or essay.

Students’ arguments likely will vary, but could include any of the following:

- Corporations need to have a conscience. Consumers are starting to care about corporate social responsibility in making purchasing decisions, and this influences the bottom line.
- Corporations don’t necessarily need to have a conscience because they should care first and foremost about profits and stockholders.
- Corporations have a conscience because they generally practice good citizenship in the United States and abroad by creating better working conditions, protecting the environment, and positively influencing local and global communities.
- Corporations don’t necessarily need to have a conscience; corporate social responsibility (CSR) is often seen as code for more government regulation and oversight of the corporate marketplace, which, in the long run, benefits no one.

Students have the opportunity to Take Informed Action by using the information from the inquiry to evaluate a corporation that is actively engaged in a social responsibility project. Students demonstrate that they *understand* through their work on Supporting Questions 1, 2, and 3, while they *assess* social responsibility in Supporting Question 4. Students *act* by writing a letter expressing a reaction to a corporation’s efforts at CSR. This task can be done in addition to, or as a substitute for, the Summative Performance Task. Students could write a letter to the company sharing the results of the evaluation and noting whether they think the company should continue its efforts.



Supporting Question 1

Featured Source

Source A: Nicole Fallon, explanation of Corporate Social Responsibility, “What is Corporate Social Responsibility?” *Business News Daily*, 2015

NOTE: SME is an acronym for Small and Medium-Sized Enterprises

What Is CSR?

Corporate Social Responsibility is a management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives (“Triple-Bottom-Line- Approach”), while at the same time addressing the expectations of shareholders and stakeholders. In this sense it is important to draw a distinction between CSR, which can be a strategic business management concept, and charity, sponsorships or philanthropy. Even though the latter can also make a valuable contribution to poverty reduction, will directly enhance the reputation of a company and strengthen its brand, the concept of CSR clearly goes beyond that.

Promoting the uptake of CSR amongst SMEs requires approaches that fit the respective needs and capacities of these businesses, and do not adversely affect their economic viability. UNIDO based its CSR programme on the Triple Bottom Line (TBL) Approach, which has proven to be a successful tool for SMEs in the developing countries to assist them in meeting social and environmental standards without compromising their competitiveness. The TBL approach is used as a framework for measuring and reporting corporate performance against economic, social and environmental performance. It is an attempt to align private enterprises to the goal of sustainable global development by providing them with a more comprehensive set of working objectives than just profit alone. The perspective taken is that for an organization to be sustainable, it must be financially secure, minimize (or ideally eliminate) its negative environmental impacts and act in conformity with societal expectations.

Key CSR issues: environmental management, eco-efficiency, responsible sourcing, stakeholder engagement, labour standards and working conditions, employee and community relations, social equity, gender balance, human rights, good governance, and anti-corruption measures.

A properly implemented CSR concept can bring along a variety of competitive advantages, such as enhanced access to capital and markets, increased sales and profits, operational cost savings, improved productivity and quality, efficient human resource base, improved brand image and reputation, enhanced customer loyalty, better decision making and risk management processes.

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Supporting Question 1

Featured Source

Source B: Richard Holme and Phil Watts, study that examines what corporate social responsibility means as well as practices associated with that ethic, “Corporate Social Responsibility: Making Good Business Sense” (excerpt), 2000

HEADLINES

Our activity over the past months has significantly broadened and deepened our understanding of the many facets of CSR. Here are some of the most relevant findings: “the headlines”.

A recognition that:

- CSR is essential to the long term prosperity of companies as it provides the opportunity to demonstrate the human face of business—a vital link to society in general and, in particular, to the communities in which businesses are located;
- the value of creating practical partnerships and dialogue between business, government, and organizations cannot be underestimated;
- companies should say what they stand for and demonstrate it in action.

“Our position as the world’s leading media and entertainment company could not have been reached—and could not have been sustained—solely from business success. It rests equally on our tradition of social responsibility and community involvement. At the core of this enterprise is the determination to make a difference as well as a profit.”

Gerald Levin, Chairman and CEO, Time Warner, Inc.

Headline #1 CSR as the human face of business

In our first Report we concluded that a coherent CSR strategy, based on integrity, sound values and a long-term approach offered clear business benefits. The benefits then perceived are increasingly obvious to many corporate leaders: a better alignment of corporate goals with those of society, and indeed of the companies own managers maintaining the company’s reputation; securing its continued license to operate; and reducing risk and its associated costs. In other words, taking the longer term view. Since that Report, the key conclusions of which are set out in ‘Setting the scene’, the debate on globalization has intensified, bringing further compelling reasons for companies to focus on CSR. Today, therefore, our business-case argument has expanded to include the following points.

Concerns associated with globalization, free trade and foreign direct investment continue to be raised and could threaten investment and economic growth. These concerns often center on the belief that social and environmental standards are being compromised, or that investment decisions are insensitive to local needs and circumstances. CSR provides business with an opportunity to demonstrate that this does not have to be the case. Good CSR policies based on partnerships with host countries and communities and on implementing the principles of sustainable development can demonstrate a local commitment on the part of even the largest global company.

CSR represents the human face of the highly competitive world of commerce. Perception of this human face is a vital and necessary part of society’s willingness to accept the significant and sometimes (at least in the short-term) difficult charges brought about by elements of globalization.

If international companies set policies, however well intentioned, from remote corporate headquarters without fostering partnerships and local involvement in the communities in which they do business, they are likely to fuel feelings of alienation and suspicion. Business today simply cannot afford such alienation since those very communities are vital to a company's continued commercial success. Business needs a stable social environment that provides a predictable climate for investment and trade.

CSR is the means by which business contributes to that stability rather than detracting from it. By establishing and maintain a corporate agenda which recognizes social priorities and is tailored to meet them, business displays its human face to consumers, communities and opinion leaders. Training, the transfer of skills and expertise, new technological solutions, contracting of services, helpful infrastructure development, as well as community social and health programs and a clear commitment to human rights can all demonstrate the will to be a good local citizen and to help create sustainable livelihoods. By their social contribution, companies show the human face of globalization and reduce fears about the negative impacts of international business on local life.

For any company, giving a high priority to CSR is no longer seen to represent an unproductive cost or resource burden, but, increasingly, as a means of enhancing reputation and credibility among stakeholders – something on which success or even survival may depend. Understanding and taking accounting of society's expectations is quite simply enlightened self-interest for business in today's independent world.

Headline #2 Global principles — local partnerships are integral

Different businesses in different sectors inevitably put emphasis on different aspects of CSR. For example, a natural resource business may emphasize community engagement, whereas, a retailer may focus on supply chain management. As our dialogues demonstrate, different societies around the world have varying expectations and cultures. This means that universal codes—the “one-size-fits-all” — approach may not provide the answer.

