

CSR FROM A PHILOSOPHER'S PERSPECTIVE by Geoffrey Klempner

The Meaning of Life

Once in a while, it's good to ask ourselves what it's all about, or why we live the way we do. These are not questions just for philosophers but for everyone.

For a long time, I couldn't understand why people like money. You might laugh at this. I've been a philosophy student for most of my life. To be a thinker defines my essence, what I am or strive to be. How can people work, just to survive or make a living? It made no sense to me at all.

It took a while, but finally the penny dropped. I learned to admire rather than despise the courageous entrepreneurs, the far-sighted CEOs, the advertising geniuses, the brilliant company lawyers and accountants, and all the indefatigable managers and workers who keep the wheels of the economy turning.

I learned to see this immense activity as a fascinating and noble contest, where individuals strive for excellence and where material rewards are merely a necessary element in the process, not the be-all and end-all.

The pursuit of profit defines the game. But that doesn't mean we have to narrow our sights until all we can see are columns of figures. That is the basis of my case. There is more to life in the business arena. There is room for thinking -- idealistically but also practically -- about ethics and values.

PR Fig Leaves

In 2004 the UK Institute of Directors[1] held a debate, 'This house believes that Corporate Social Responsibility is a PR fig-leaf.' The motion was carried by a narrow margin.[2]

That raises the question: Is all the talk about CSR just window dressing and token effort? To answer this we need to be clear about what we mean by CSR.

Towards the end of 2005, I had the opportunity to talk to Robin Aram, when he was Vice-President for External Relations and Policy Development at Shell. A year earlier, Aram had been responsible for spearheading a successful campaign by the ICC against the UN Human Rights Commission's proposed Norms on Business and Human Rights, which had taken four years to draft. Human rights groups were up in arms.

The main topic of our discussion was Shell's Corporate Responsibility program. I was left in no doubt that Shell have made big efforts to increase accountability and transparency at every level of their organization. Whistle blowing is encouraged. Bad practices are rooted out.

However, Aram candidly admitted that only a small fraction of Shell's Corporate Responsibility program involves any additional capital investment.

To take one widely publicised example, the environmental damage in Nigeria resulting from Shell's operations there has still not been addressed, despite an impressive surge in profits announced this year.

I am going to argue today that if you are going in for CSR then you must be prepared for a cost. If you think that you have got CSR cost free, then you need to question whether you could be doing more. Shell is one example of a company who -- many people believe -- could be doing a lot more.

Meanwhile, organizations like CSR Watch[3] continue to blow the whistle on companies whose advertised CSR initiatives fail to correspond to reality. It is not surprising that the public perception is sceptical.

Philosophy

Why am I here? Philosophers are professional sceptics. A philosopher will say, 'That's an exciting idea but is it true?' Or, 'That's an inspiring speech but how does your conclusion follow from your premisses?'

Philosophers like to analyse and clarify. Unfortunately, people don't always like things to be clear. They prefer to remain in a fog, slipping and sliding between different meanings of words so you never quite know what they are saying. It is difficult to have a coherent debate under such circumstances.

Let me test you. Suppose we accept -- purely for the sake of argument -- that everyone would be better off if everyone did CSR. That's a claim that requires more than a little backup, but let that pass. My question is: On that assumption -- the assumption that we'd all be better off if we all did CSR -- is what I have just told you a valid argument why any one of you, an individual business owner, should do CSR?

The answer is, No. The argument is not valid. It is invalid. The conclusion doesn't follow from the premisses.

The argument is invalid, for the same reason as the argument, 'If everyone was ethical we would all be better off, therefore you should be ethical' is invalid. From the point of view of an individual who is fully prepared to weigh up the advantages or disadvantages of NOT being ethical, it is perfectly consistent to wish and hope that everyone else will be motivated to be ethical -- but secretly make an exception for oneself.

Propaganda

Bad arguments can make effective propaganda. The argument in favour of propaganda is that if you can bring about a beneficial effect, it doesn't matter too much what means you use to bring that effect about. What is the harm of a few white lies in a good cause?

The argument against propaganda is that people are smarter than you think. They will see through your lying words eventually, even if they do not realize the truth straight away.

Anyone unlucky enough to have lived through Communist rule has had their fill of propaganda so I don't need to labour the point. But I will remark how the most well-meaning liberal politician will resort to propaganda when rational arguments fail to persuade.

What I'm hoping you will hear today is a lot of good, practical advice -- a sprinkling of idealism -- but no propaganda. However, there is no harm in using well-chosen words to help people to feel good about an idea. That's why politicians hire speech writers. I'm not against the art of rhetoric, so long as the rhetoric isn't empty or lying.

