# SOME CRITICISMS TO CORPORATE SOCIAL RESPONSIBILITY (CSR) AND RADICAL CSR AS A PROPOSAL TO OVERCOME THEM


## Abstract

This document compiles some criticisms of the CSR that were found during a review of various papers. Lack of clarity of the concept of CSR, the psychopathic nature of the corporation, market failures that hinder the corporation does good by doing good (profit wins over principles), the use of the CSR discourse to hide the most vicious corporate activities, the use of voluntary feature of CSR as an argument to get regulators do not impose more stringent standards or laws, the manipulation of society and external stakeholders for the benefit of the corporation, and the use by corporations of CSR as a makeup to improve their image and to achieve better financial results are the criticisms of CSR stated. Following is the idea of Radical Corporate Social responsibility (RCSR) as a proposal to overcome the criticisms expressed and achieve genuine implementation of CSR.


## Some criticisms of CSR

There are some authors that have a critical view of CSR. Many of them considers that CSR is not really helping the disadvantaged, but it is used to get higher profits. In the other side, there are others lecturers that consider CSR as a good way to get a better world. Below are some of the main criticisms about the effectiveness of CSR.

1.) Lack of clarity of the concept of CSR. CSR is not the homogeneous, coherent concept that it is often presented as being. Indeed, one concern is that the use of the term CSR has become so broad as to allow people to interpret and adopt it for many different purposes. This vagueness restricts CSR`s usefulness both as an analytical tool as a guide for decision makers (Blowfield & Frynas, 2005, p. 499). In fact, CSR can be interpreted in different ways by different people. It can, for example, mean different things to practitioners seeking to implement CSR inside companies and to researchers trying to establish CSR as a discipline; it can also mean different things to NGOs and to companies. These differences can cause frustration, especially for managers who want clear and concise concepts, similar to the figures and balances that handle. The malleability of the CSR concept makes difficult to operationalize a definition that reveals when a corporation is or is not socially, ethically, or politically responsible, or acting in accordance with conflicting and confusing norms of a society (Devinney, 2009, p. 45).

Regarding the malleability of the CSR concept, Devinney (2009) points out the existence of two extreme views of CSR: a narrow conception of CSR (a more corporatist orientation) , and an expansive view of CSR. “For those with narrow conception of CSR, the corporation has little, if any, obligation to the society other than the creation of economic rents that can accrue to the stakeholders with recognized rights to those rents. To those with a more corporatist orientation, CSR includes activities such as mandated environmental and occupational health and safety practices, but excludes claims by outside stakeholders on the rents on the firm. For those with an expansive view of CSR, the corporation should serve as an instrument of public policy by other means […] and CSR involves corporations acting on behalf of the disadvantaged and demands active claims on rents by broad sections of the society, however defined (Devinney, 2009, p. 45). The malleability of the CSR concept makes difficult to operationalize a definition that reveals when a corporation is or is not socially, ethically, or politically responsible.

2.) Profit wins over principles. Despite the assumption of CSR that business outcomes and social objectives can become more or less aligned (is supposed that the market will ultimately balance itself), profit undoubtedly wins over principles. The market cannot deliver both short-term financial returns and long-term social benefits. In fact, it would be difficult to prove that incentives like protecting natural assets, ensuring an educated labor force for the future, or making voluntary contributions to local community groups actually helps companies improve their bottom line. Conversely, whenever a company issues a “profit warning”, the markets downgrade its share price. Consequently, investments in things like the environment or social causes become a luxury and are often placed on the sacrificial chopping block when the going gets rough (Doane, 2005, p. 25).

Another assumption is that in the global economy, countries will compete to have the best ethical practices. It is generally assumed that market liberalization of these economies will lead to better protection of human and environmental rights, through greater integration of oppressive regimes in the global economy, and with the watchful eye of multinational corporations that are actively implementing CSR programs and policies. Nonetheless, on the one hand is the fact that many companies still resistant to CSR (Blowfield & Frynas, 2005, p. 506). Saavedra (2011) confirms that statement saying that 10% of the funds are invested in the United States with at least one criterion environmental, social or ethical, and that at least 10% of the total investment is socially responsible investing. The fact that 90% of companies do not apply the RSC is alarming and implies that CSR is not the solution to be expected. On the other hand, companies often fail to uphold voluntary standards of behavior in developing countries, arguing instead that they operate within the law of the countries in which they are working. In fact, competitive pressure for foreign investment among developing countries has actually led to governments limiting their insistence on stringent compliance with human rights or environmental standards, in order to attract investment (Doane, 2005, p. 28).