We believe that companies should declare their own values and talk them through in open and transparent dialogue with those who have a stake in, or are affected by, their operations — whether they be central and local governments, IGOs, NGOs or local communities. External codes, guidelines or principles can provide a helpful backdrop or alignment, but there is no substitute for internal judgment as to what constitutes a constructive and practical partnership. Dialogue and understanding can lead to useful partnerships, based upon a clear appreciation of each other's expectations.

Headline #3 Say what you stand for. Demonstrate it in action. Make a difference.

Too many discussions about the meaning of corporate social responsibility are plagued with careful qualifications. The language is tentative, the objectives obscure. Participants in the debate can no longer afford the luxury of ambiguity. Meaningful change is necessary. Companies must move from being “observer and victim” to being “shaper and advocate.” (See *Multinational Corporations & Human Rights*, Department of Public International Law, Erasmus University, Rotterdam, Avery Chris.)

We believe that companies need to be clear about what they stand for and that they should speak openly and directly about their social values and conduct. In short, our message is: determine a position and state your thinking. If you decide, as a corporation, that human rights or social investment are a priority in your operations, make a commitment. Put some muscle behind what you stand for and back it up with action.

We see this pro-active stance as an important extension to our earlier thinking on the importance of being responsive to local and cultural differences when implementing global policies. Our global consultations reinforce our conviction that being responsive means demonstrating responsibility and local sensitivity in action.

In conclusion, our message is: Determine your values, then demonstrate them through specific initiatives. What matters is what you do and the difference you make.

SOUNDINGS

A regional perspective

An important element of the WBCSD's work on corporate social responsibility has been to explore what the issue means, both to business itself and to a wide spectrum of non-business stakeholders. We felt we already had a reasonably good grasp of the general European and North American perspectives on CSR based on our first dialogue in The Netherlands. But what were people saying about the issue in other parts of the world? We needed perspectives which reflected more local or community-based priorities.

Subsequently, we have discussed these issues with business and non-business stakeholders in another seven countries around the world. Our aim was to understand local perspectives better and gauge whether business is on the right track. In the following pages, we capture highlights from these encounters. (Please note that care was taken to accurately reflect people's comments. However, such an activity is subject to numerous interpretations and generalizations.)

It is significant that people are talking about the role of the private sector in relation to a social agenda and they see that role as increasingly linked to the overall well-being of society.

There was widespread understanding and support for the concept of responsible companies engaged with the well-being of societies in which they operate. Predictable, the priorities for action differed, according to the perception of local needs. What, then, did people see as local priorities? Based on regional dialogues, it can be summarized as helping to meet the needs of local society.

Does the definition of CSR pass muster?

"Corporate social responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large."

The above definition was developed in 1998 for our first CSR dialogue in The Netherlands. During the round of global dialogues, we invited participants to discuss this definition. The following emerged:

In **Taiwan**, it was felt that the definition should address:

- benefits for future generations
- environmental concerns (damage prevention and remediation).

"CSR is the contribution to the development of natural and human capital, in addition to just making a profit." -- WBCSD stakeholder dialogues, Taipei Taiwan, March 1999.



In the **USA**, people said:

- include more emphasis on the role of the individual
- reflect the need for greater transparency
- the term “economic development” does not adequately capture the breadth for the economic role of business in society.

“CSR is about taking personal responsibility for your actions and the impacts that you have on society. Companies and employees must undergo a personal transformation, re-examine their roles, their responsibilities and increase their level of accountability.” --WBCSD stakeholder dialogues, Detroit USA, May 1999.

In **Ghana**, it was said that the definition should mention the notion of:

- a global perspective which represents local culture
- building local capacity leaving a positive legacy
- empowerment and ownership
- teaching employees skills and enabling communities to be self-sufficient
- filling-in when government falls short
- giving access to information
- partnerships, because CSR does not develop in a vacuum.

“CSR is about capacity building for sustainable livelihoods. It respects cultural differences and finds the business opportunities in building the skills of employees, the community and government.” --WBCSD stakeholder dialogues, Accra Ghana, May 1999.

In **Thailand**, people said it should try to capture:

- the concept that the bigger the company, the greater the obligation
- the importance of environmental mitigation and prevention
- the need for transparency
- the importance of consumer protection
- awareness of and change in people’s attitudes towards the environment
- the relevance of youth and gender issues.

“CSR must be locally relevant and meaningful only if back up action.” --WBCSD stakeholder dialogues, Bangkok Thailand, May 1999.

In the **Philippines**, it was proposed that it should focus on:

- determining the real needs of stakeholders
- defining ethical behavior
- partnerships
- a visionary and leading role

“CSR is about business giving back to society” --WBCSD stakeholder dialogues, Manila The Philippines June 1999.

In **Brazil**, it was stressed that:

- all businesses, communities and stakeholders are responsible for sustainable development
- business should pursue high ethical standards both within their operations and within the broader community.

“CSR is about commitment to strive for the best economic development for the community, to respect workers and build their capacities, to protect the environment and to help create frameworks where ethical business can prosper.”- WBCSD stakeholder dialogues, Rio de Janeiro, Brazil September 1999.

In **Argentina**, participants felt that:

- CSR should stress business commitment and sustainable economic development
- Stakeholder participation was essential.

“CSR is about a corporation’s ability to respond to social challenges. It starts with developing good relations with neighbors. Companies should make a strong commitment to education, worker rights, capacity building, and job security. CSR is stimulating the economic development of a community.”--WBCSD stakeholder dialogues, Buenos Aires Argentina, September 1999.

As so, what can we conclude? Our original definition was reasonably consistent with the regional inputs but can be improved so that it now reads:

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

What key issues does CSR include?

In our first report, the following five topics emerged as priority areas:

- Human rights
- Employee rights
- Environment protection
- Community involvement
- Supplier relations.

What, then, was the reaction to this list of issues during the latest round of dialogues? Did participants in the regional events also judge these issues to be priority concerns? We summarize below the key messages and regional themes.

Human rights

Discussions about the role which companies play dealing with human rights elicited mixed reactions from dialogue participants. This is primarily because different regions interpret the term human rights differently. In several areas the term was narrowly interpreted to mean child and slave labor. In other areas human rights were seen as an umbrella to cover almost all social and environmental issues starting with the right to breathe clean air and drink clean water. The WBCSD did not attempt to define human rights, since the idea was to obtain reactions to what the term meant to participants, and ascertain their ideas on the role of business.