I would like you to come away from this conference feeling good about CSR, and ready to implement it in your own business. But I want you to feel good about it for the right reasons, and not because the wool has been pulled over your eyes.

What's in a Name?

Academic philosophers don't use the term 'corporate social responsibility'. You won't find it in any of the standard text books of moral philosophy. Apart from the few academic philosophers who have taken an interest in business ethics or philosophy of business, all you will get when you say CSR is a blank stare.

Some terms have a rich, significant meaning which can be uncovered by logical analysis. Other terms are just labels. In my view, CSR is just a label. It has a history, but the history is largely irrelevant to its meaning. To discover all the things that CSR is or might be, you have to look critically at the business world, at the kinds of things that this label has been pinned on.

However, in cases of doubt there is a logical pivot point which helps us to identify precisely when we are and when we are not talking about CSR.

First, it is necessary to recognize that there is a minimum ethical requirement for acceptable business practice. We recognize this requirement even when we break it or are tempted to break it. The requirement is: legality, honesty, fairness and respect for persons.

It should go without saying that you should not break the law. However, many opportunities arise for telling falsehoods which are not covered by the law. No-one will excuse you if you deliberately lie to them. As well as honesty, there is implicit understanding about such things as fair pricing, or fair competition, or fair treatment of employees. I don't know of any business person who would happily admit to unfair practices. Respect for persons covers important issues like confidentiality, racism and sexual harassment.

I propose the CSR label for any worthy or value-driven action in business which is NOT covered by the minimum ethical requirement of legality, honesty, fairness and respect for persons. You can fulfil the minimum ethical requirement without taking any special interest in CSR. So the question is: Why should you do more? Why should you do CSR?

Stakeholders

Another term that philosophers don't use but which gets talked about a lot in these discussions is 'stakeholder'.

A cynic might say that the term 'stakeholder' was originally coined because of its similarity in sound to 'shareholder'. The definition of 'stakeholder' is so loose, that a stakeholder of a company can be any individual or organisation affected in any way by the activities of that company.

If I have an apartment overlooking green fields and trees, and a plastic bag manufacturer comes along and builds a factory blocking my view, then I might feel very strongly that my interests have been adversely affected. But why should the company in question have to compensate me? Clearly, I have no ground for complaint. It is just my bad luck.

Having said that, it seems only reasonable that a company that proposes building a new factory, or closing one down, or initiating any significant change in their business activities should be prepared to talk to persons and organisations who might be adversely affected. Not only is it the polite thing to do, but it is also in the company's interest to head off possible law suits.

This is the beginnings of CSR. Out of respect for persons comes ethical dialogue. Ethical dialogue is meaningless unless one is prepared to act.

However, there is a big step from allowing stakeholders to voice their concerns -- being prepared to engage stakeholders in ethical dialogue -- to granting stakeholders real power in a company's decision making process.

The Business Arena

The ethics of legality, honesty, fairness and respect for persons define the rules for the business arena.[4] That does not go without saying. In 1968, an article appeared in the Harvard Business Review by Albert Carr, 'Is Business Bluffing Ethical?'[5] defending the view that the ONLY requirement is legality. Anything you can get away with within the law -- including telling lies when the occasion demands -- is OK.

The problem for Carr is that if he is prepared to go this far, why make such a fuss about obeying the law? Provided the rewards are greater than the penalties, a well timed professional foul can reap great benefits.

Judging by the large degree of consensus amongst business people today, I would say that Carr is out in the cold. His article could not appear today, and that is the mark of the progress that has been made in the last 40 years.

The morsel of truth in Carr's case is that in the business arena, ethics in the fullest sense -- ethics which includes considerations of compassion and altruism -- are in a sense suspended. It is the very nature of the game that there will be winners and losers, and you are aiming to be one of the winners. You are not responsible for what happens to the losers.

Each player acts out of self-interest and expects others to do the same. Anything else would not be fair -- it could even be a case of insider dealing -- and would certainly not be playing the game as it should be played.

If you see someone on the sidelines who needs help -- or if you create unintentional collateral damage from your business activities -- there's nothing to stop you stepping out of your way and pausing for a few moments from your pursuit of profit. But always remember whose money and resources you are using for this purpose.

A Contradiction in Terms?

If I was being a stickler for meaning, I could play games and remark that 'corporate' social responsibility for SMEs is a patent contradiction in terms. But that would be missing the point. As I have explained, the meaning of CSR derives from the phenomenon it refers to. And that phenomenon -- as other speakers will tell you today -- is undoubtedly real.