The problem with assuming companies can do well while also doing good is that markets don`t really work that way. CSR strategies may work under certain conditions, but they are highly vulnerable to market failures, including such things as imperfect information, externalities, and free riders. Most importantly, there is often a wide chasm between what`s good for a company and what`s good for society as a whole (Doane, 2005).

The unprecedented growth of CSR may lead some to feel a sense of optimism about the power of market mechanisms to deliver social and environmental change. But markets often fails, especially when it comes to delivering public goods; therefore, we have to be concerned that CSR activities are subject to the same limitations of markets that prompted the movement in the first place (Doane, 2005, p. 24).

3.) The psychopathic nature of corporation. In legal American environment of the 1800s, the corporation served the public interest and it could lost it charter or franchise by a misuser or nonuser of them. However, by the end of 19$^{th}$ century, restrictions around incorporation had all disappeared, and a legal revolution gave birth to the modern corporations, which were now no ´official` requirement to serve the public interest except in the economic realm (Banerjee, 2008). Now that the corporation was defined as an entity that could enjoy property rights the focus shifted to developing systems of enforcement and mechanisms that protected these rights. While this system of property rights gave more power to corporations in a post-charter era, it also served as the primary incentive to maximize economic return for shareholders (Banerjee, 2008, p. 54).

A lot of money has been spent on generating an image of the corporation as fundamentally benevolent and as capable of actually caring about others. But the fundamental obligation of the corporation is to serve itself. So basically the kind of person a corporation is a profoundly self-serving person (Doane, 2005, p. 27). According to psychology, that is the definition of a psychopath. The holy grail of CSR -´doing well by doing good`- is an illusory goal that is noble in spirit but unachievable in practice. Corporations, by their very nature, have conflicting virtues and vices that ensure that they will never be trully socially responsible by even the narrowest of definitions (Devinney, 2009; p. 46).

4.) The discourse of CSR is designed to hide the most vicious corporate activities. CSR discourse serves to deflect criticism of corporate activities and provide corporations with a rationale to pursue the activities that they were charged to do. Corporations can be made more ´virtuous` on some dimensions (or by the definition of virtuousness by some individuals or groups), but this will invariably involve a price on other dimensions (or a cost borne by those with other definitions of virtuousness) (Devinney, 2009, p. 46).

Devinney (2009) points out that "CSR is not free lunch and despites some hope to the contrary, there is little if any logical or empirical evidence that more social activities on the part of organizations are likely to be socially enhancing, and that in fact they can be socially harmful. In other words, the holy grail of CSR –´doing well by doing good`- is an illusory goal that is noble in spirit but unachievable in practice (p. 45). Corporations, by their very nature, have conflicting virtues and vices that ensure that they will never be trully socially responsible by even the narrowest of definitions" (Devinney, 2009; p. 46).

5.) The voluntary feature of CSR is used as an argument to get governments and regulators do not impose more stringent standards or laws. A key distinguishing feature of CSR is the voluntary nature of the initiatives companies undertake in its name. The broad idea of ´voluntary` mechanisms to regulate business behavior is winning support from policy-makers in national governments and intergovernmental organizations, underpinned by the assumption that firms are capable of policing themselves in the absence of binding international and national law to regulate corporate behavior. Some people in the company think that in certain circumstances, a voluntary approach to regulating business behavior might be beneficial. For instance, where there is a strong system of governance, voluntary approaches might be a way of extending company accountability without the need for new legislation. Equally, where the rule of law is weak, voluntary approaches can encourage multinational companies to introduce higher levels of performance than those required for local legal compliance (Blowfield & Frynas, 2005, p. 502). However, some scholars showed that firms that engage in earnings manipulations are significantly more likely to also engage in CSR activities, and firms with poor environmental and product safety performance engage in more philanthropy (Prior, Surroca & Tribó, 2008). Hartoto & Jo (2007) have also stated that CSR is an ex post facto discretionary reaction to internal and external organizational and strategic conflicts.