Many felt that companies had not business meddling in politics to pressure government on human rights issues. Others felt it imperative that companies should exert their influence in order to bring about change to ensure human rights were observed. Nearly all of the participants told us that upholding human rights within companies, and in areas directly influence or controlled by companies, was very important. Most stressed the importance of respecting local cultural differences and economic situations, which shape the perception of what human rights are and what constitutes a violation of human rights. Western concepts should not be imposed on others, they said. Furthermore, it was clearly felt that companies should contribute to improving human rights by building local capacity and increasing use of local goods and services in their operations.

Employee rights

All the dialogues stressed that the well-being of employees was paramount in any discussion of corporate social responsibility. Our interlocutors told us that employee rights should include the rights to enhance skills and capacity and that companies had an obligation to provide training to help ensure future employment be it with that company or with another. The importance of respecting cultural differences was also stressed during many of the dialogues, particularly with regard to cultural issues in the workplace. Many participants emphasized that the choice of how to be represented, including representation through unions was critical, as were issues of pay equity and fair compensation.

Environmental protection

How did the environment fare as a priority issue of corporate social responsibility? Most felt that environmental stewardship was an important component of CSR and that compliance with environmental legislation and regulations was fundamental. However, it was emphasized that while in many parts of the world such compliance is a given, in some areas this is still not the case. Poor enforcement capacity of some governments and the heavy economic burdens of upgrading old plants and cleaner technology are barriers to better environmental performance. Dialogue participants encouraged low cost technology transfer schemes and further exploration of self-monitoring as a means of improving environmental performance, particularly in parts of the world where government infrastructure and enforcement was lax.

Community involvement

Dialogue participants talked about the importance of company involvement and investment in the local community. This involvement was further defined to include such things as responsibility for skills training and ensuring that proper health and safety systems were in place to protect the community. Partnerships are seen as an important part of corporate social responsibility. Philanthropy and charity were mentioned frequently, but many participants emphasized preference for collaborative projects and placed greater stress on mutuality than on simply giving. The over-arching message was clear. Regular contact with the local community and ample opportunity for dialogue are extremely important. Companies may feel as if they are part of the community but until the rest of the community accepts them, there is much work to be done.

Supplier relations

Company relations with suppliers and contractors was not always deemed a priority among the dialogue participants. In Asia and Africa, although many recognized the issue as being important they felt that other issues should take precedence. Several spoke of the importance of increasing opportunities for national suppliers. In Argentina and Brazil, one of the key CSR issues was improving the exchange of knowledge, technology and ideas between suppliers and companies.

Capturing additional thinking

We were told that there were some important issues missing from our initial list. They included:

- Reporting/disclosure/transparency. In the Asian dialogues, we were told that demand for reporting was currently low but that this would grow in importance in the future. In the US, the discussions emphasized the need for greater transparency in reporting and auditing systems. In both Argentina and Brazil the demand for greater transparency had risen with the privatization of many industries.
- Principles/codes. In Thailand, we were told that codes were a relatively new tool but felt that in order to be useful, any code or set of principles needed to be adapted to local cultural situations. Codes were also regarded as a potentially good means to eliminate corruption. In Taiwan, we were told that corporations

suffer from an image problem and would benefit from some improvement to their overall reputation. In the US, participants stressed the need for better communication of ethics/principles in tune with societies expectations. These principles, if they were to have real value, would have to be communicated to internal and external audiences through good performance which has been independently verified. In Argentina and Brazil, the value of codes was thought to be limited.

- Consumer education/product usage/stewardship. Our South East Asian and North American dialogues emphasized the role of business in educating consumers about what products contain, about their proper use and disposal about the environmental impacts of the complete product lifecycle. In Taiwan it was suggested that business funds NGOs to develop general environmental education programs for the community. This was coupled with their strong government commitment to environmental education programs in schools starting at a very early age. In Latin America, consumer education was also seen as a critical element in promoting sustainable consumption.
- Communication. Deemed important, but actions speak louder than words. In Ghana, concerns arose around those companies that over publicize relatively modest contributions. Overall, it was felt that companies do not do a good enough job of communicating the good things they do and that community trust could be increased if companies would simply tell their story. The story, of course, needed to be transmitted in an imaginative form by respected local people in a fashion appropriate to the local community.
- Corruption is detrimental to investment and hence to the well-being of society. Corruption within government distorts the marketplace and represents a serious problem for business, particularly smaller companies who may not find it as easy to resist their larger counterparts.

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<http://www.wbcsd.org/pages/edocument/edocumentdetails.aspx?id=83&nosearchcontextkey=true>.

Supporting Question 1

Featured Source

Source C: Jane Nelson, article providing an overview of corporate social responsibility including risks, opportunities, and questions about this ethic, “The Public Role of Private Enterprise: Risks, Opportunities and New Models of Engagement” (excerpts), 2004

II. Defining Corporate Social Responsibility

One of the key challenges in studying and implementing responsible business practices is the lack of commonly agreed definitions and approaches, resulting in insufficient empirical analysis of what works and what doesn't, and in the blurring of boundaries between a number of related fields and terms. The term corporate social responsibility is often used interchangeably with others, including corporate responsibility, corporate citizenship, business in society, social enterprise, sustainability, sustainable development, triple bottom-line, societal value-added, strategic philanthropy, corporate ethics, and in some cases corporate governance.

“One of the key challenges in studying and implementing responsible business practices is the lack of commonly agreed definitions and approaches, resulting in insufficient empirical analysis of what works and what doesn't, and in the blurring of boundaries between a number of related fields and terms. The term corporate social responsibility is often used interchangeably with others, including corporate responsibility, corporate citizenship, business in society, social enterprise, sustainability, sustainable development, triple bottom-line, societal value-added, strategic philanthropy, corporate ethics, and in some cases corporate governance.”

There are also clear links between these terms and those relating to socially responsible investment, community investing, community economic development, social capital, public-private partnerships, collaborative governance, collective action. The experts in each of these areas can offer sound reasons why their term is different. For many practitioners aiming to define and implement responsible business practices, however, and for academics aiming to study their efficacy and impact, and for investors aiming to assess their risks and returns, this lack of clarity in definition can be an obstacle. It is not within the scope of this paper to review these different definitions and their connections, but readers are referred to the work on ‘Blended Value’ being undertaken by Jed Emerson and colleagues at Stanford’s Graduate School of Business, which has started to map out the field in a more comprehensive manner.⁷

Despite the lack of a commonly agreed definition, there is an emerging consensus among experts, in both the United States and Europe, about key trends in the field of corporate social responsibility. Three key trends are worth noting:

- (i) Beyond philanthropy to more integrated approaches in the mainstream business – for leading companies, CSR is moving from the corporate margins to the mainstream, to cover not only philanthropy, but rather how a company manages the totality of its impacts on and contributions to society;
- (ii) Beyond public relations to greater accountability and stakeholder engagement - CSR is moving from assertions of corporate performance in one-way communications to greater accountability and transparency to more stakeholders through other forms of stakeholder engagement that include, but go beyond public reporting.
- (iii) Beyond legal compliance to greater clarity of principles and values – leaders in CSR are moving beyond a compliance-based mindset. They recognize that it is not only about ‘box-ticking’, but also about the public statement of corporate purpose, principles and values, underpinned by internal policies and systems of management and accountability.

