

15.15: Controversies Surrounding CSR

Learning Objectives

- Discuss controversies surrounding CSR

From the beginning, CSR has been the subject of much debate. CSR's critics argue that the main responsibility of businesses is to maximize return to their shareholders. They point to the corporate legal system as the proper place for regulating businesses' conduct with society. And besides, businesses are already fulfilling a key public service by providing jobs and services that society needs.

Other critics assert that many so-called CSR activities are really just publicity stunts and corporate “greenwashing.” **Greenwashing** refers to corporations that exaggerate or misstate the impact of their environmental actions or promote products as being “eco-friendly” when in fact they’re not.

Supporters of CSR contend that there are significant profit-related benefits in socially responsible behavior. Companies are using their CSR activities to recruit and keep the best management talent and to establish partnerships with communities to increase company influence on legislation. And companies that make social responsibility an integrated part of their business actually are managing risk—a key part of corporate development strategy.

Despite the ongoing debate, trends indicate that CSR is gathering force and is here to stay. More and more leading companies in America and worldwide are releasing sustainability reports. Plus, new industries like clean energy provide social and economic benefits while fighting environmental problems like climate change. The result of that combination has been called one of the greatest commercial opportunities in history.

The importance and nature of CSR is the topic of ongoing debate and controversy. Consider the following:

CSR: Sincere Ethics or Hypocritical Public Relations?

- **Facts:** CSR is a rapidly growing field of study in universities and business schools, and most large corporations have adopted CSR programs.
- **The controversial aspect:** Is CSR a good thing or is it just corporate window dressing?
- **In favor of CSR:** CSR motivates corporations to address social problems, it energizes and rewards workers, it strengthens ties to the community, and it improves the image of the corporation.
- **Against CSR:** Surveys show that citizens are more concerned about corporations treating their workers well and obeying laws than about engaging in philanthropic activities, and CSR may allow corporations to distract consumers and legislators from the need to tightly regulate corporations.

Climate Change and CSR

- **Facts:** There is a scientific consensus that global warming and climate change represent an enormous threat facing mankind.
- **The controversial aspect:** Can corporate CSR really have a significant impact on climate change, or is it just a public relations vehicle for companies and a distraction from the need for stronger government action, such as through a carbon tax?
- **In favor of global warming–related CSR:** Corporations can have a major impact in the battle against global warming by reducing their large carbon footprints, by encouraging other corporations to follow suit, and by helping discover and develop alternative sources of energy.
- **Against global warming–related CSR:** Companies spend a lot of advertising money to boast about small measures against global warming, but many of these companies are in industries—such as fossil fuels or automobiles—that produce the most greenhouse gases to begin with; self-serving claims of climate-change concern are often simply greenwashing campaigns intended to distract us from the need for society to take more effective measures through taxation and regulation.

Corporate Lobbying and Governmental Influence

- **Facts:** Most large corporations spend money on lobbying and on seeking to influence legislators and regulators. In the *Citizens United* decision, the Supreme Court ruled that, as “corporate persons,” corporations enjoy the same freedom of speech protections as ordinary citizens and are entitled to relief from strict government control of their rights to political speech.
- **The controversial aspect:** Many citizens are outraged to find that the justice system accords multinational corporations the same rights as ordinary people on the grounds that corporations are “persons.” However, others point out that The *New York*

Times and CNN are also corporations, and that it could have a chilling effect on freedom of speech if all corporations were legally-constrained from speaking out freely.

- **In favor of corporate lobbying:** As major employers and technological innovators, corporations benefit society. They should be free to oppose inefficient and cumbersome government regulations and taxation that can limit the benefits they provide. In this way, freedom of political speech is so important that we should be cautious about limiting it in any way.
- **Against corporate lobbying:** Corporations are not “persons” in the same sense that humans are, and therefore, they should not enjoy the same freedom of speech protection. Since corporations can become vastly wealthier than ordinary citizens, allowing them to participate in politics will enable them to bend laws and regulations to their will.

In each of the debates outlined above, there are intelligent and well-informed people on both sides of the issue. How CSR is defined and practiced differs for each enterprise. But for all those companies, the view seems to be that CSR programs are a good investment.

? Practice Question

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