6.) The use of CSR as a makeup to sell more. Many companies use CSR as a makeup to enhance their public image and achieve better financial results, but they do not have a genuine commitment to other stakeholders besides shareholders and management personnel of the company. One myth about CSR is that there will be a competitive "race to the top" over ethics amongst businesses. A further myth of CSR is that competitive pressure amongst companies will actually lead to more companies competing over ethics, as highlighted by an increasing number of awards schemes for good companies, like the Business Ethics Awards, or Fortune`s annual "Best Companies to Work For" competitions. Companies are naturally keen to be aligned with CSR schemes because they offer good PR (public relations). But in some cases, business will be able to capitalize on well-intentioned efforts, say by signing the U.N. Global compact, without necessarily having to actually change their behavior. […] Various corporations use the United Nations to their public relations advantage. Meanwhile, companies fight to get a coveted place on the SRI indices such as the Dow Jones Sustainability Indexes. But such as schemes to reward good corporate behavior leave us carrying a new risk that by promoting the "race to the top" idea, we tend to reward the "best of the baddies" (for example, British American Tobacco won a UNEP/Sustainability reporting award for its annual social report in 2004). […] While companies are vying to be seen as socially responsible to the outside world, they also become more effective at hiding socially irresponsible behavior, such as lobbying activities or tax avoidance measures (Doane, 2005, p. 27).

7.) Firms deliberately manipulate society and stakeholders for their own benefit. The traditional viewpoint includes the belief that corporations receive an implicit and broad moral sanction from the society and hence are required by that sanction to operate within the economic, legal, political, and social norms of that society and to contribute to the fulfillment and expansion of those norms. Although this sounds noble in theory, it is little more than a motherhood statement; its meaning in practice is difficult if not impossible to operationalize. We must understand that corporations do not operate in a singular clear society with unambiguous and uncontested norms. Corporate polices and choices that appeal to one do not appeal to all (Devinney, 2009, p. 46). Besides, the stakeholder theory does not include all stakeholders. And apart from the shareholders, not considered at the same level to other stakeholders, as prioritized pursuit of profit above all other interests.

Corporations, through advertising, declare that customers have the power. One myth supposes that the ethical consumer will drive change. Though there is a small market that is proactively rewarding ethical business, for most consumers ethics are a relative thing. In fact, most surveys show that consumers are more concerned about things like price, taste, or sell-by date than ethics. Joel Makower, co-author of "The Green Consumer Guide", has traced data on ethical consumerism since the early 1990s, and says that, in spite of the overhyped claims, there has been little variation in the behavior of ethical consumers over the years, as evidenced by the Roper ASW data. "The truth is, the gap between green consciousness and green consumerism is huge", he states (Doane, 2005, p. 26).

Historically the corporation has not been an example of righteousness. For example, it is known that large corporations in the 1800s wielded considerable economic and political power and judges and legislators were routinely bought, shady financial dealings like watering stock, misuse of stock paying dividends, obtaining public funds through deception, misuse of public funds, and violation of legal statutes were common. In fact, the level of corruption was such that Perrow (2002, p. 143) argues ease of corruption should be added to the usual factors of production such as land, labor, capital, technology and organizational form. Corrupting the legislature and judiciary meant that corporations could shape their own powers and freedoms.  Political lobbing as a corporate strategy has more than 200-year history (Banerjee, 2008).

Devinney (2009) cites some authors that address the issue of corporate wrongdoing and CSR as a strategy to compensate for such evil actions. He takes some results of researchers who claim that "there is evidence that the return to philanthropy (as one compartmentalized measure of CSR) is approximately equal to the return to advertising (Wang, Choi  & Li, 2008) and that CSR more broadly construed is strongly related to advertising and consumer product industries (Fishman, Heal & Nair, 2007). Similarly, Harjoto and Jo (2007) show not just an interaction between CSR activity and advertising intensity but a strong relationship between organization structure and ownership conflicts, implying that CSR is an ex post facto discretionary reaction to internal and external organizational and strategic conflicts.  The veracity of the managerial discretion position  is reinforced by Prior, Surroca, and Tribó (2008), who showed that firms that engage in earnings manipulations are significantly more likely to also engage in CSR activities. Chen, Patten, and Roberts (2008) showed a similar offset strategy whereby firms with poor environmental and product safety performance engage in more philanthropy" Devinney, 2009, p. 52).

Additionally, corporations skew societal standards to their own needs. We can see this in two ways, The first is the use of regulatory capture and direct and indirect political influence. The second one is the use of social activity as a competitive weapon. For example, one small mining company accused its global competitor of using its "award winning CSR positioning" to disadvantage competitors by lobbying for standards that reduced the value of the small mining companies (which did not have the scale to absorb the costs of the new standards) so that it could purchase them at a discount. This is a general phenomenon that is evidenced in Maloney and McCormick`s (1982) study of the application of the U.S. Clean Air Act Regulations. They showed that the regulations were not only a benefit to environmentalists but were structured in such a way to serve as an effective barrier to entry benefiting established manufacturers over new foreign and domestic competitors by requiring them to meet more and costly standards (Devinney, 2009).