(i) Beyond philanthropy to more integrated approaches in the mainstream business

For a growing number of companies, the concept of corporate social responsibility has moved beyond traditional philanthropy, although philanthropy remains important and is itself becoming more strategic, to focus on the totality of the company's operations⁸. This includes the manner in which companies:

- Operate and govern core business activities in the boardroom, in the workplace, in the marketplace and along the supply chain – ensuring that these activities are undertaken in a profitable manner that obeys the law, but that also aims to minimize any harm or negative externalities, and to enhance positive economic, social and environmental impacts on and contributions to society.
- Engage with internal and external stakeholders – aiming to build relationships with employees, customers, shareholders, suppliers and business partners, regulators, local communities, relevant civil society organizations and the general public, that are based on the provision of accurate corporate information, mutual respect and trust.
- Leverage and align philanthropic and community investment activities to core business competencies - aiming to make the most effective use of corporate skills and resources and to achieve the most effective impact for beneficiaries. Readers are referred to the research of Professor Rosabeth Moss Kanter, and of Professor Michael Porter and Mark Kramer in this area.⁹
- Exercise political influence and engagement in public policy issues – aiming to ensure that the company's engagement is legitimate, non-corrupt and more transparent. This may also include looking at ways to help build public sector capacity in countries or communities where it is weak and/or inefficient.

The specific issues within each of these areas that present a company with the greatest risks and opportunities and that are most material to its business will vary in nature and importance depending on the industry sector, the location, and the company's size, markets, relationships and history. So will the boundaries of corporate roles and responsibilities *vis a vis* governments and other actors, which in most cases need to be the subject of regular stakeholder dialogue and negotiation. Box 1 illustrates a few of the emerging corporate responsibility issues that have moved CSR beyond philanthropy and made it a more strategic issue for some industries in recent years.

In summary, the first key trend in corporate social responsibility is its movement beyond traditional philanthropy, to become more integrated into corporate governance, corporate strategy, risk management and stakeholder engagement: it can be viewed as an attempt to understand and manage the totality of a company's economic, social and environmental impacts on and contributions to society.

“...the first key trend in corporate social responsibility is its movement beyond traditional philanthropy, to become more integrated into corporate governance, corporate strategy, risk management and stakeholder engagement: it can be viewed as an attempt to understand and manage the totality of a company's economic, social and environmental impacts on and contributions to society.”



(ii) Beyond public relations to greater accountability and stakeholder engagement

A second key trend at the heart of the emerging CSR agenda is the growth in demands by stakeholders, including shareholders, for corporations to demonstrate greater accountability, transparency and integrity – and to do so not only in terms of their financial accounts and statements, but also in terms of their wider social, economic and environmental impacts.

Gone are the days when stakeholders - at least those beyond a small band of investigative journalists and activist regulators, investors and campaigners - broadly trusted corporate financial statements and other public announcements. The rising power and reach of the private sector, both real and perceived, accompanied by the spate of corporate scandals and governance crises, has undermined public trust in business, especially large companies, and increased surveillance by regulators, investors, the media, and other stakeholders.

“A second key trend at the heart of the emerging CSR agenda is the growth in demands by stakeholders, including shareholders, for corporations to demonstrate greater accountability, transparency and integrity – and to do so not only in terms of their financial accounts and statements, but also in terms of their wider social, economic and environmental impacts.”

Trust is increasingly recognized as one of the most important assets that any company can have, and one of the vital pillars that supports our system of capitalism. Restoring trust and confidence in the private sector is therefore one of the major challenges facing business. To overcome the prevailing suspicion and cynicism that they face, companies need to demonstrate to investors and to other stakeholders that they can deliver good performance with good governance, and that the information they provide about the company is honest, accurate and comprehensive, regardless of whether this information relates to financial performance, social performance, ethical performance, or environmental performance. They need to identify and understand which stakeholders provide them with their legitimacy and support, and ensure that they have mechanisms in place to engage with and be accountable to these stakeholders. In their paper, *On Creating Public Value*, Professors Mark Moore and Sanjeev Khagram, explore how frameworks on legitimacy and support, developed in the context of public sector management may be usefully applied to corporate strategy and accountability.¹¹

At the level of the firm the following actions are important in restoring trust and ensuring credibility in terms of improving performance and accountability on ethical, social and environmental issues:¹²

- Put CSR onto the boardroom agenda – does the company have a board director or board committee that is responsible for monitoring the risks, opportunities and management systems needed to ensure good social and environmental performance?
- Set goals, targets and timelines for all areas of performance – ethical, social and environmental, and financial.
- Identify key performance indicators and metrics in each area of performance.
- Measure and report publicly on progress, aiming to adopt external verification over time.
- Engage with stakeholders in a systematic and ongoing manner– for example through the establishment of location-based or issue-based advisory groups; hosting regular stakeholder dialogues and consultations; and having a system for obtaining stakeholder feedback on company reports.
- Integrate ethical, social and environmental performance objectives into executive performance systems and development programs.



“In the end, public confidence will only be restored when companies in the United States and abroad are willing to move beyond basic compliance and into the setting of new standards of integrity. ...What's really needed is not more laws, but rather the full engagement of American business leaders in an effort to advance an underlying spirit of reform. These reforms must inculcate a company-wide mindset to do the right thing, and must become part of the DNA of the corporation, from top to bottom.”

- S.E. C. Chairman, William Donaldson

(iii) Beyond legal compliance to greater clarity of principles and values

A third key trend among the leaders in corporate social responsibility is a move beyond a compliance-based mindset, although compliance remains crucial. There is growing recognition of the need to balance rules with values and for companies to have greater clarity, both internally and externally, in terms of their purpose, principles and values, backed up by penalties and remediation when these are not met. Effective CSR is more than a response to external stakeholder expectations, or an effort to manage social and environmental risks and harness new business opportunities. It is a statement about what a company stands for and would stand by, even if this sometimes incurs additional costs or results in a lost business opportunity. It requires that business leaders and their employees not only comply with the

law, or undertake actions that they can directly link to financial gain, but also aim to ‘do the right thing’.

As SEC Chairman, William Donaldson commented in a recent speech, “In the end, public confidence will only be restored when companies in the United States and abroad are willing to move beyond basic compliance and into the setting of new standards of integrity. ...What's really needed is not more laws, but rather the full engagement of American business leaders in an effort to advance an underlying spirit of reform. These reforms must inculcate a company-wide mindset to do the right thing, and must become part of the DNA of the corporation, from top to bottom.”¹³

Sir Geoffrey Chandler, a former Shell executive who was responsible for developing Shell's first General Business Principles in 1976, a former public servant and head of the UK Governments National Economic Development Council and the founding Chair of Amnesty International's UK Business Group, argues it this way, “I don't believe ethical behavior should depend on its paying. To suggest that doing right needs to be justified by its economic reward is amoral, a self-inflicted wound hugely damaging to corporate reputation. ...Doing right because it is right, not because it pays, needs to be the foundation of business, with principle, not profit, the point of departure. There does have to be a choice about priorities. ...If we are to preserve the most effective mechanism the world has known for the provision of goods and services – that is the market economy with the public limited company its main instrument – then it has to be underpinned by principle. Financial failures can destroy individual companies. Moral failure will destroy capitalism.”¹⁴

In today's operating environment, business leaders need to have a clear sense of their personal purpose, values and principles, and how these align to those of their corporation. And the courage to stand up and be counted on matters of principle and public interest, both inside their company and externally.

In summary, corporate social responsibility is increasingly focused on ensuring greater accountability, transparency and integrity in terms of how a company operates its mainstream business activities and stakeholder relationships, including but not only its philanthropic and compliance programs. It requires rigorous internal accountability systems and metrics, but also clarity of corporate purpose, principles and values. And it calls for new types of engagement with internal and external stakeholders.

Corporate Social Responsibility Initiative Working Paper No. 1, Reprinted with permission from the John F. Kennedy School of Government, Harvard University.

http://www.hks.harvard.edu/content/download/67667/1243478/version/1/file/workingpaper_1_nelson.pdf.



Supporting Question 2

Featured Source

Source A: Tim Hindle, article defining and describing the Triple Bottom Line, “Triple Bottom Line,” *The Economist*, November 19, 2009

To access this source, please click on the following link: <http://www.economist.com/node/14301663>

Supporting Question 2

Featured Source

Source B: Andreas B. Eisingerich and Gunjan Bhardwaj, article examining the effectiveness of corporate social responsibility, “Does Social Responsibility Help Protect a Company’s Reputation?” *MIT Sloan Review*, 2011

Does Social Responsibility Help Protect a Company’s Reputation?

When consumers encounter negative information about a company, its reputation for corporate social responsibility can help — but only sometimes.

Andreas B. Eisingerich and Gunjan Bhardwaj

March 23, 2011

Negative information about businesses is omnipresent. Even much-admired businesses, such as Apple Inc., must deal with negative information, as Apple discovered when consumer complaints surfaced in 2010 about the antenna design of its iPhone 4. Negative information tends to spread faster than positive and, because of increased usage of social media and the Internet, businesses are likely to be confronted with more — not less — negative information about their companies in the future. While the spread of negative information may not always be under the control of a business, it can try to mitigate the potential damage from negative information in different ways.

An increasing number of companies invest money in corporate social responsibility initiatives, in part to build general good will for their organizations. However, we have not known how effective corporate social responsibility initiatives are in strengthening customer resistance to negative information, compared to other tactics that can enhance a company’s reputation — such as investing in product or service quality or customer care. Does doing good help protect a business’s reputation against negative information it may be confronted with in the future?

Not completely, some recent research of ours suggests. We conducted a study with Gaia Rubera, an assistant professor of marketing at Eli Broad College of Business at Michigan State University, and Matthias Seifert, an assistant professor of operations and technology at IE Business School in Madrid, to look at how customers reacted to negative information about a company. Detailed results from the study were published in the February 2011 issue of the *Journal of Service Research*.

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<http://sloanreview.mit.edu/article/does-social-responsibility-help-protect-a-companys-reputation/>.



Supporting Question 3

Featured Source

Source A: Milton Friedman, article arguing that maximizing profits is socially responsible, "The Social Responsibility of Business Is to Increase Its Profits," *New York Times*, September 13, 1970

When I hear businessmen speak eloquently about the "social responsibilities of business in a free-enterprise system," I am reminded of the wonderful line about the Frenchman who discovered at the age of 70 that he had been speaking prose all his life. The businessmen believe that they are defending free enterprise when they declaim that business is not concerned "merely" with profit but also with promoting desirable "social" ends; that business has a "social conscience" and takes seriously its responsibilities for providing employment, eliminating discrimination, avoiding pollution and whatever else may be the catchwords of the contemporary crop of reformers. In fact they are—or would be if they or anyone else took them seriously—preaching pure and unadulterated socialism. Businessmen who talk this way are unwitting puppets of the intellectual forces that have been undermining the basis of a free society these past decades.

The discussions of the "social responsibilities of business" are notable for their analytical looseness and lack of rigor. What does it mean to say that "business" has responsibilities? Only people can have responsibilities. A corporation is an artificial person and in this sense may have artificial responsibilities, but "business" as a whole cannot be said to have responsibilities, even in this vague sense. The first step toward clarity in examining the doctrine of the social responsibility of business is to ask precisely what it implies for whom.

Presumably, the individuals who are to be responsible are businessmen, which means individual proprietors or corporate executives. Most of the discussion of social responsibility is directed at corporations, so in what follows I shall mostly neglect the individual proprietors and speak of corporate executives.

In a free-enterprise, private-property system, a corporate executive is an employee of the owners of the business. He has direct responsibility to his employers. That responsibility is to conduct the business in accordance with their desires, which generally will be to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom. Of course, in some cases his employers may have a different objective. A group of persons might establish a corporation for an eleemosynary purpose—for example, a hospital or a school. The manager of such a corporation will not have money profit as his objective but the rendering of certain services.

In either case, the key point is that, in his capacity as a corporate executive, the manager is the agent of the individuals who own the corporation or establish the eleemosynary institution, and his primary responsibility is to them.

Needless to say, this does not mean that it is easy to judge how well he is performing his task. But at least the criterion of performance is straightforward, and the persons among whom a voluntary contractual arrangement exists are clearly defined.

Of course, the corporate executive is also a person in his own right. As a person, he may have many other responsibilities that he recognizes or assumes voluntarily—to his family, his conscience, his feelings of charity, his church, his clubs, his city, his country. He may feel impelled by these responsibilities to devote part of his income to causes he regards as worthy, to refuse to work for particular corporations, even to leave his job, for example, to join his country's armed forces. If we wish, we may refer to some of these responsibilities as "social responsibilities." But in these respects he is acting as a principal, not an agent; he is spending his own money or



time or energy, not the money of his employers or the time or energy he has contracted to devote to their purposes. If these are "social responsibilities," they are the social responsibilities of individuals, not of business.