**Radical Corporate Social responsibility (RCSR) as a proposal for genuine CSR**

RCSR could be an alternative to overcome the main criticisms about CSR. The idea of RCSR is composed of three elements:

1. Radical Transparency (glass corporation) from the accompaniment and supervision of most of the decisions and actions of the company by teachers and university students from economic and administrative sciences. Just as there is a format of televised reality show called "Big Brother", also applies that format to a company committed to genuine RSC. An organization that decides to share via video and audio in real time what is happening in your company to a group of teachers and students from a university with an agreement which set has some advantages such as: administration and management experts (teachers ) and people who are interested in doing things right (students) monitor the actions and decisions of the management staff of the company. The administrative staff of the company may also have the opportunity to receive such feedback from teachers and students about the quality of those decisions, and aligning with the overall business strategy, as well as to detect behaviors that depart from the ethics and CSR. Probably many investors are interested in investing in this type of organization and feel that their investments will be safer if the company applies this idea of radical transparency. In addition, other stakeholders and the general public will have greater confidence in how the corporation conducts its mission and vision.

2. Resort to the biological metaphor of the egg and the hen as a basis for understanding and applying two criteria of CSR management: (1) the allocation of resources to carry out and communicate CSR actions made by the company, and (2 ) the percentage of proceeds for carrying out CSR programs. Regarding the relationship between money invested in an action of RSC and money invested in their disclosure, nature provides a useful biological metaphor to estimate what percentage of the money invested by the company in CSR activities should allocate to spread these actions: time needed for the hen to lay an egg and the time spent crowing it. The average time it takes for the hen to lay an egg is 25 minutes. Crowing/clucking the egg takes approximately 6 minutes. This means that the time of "advertising" that the chicken used is about 24% of the time it takes to put the egg. According to the above, companies must earmarked at most 24% of the money spent on social programs to disseminate such programs, if they want to take as an example the metaphor of nature. Regarding the second criterion, the percentage of utilities for carrying out CSR programs, a question that should be considered is: what percentage of the profits the companies intended to carry out CSR activities? From the biological metaphor being used, a hen goes about 21 days to hatch their eggs (5.75% of time per year), and then between 60 and 90 days to care for their young and teach them what need to survive and become independent: in total this represents between 22 and 30% of annual time to keep their species. A company might begin to allocate 5.75% of their profits to the RSC and go increase this share to reach 30% (Rivera, 2012). Surely a destination that level, with clear ethical principles, reflect very well a genuine interest in implementing CSR.

From the point of view of sustainability, it is worth considering that a chicken consumes about 110 grams of food a day and lays an egg about 60 grams, indicating it takes resources from the environment at a rate of 1.8 to 1. The product offering has an ecological packaging (eggshell) because it does not pollute (biodegradable) and used as fertilizer. In addition, the hen consumes what is available in nature: insects, leaves, worms, fruit falling to the ground, etc.. However, in many production processes, much is wasted by-products, is contaminated indiscriminately and using large proportions of nature's resources to produce each unit. This leads to a new recommendation for genuine CSR: the strong commitment to ecological intelligence.

3. Moving from green marketing to ecological intelligence. Some companies turn to have one or two positive features of your product in order to make the whole product look good, baptized as an organic product and increase its commercial appeal, keeping hidden adverse effects. It is necessary to overcome this marketing trick or organic brain washing and pass ecological intelligence and radical ecological transparency. From the point of view of business, ecological intelligence is to apply the Life Cycle Analysis (LCA), which is a method that allows us to separate any manufactured object into its constituent parts and industrial processes involved, allowing to measure effects that object has on nature, from initiating production to final disposal. From the point of view of the consumer, ecological intelligence means recognizing that routine acts of daily life have adverse effects on the environment, that is, means recognizing the ecological effects with our purchases and habits on the planet. If the company informs the public about the results of the LCA and simultaneously agrees to drastically reduce the damage they cause to nature and society with their polluting processes, is demonstrating a genuine commitment to CSR and is offering information to its buyers in order to enabling them to better understand the effects of consumption on the environment.

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