What does it mean to say that the corporate executive has a "social responsibility" in his capacity as businessman? If this statement is not pure rhetoric, it must mean that he is to act in some way that is not in the interest of his employers. For example, that he is to refrain from increasing the price of the product in order to contribute to the social objective of preventing inflation, even though a price increase would be in the best interests of the corporation. Or that he is to make expenditures on reducing pollution beyond the amount that is in the best interests of the corporation or that is required by law in order to contribute to the social objective of improving the environment. Or that, at the expense of corporate profits, he is to hire "hardcore" unemployed instead of better qualified available workmen to contribute to the social objective of reducing poverty.

In each of these cases, the corporate executive would be spending someone else's money for a general social interest. Insofar as his actions in accord with his "social responsibility" reduce returns to stockholders, he is spending their money. Insofar as his actions raise the price to customers, he is spending the customers' money. Insofar as his actions lower the wages of some employees, he is spending their money.

The stockholders or the customers or the employees could separately spend their own money on the particular action if they wished to do so. The executive is exercising a distinct "social responsibility," rather than serving as an agent of the stockholders or the customers or the employees, only if he spends the money in a different way than they would have spent it.

But if he does this, he is in effect imposing taxes, on the one hand, and deciding how the tax proceeds shall be spent, on the other.

This process raises political questions on two levels: principle and consequences. On the level of political principle, the imposition of taxes and the expenditure of tax proceeds are governmental functions. We have established elaborate constitutional, parliamentary and judicial provisions to control these functions, to assure that taxes are imposed so far as possible in accordance with the preferences and desires of the public—after all, "taxation without representation" was one of the battle cries of the American Revolution. We have a system of checks and balances to separate the legislative function of imposing taxes and enacting expenditures from the executive function of collecting taxes and administering expenditure programs and from the judicial function of mediating disputes and interpreting the law.

Here the businessman—self-selected or appointed directly or indirectly by stockholders—is to be simultaneously legislator, executive and, jurist. He is to decide whom to tax by how much and for what purpose, and he is to spend the proceeds—all this guided only by general exhortations from on high to restrain inflation, improve the environment, fight poverty and so on and on.

The whole justification for permitting the corporate executive to be selected by the stockholders is that the executive is an agent serving the interests of his principal. This justification disappears when the corporate executive imposes taxes and spends the proceeds for "social" purposes. He becomes in effect a public employee, a civil servant, even though he remains in name an employee of a private enterprise. On grounds of political principle, it is intolerable that such civil servants—insofar as their actions in the name of social responsibility are real and not just window-dressing—should be selected as they are now. If they are to be civil servants, then they must be elected through a political process. If they are to impose taxes and make expenditures to foster "social" objectives, then political machinery must be set up to make the assessment of taxes and to determine through a political process the objectives to be served.

This is the basic reason why the doctrine of "social responsibility" involves the acceptance of the socialist view that

political mechanisms, not market mechanisms, are the appropriate way to determine the allocation of scarce resources to alternative uses.

On the grounds of consequences, can the corporate executive in fact discharge his alleged "social responsibilities?" On the other hand, suppose he could get away with spending the stockholders' or customers' or employees' money. How is he to know how to spend it? He is told that he must contribute to fighting inflation. How is he to know what action of his will contribute to that end? He is presumably an expert in running his company—in producing a product or selling it or financing it. But nothing about his selection makes him an expert on inflation. Will his holding down the price of his product reduce inflationary pressure? Or, by leaving more spending power in the hands of his customers, simply divert it elsewhere? Or, by forcing him to produce less because of the lower price, will it simply contribute to shortages? Even if he could answer these questions, how much cost is he justified in imposing on his stockholders, customers and employees for this social purpose? What is his appropriate share and what is the appropriate share of others?

And, whether he wants to or not, can he get away with spending his stockholders', customers' or employees' money? Will not the stockholders fire him? (Either the present ones or those who take over when his actions in the name of social responsibility have reduced the corporation's profits and the price of its stock.) His customers and his employees can desert him for other producers and employers less scrupulous in exercising their social responsibilities.

This facet of "social responsibility" doctrine is brought into sharp relief when the doctrine is used to justify wage restraint by trade unions. The conflict of interest is naked and clear when union officials are asked to subordinate the interest of their members to some more general purpose. If the union officials try to enforce wage restraint, the consequence is likely to be wildcat strikes, rank-and-file revolts and the emergence of strong competitors for their jobs. We thus have the ironic phenomenon that union leaders—at least in the U.S.—have objected to Government interference with the market far more consistently and courageously than have business leaders.

The difficulty of exercising "social responsibility" illustrates, of course, the great virtue of private competitive enterprise—it forces people to be responsible for their own actions and makes it difficult for them to "exploit" other people for either selfish or unselfish purposes. They can do good—but only at their own expense.

Many a reader who has followed the argument this far may be tempted to remonstrate that it is all well and good to speak of Government's having the responsibility to impose taxes and determine expenditures for such "social" purposes as controlling pollution or training the hard-core unemployed, but that the problems are too urgent to wait on the slow course of political processes, that the exercise of social responsibility by businessmen is a quicker and surer way to solve pressing current problems.

Aside from the question of fact—I share Adam Smith's skepticism about the benefits that can be expected from "those who affected to trade for the public good"—this argument must be rejected on grounds of principle. What it amounts to is an assertion that those who favor the taxes and expenditures in question have failed to persuade a majority of their fellow citizens to be of like mind and that they are seeking to attain by undemocratic procedures what they cannot attain by democratic procedures. In a free society, it is hard for "evil" people to do "evil," especially since one man's good is another's evil.

I have, for simplicity, concentrated on the special case of the corporate executive, except only for the brief digression on trade unions. But precisely the same argument applies to the newer phenomenon of calling upon stockholders to require corporations to exercise social responsibility (the recent G.M. crusade for example). In most of these cases, what is in effect involved is some stockholders trying to get other stockholders (or customers or employees) to contribute against their will to "social" causes favored by the activists. Insofar as they succeed, they are again imposing taxes and spending the proceeds.



The situation of the individual proprietor is somewhat different. If he acts to reduce the returns of his enterprise in order to exercise his "social responsibility," he is spending his own money, not someone else's. If he wishes to spend his money on such purposes, that is his right, and I cannot see that there is any objection to his doing so. In the process, he, too, may impose costs on employees and customers. However, because he is far less likely than a large corporation or union to have monopolistic power, any such side effects will tend to be minor.

Of course, in practice the doctrine of social responsibility is frequently a cloak for actions that are justified on other grounds rather than a reason for those actions.

To illustrate, it may well be in the long run interest of a corporation that is a major employer in a small community to devote resources to providing amenities to that community or to improving its government. That may make it easier to attract desirable employees, it may reduce the wage bill or lessen losses from pilferage and sabotage or have other worthwhile effects. Or it may be that, given the laws about the deductibility of corporate charitable contributions, the stockholders can contribute more to charities they favor by having the corporation make the gift than by doing it themselves, since they can in that way contribute an amount that would otherwise have been paid as corporate taxes.

In each of these—and many similar—cases, there is a strong temptation to rationalize these actions as an exercise of "social responsibility." In the present climate of opinion, with its wide spread aversion to "capitalism," "profits," the "soulless corporation" and so on, this is one way for a corporation to generate goodwill as a by-product of expenditures that are entirely justified in its own self-interest.

It would be inconsistent of me to call on corporate executives to refrain from this hypocritical window-dressing because it harms the foundations of a free society. That would be to call on them to exercise a "social responsibility"! If our institutions, and the attitudes of the public make it in their self-interest to cloak their actions in this way, I cannot summon much indignation to denounce them. At the same time, I can express admiration for those individual proprietors or owners of closely held corporations or stockholders of more broadly held corporations who disdain such tactics as approaching fraud.

Whether blameworthy or not, the use of the cloak of social responsibility, and the nonsense spoken in its name by influential and prestigious businessmen, does clearly harm the foundations of a free society. I have been impressed time and again by the schizophrenic character of many businessmen. They are capable of being extremely farsighted and clearheaded in matters that are internal to their businesses. They are incredibly shortsighted and muddle-headed in matters that are outside their businesses but affect the possible survival of business in general. This shortsightedness is strikingly exemplified in the calls from many businessmen for wage and price guidelines or controls or income policies. There is nothing that could do more in a brief period to destroy a market system and replace it by a centrally controlled system than effective governmental control of prices and wages.

The shortsightedness is also exemplified in speeches by businessmen on social responsibility. This may gain them kudos in the short run. But it helps to strengthen the already too prevalent view that the pursuit of profits is wicked and immoral and must be curbed and controlled by external forces. Once this view is adopted, the external forces that curb the market will not be the social consciences, however highly developed, of the pontificating executives; it will be the iron fist of Government bureaucrats. Here, as with price and wage controls, businessmen seem to me to reveal a suicidal impulse.

The political principle that underlies the market mechanism is unanimity. In an ideal free market resting on private property, no individual can coerce any other, all cooperation is voluntary, all parties to such cooperation benefit or they need not participate. There are no values, no "social" responsibilities in any sense other than the shared values and responsibilities of individuals. Society is a collection of individuals and of the various groups they



voluntarily form.

The political principle that underlies the political mechanism is conformity. The individual must serve a more general social interest—whether that be determined by a church or a dictator or a majority. The individual may have a vote and say in what is to be done, but if he is overruled, he must conform. It is appropriate for some to require others to contribute to a general social purpose whether they wish to or not.

Unfortunately, unanimity is not always feasible. There are some respects in which conformity appears unavoidable, so I do not see how one can avoid the use of the political mechanism altogether.

But the doctrine of "social responsibility" taken seriously would extend the scope of the political mechanism to every human activity. It does not differ in philosophy from the most explicitly collectivist doctrine. It differs only by professing to believe that collectivist ends can be attained without collectivist means. That is why, in my book *Capitalism and Freedom*, I have called it a "fundamentally subversive doctrine" in a free society, and have said that in such a society, "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."

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Supporting Question 3

Featured Source

Source B: Bill McKibben, article questioning the motives of corporations promoting corporate social responsibility, “Hype vs. Hope: Is Corporate Do-Goodery for Real?” *Mother Jones*, November/December, 2006

Ten percent of a two-year-old’s nouns are brand names; by the time an American child heads to school, he or she can recognize hundreds of logos. Disney is now putting its cartoon characters on fresh fruit, arguing (perhaps correctly) that it’s the only way to get kids to eat it. If that’s the world we’re born into, is it any wonder we want corporations to solve our biggest problems as well? Isn’t it a parent’s job to protect us? And besides, who else has the capital and the power to do what needs to be done in the face of a crisis like global warming?

Any sign that corporations might be willing to take on the job is greeted with an enthusiasm that borders on delusion. When John Browne, the head of [British Petroleum](#) [1], gave a speech in 1997 admitting that global warming exists, and announcing that business must respond “to the reality and the concerns of the world in which you operate,” people began calling him the “Sun King.” The head of California’s Environmental Protection Agency ventured that “this bold move will set the world stage for other companies to emulate.” [BP](#) [1] commissioned green roofs for its filling stations, along with a whole slew of ads touting its vision for a world “[beyond petroleum](#) [1].” And there is every reason to think Lord Browne was sincere—he’d studied the problem, knew it was big, and was willing to buck the rest of the industry in saying so.

Browne was not the only executive thinking aloud about how corporations relate to the rest of the world. His comments came as the debate over “corporate social responsibility,” long a preoccupation for people in fuzzy sweaters, was about to explode into mainstream business culture. The movement has now spawned a booming industry in consultants and conferences; just this summer the World Business Council on Sustainable Development issued a manifesto titled “From Challenge to Opportunity,” filled with pictures of baking deserts and disease-stricken peasants, but also with promises to “seek greater synergy between our goals and those of the society we serve.” BP signed on, and so did everyone from Adidas to Procter & Gamble.

Which is nice. The question is, what does it amount to?

Take BP. In 2004, its revenues from solar power were almost \$400 million; its total revenues, almost entirely from hydrocarbons, were \$285 billion. In other words, the company has gone beyond petroleum to the tune of about one-sixth of 1 percent of sales (see “It’s Not Easy Being Green,” opposite page). And the news gets worse from there. The leak disaster that led to this summer’s sudden shutdown of BP’s Alaska pipeline turns out not to have been sudden at all. Back in 1992, when a whistleblower raised concerns about corrosion in the pipeline, BP responded with a corporate crackdown that a federal judge said was “reminiscent of Nazi Germany.” Elsewhere, the Wall Street Journal reports that federal regulators are investigating whether BP tried to influence crude-oil prices using information about its Oklahoma pipelines and storage tanks; in a separate probe, investigators are trying to figure out if BP gamed gasoline prices on the New York Mercantile Exchange. Meanwhile, the company’s top American executive was cochairman of the Bush reelection campaign in Alaska. Not very far beyond petroleum, that.

There is no question that entrepreneurs with a social bent can do enormous good—especially until they decide to go public or sell out to a larger corporation. And they can do well at the same time, connecting with a reasonably large block of motivated consumers. If I need paper towels, they’re damn well going to come from Seventh Generation. I would probably wear Patagonia jackets even if they weren’t so incredibly warm. But these tend to be one-off deals. Ben and Jerry didn’t seem to change the way Häagen and Dazs viewed the world. Somehow, Bounty has been willing to leave the thoughtful paper towel market to Seventh Generation.



For several decades now, environmentalists have been citing the work of Ray Anderson and Interface (see “The Carpet Cleaner,” Page 56), and it’s a great example—but why is there still only one Ray Anderson?

Often the difficulty is built right into a company’s business model. It makes scant difference whether Wal-Mart starts stocking organic food or not, because the real problem is the imperative to ship products all over the world, sell them in vast, downtown-destroying complexes, and push prices so low that neither workers nor responsible suppliers can prosper. (In fact, Wal-Mart’s decision to sell organic food will almost certainly mean the final consolidation of the industry into the hands of a few huge growers that ship their produce across thousands of miles—not to mention that the people ringing up the organic groceries will still make below-poverty wages and taxpayers will still be footing the bill for their health care. There’s something gross about buying a healthy carrot from a sick company.)

By the same token, though, business models can propel companies forward even if the CEOs couldn’t care less about the planet: Dow and DuPont have cut their carbon emissions by upward of 50 percent this decade, simply because their managers started to pay attention to energy costs and figured out that efficiency went straight to the bottom line.

“Will business save the world?” turns out to be the wrong question. The right question is “How can we structure the world so that businesses play their part in saving it?” And the answer to that, inevitably, is politics.

Some of it is the politics of public awareness. It’s no accident that Vermont and Oregon are hotbeds of do-good capitalism; in these places attitudes have shifted so that conscience pays. Many of us have worked like crazy to get people excited about, say, hybrid cars—and, aided by rising oil prices, the propaganda has begun to succeed.

But mostly we need politics of a more straightforward, and entirely unglamorous, variety. If you want energy companies to rearrange their portfolios so that way more money goes to renewables and way less to hydrocarbons, the best way forward is not to appeal to the CEO’s conscience—it’s to pass laws to push him in the right direction. This is what has happened in Europe, where regulators told car manufacturers last August to cut vehicles’ greenhouse emissions by 25 percent—or else (see also “The Muscles From Brussels,” Page 62). “The car industry should be aware that we are watching the situation very closely,” one official told reporters, adding that the EU “will not hesitate to replace the carrot with the stick.” There’s nothing particularly European about that logic—witness the efforts in the United States of a few bold state attorneys general, who in the face of federal inaction have begun to sue major carbon emitters on their own. They may not win—but the threat of liability has already gotten big polluters to talk about offering voluntary carbon cuts in exchange for legal immunity. In an August report, the investor activist group Ceres quoted a Goldman Sachs analysis that put possible global warming liability on the same scale as the fallout from asbestos. That kind of information will grab a CEO’s attention in a hurry.

Helping corporations do the right thing through regulation—which, it should be noted, also levels the playing field so that a greenish BP doesn’t have to worry about a dirty Exxon-Mobil—is not exactly a new idea. It’s more or less what we used to do, in the long period from Teddy Roosevelt and the trustbusters on to about the 1980s.

One reason for the shift is the enormous political power of corporations, which they use almost exclusively to boost their own profits. But in a way, you can’t blame them for that. The strange part is how little opposition the corporate agenda meets anymore—how many of us have accepted the ideological argument that as long as we leave commerce alone, it will somehow, magically, solve all our problems. We could compel Big Oil to take its windfall profits and build windmills; instead we stand quietly by, as if unfettered plunder were the obvious and necessary course.

Explaining this mystery may bring us back to where we started. In the childlike enchantment we’ve lived under since the Reagan era, we’ve wanted very much to believe that someone else, some wavy-haired CEO, would do the hard, adult work of problem-solving. In fact, corporations are the infants of our society—they know very little

except how to grow (though they're very good at that), and they howl when you set limits. Socializing them is the work of politics. It's about time we took it up again.

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Appendix A

Structured Academic Controversy (SAC) Guidelines

What is it?

A discussion that moves students beyond either/or debates to a more nuanced synthesis of a debated issue.

Rationale

By the time students reach adolescence, many believe that every issue comes neatly packaged in a pro/con format, and that the goal of classroom discussion, rather than to understand your opponent, is to defeat him. The SAC method provides an alternative to the “debate mindset” by shifting the goal from winning classroom discussions to understanding alternative positions and formulating historical syntheses. The SAC’s structure demands students listen to each other in new ways and guides them into a world of complex and controversial ideas.

Description

The SAC was developed by cooperative learning researchers David and Roger Johnson of the University of Minnesota as a way to provide structure and focus to classroom discussions. Working in pairs and then coming together in four-person teams, students explore a question by reading about and then presenting contrasting positions. Afterwards, they engage in discussion to reach consensus.

Teacher Preparation

1. Choose a historical question that lends itself to contrasting viewpoints.
2. Find and select two or three documents (primary or secondary sources) that embody each side.
3. Consider timing, make copies of handouts, and plan grouping strategies. The time you will need for a SAC that uses about four documents will depend on the amount of experience your students have with the activity structure and the difficulty and familiarity of the documents. Plan on using about two class periods for your initial SAC.

In the Classroom

Modified and adapted countless times by researchers and teachers, the technique has five basic steps with procedures to display for students.

1. Organize students into four-person teams comprised of two dyads.
2. Each dyad reviews materials that represent different positions on a charged issue.
3. Dyads then come together as a four-person team and present their views to one another, one dyad acting as the presenters, the others as the listeners.
4. Rather than refuting the other position, the listening dyad repeats back to the presenters what they understood. Listeners do not become presenters until the original presenters are fully satisfied that they have been heard and understood.
5. After the sides switch, the dyads abandon their original assignments and work toward reaching consensus. If consensus proves unattainable, the team clarifies where their differences lie.

Common Pitfalls

Students’ debate framework starts early and runs deep. Even when told that they need to understand – not undermine – an opposing position, students will try to find holes in their opponent’s positions and aim to refute them. We recommend

- Introducing the idea of “active listening” to your students and having them practice it in dyads for a few minutes.
- Establishing the rule: Jot down notes when confused, do not interrupt the presenters.
- Making sure students can refer to the procedures throughout the activity by posting them or making handouts.

As students start to see other perspectives and nuance in the material, the absence of a certain answer may confuse them. We recommend reassuring students that uncertainty and complexity are expected during this activity. Encourage them to make notes that specify their confusion, new ideas, or questions.

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