It could indeed be argued that it is harder for corporations like Shell to implement genuine CSR because they are restricted by their fiduciary responsibility to their shareholders. From a public company accountant's perspective, any expenditure that is not channelled towards generating profits and increasing shareholder value is tantamount to theft. A board has to be pretty sure that they have the full backing of shareholders before undertaking any such initiative.

This is made all the more difficult when such a large proportion of the shareholders of public corporations are institutions like insurance companies whose only interest is maximizing the profits of their members' policies.

However, if you are an owner of an SME, you are not answerable to anyone apart from your business partner or partners -- or possibly your spouse. You are free to do whatever you like with your own cash.

That is why, far from SMEs merely seeking to follow the example of the big corporations, it is not unrealistic to suppose that they could actually take the lead in CSR. That would be something, wouldn't it?

Cost

Some CSR initiatives are cost free. There may even be occasions where one can predict confidently a positive effect on the balance sheet. In such cases, only laziness or ignorance prevents a business from implementing those initiatives.

But other CSR initiatives do have a cost. And this is where things begin to get difficult. No business person happily takes on additional expense without a very good reason. But what kind of reason could this be?

I suggested at the beginning of this talk that there is a danger of being too obsessed with the 'bottom line'. When that happens, all you can see are columns of figures. Surely, other things are important too.

However, there is a danger of confused thinking here which we need to head off.

Call a 'hard bottom liner' anyone who insists that the only acceptable justification for any new business strategy or project is predicted return on investment. This is still the orthodox view amongst economists and business people.

A 'soft bottom liner', by contrast, is someone who argues that the best way to achieve bottom line results is not to be obsessively concerned with the bottom line. Just as philosophers teach about happiness -- that we are more likely to get it if we are not constantly asking, each time we face a decision, Will this make me happy? -- so the soft bottom line view is that if we just concentrate on doing business 'well', including doing worthy things like CSR, increased profits will naturally follow.

As an argument, I find this just about as persuasive as the claim that if you tithed ten per cent of your income to your local Mormon church, your business will prosper and you will become wealthy. You won't. Maybe you will be happier for your altruistic act, but your income will be ten per cent less.

Altruism

So what about altruism?

According to the philosopher Ayn Rand -- one-time darling of the American Right and still popular amongst a hard core of fanatical supporters -- altruism is a life-destroying vice. We succumb to the vice of altruism when we allow those worse off than ourselves to browbeat us into believing that we owe them something, purely in virtue of the fact that we are better off. Ethics in Ayn Rand's view is nothing but rational egoism.

I find that view repugnant, wrong-headed, and dangerous. But there's no way you are going to persuade someone who is a hundred per cent committed egoist. It's like banging your head against a brick wall.

Most people who are not corrupted by right wing libertarian philosophy would agree that compassion is a virtue, and indifference to suffering is a vice. Of course, we also have to weigh up competing considerations, for example prudence. The interests of others count for something, but our own interests count for something too. To me, that's common sense.

But that's precisely the question about CSR: no-one is denying that CSR is a good thing in itself. The question is whether as a business owner you would be prepared to implement a CSR program without knowing whether or not you will get any financial return on your investment.

We have seen that there is scope for altruistic behaviour, and also scope for acting in one's own self-interest. But neither altruism nor self-interest is sufficient to bring about the result we are striving for, where CSR is seen as the acceptable norm and anything less unacceptable. A stronger motivation is needed.

Limits of CSR

The business arena puts limits on what is a realistically achievable goal for CSR. There is room for compassion and altruism, but only if you can persuade your partners or shareholders to go along with you.

The game is the game. Profit and loss set the ultimate parameters. But within those parameters there are many choices of variations of play. You have a life both inside and outside the business arena. It is ultimately your choice whether your experience within the business arena will be personally rewarding and meaningful -- or not. Your choice to promote CSR is a reflection of your personal values.

Recently, I came across the term, 'capitalism with a human face'.^[6] The term echoes the famous time of the Prague Spring when Dubcek sought to achieve socialism with a human face -- before the soviet tanks rolled in.

The experience of hopes crushed is an unforgettable lesson. To achieve capitalism with a human face is lofty goal, fraught with danger. Think of all the things we would have to change -- such as eliminating poverty and abolishing exploitation of third world labour. I fear that there are vested interests who would set the tanks rolling again if there ever appeared a realistic prospect of such fundamental political change.

However, that's a talk for another occasion. CSR is a much more modest goal. Let's not forget utopian dreams, but be realistic about what can be done, here and now.

Prisoners' Dilemma

Earlier, I considered the claim that 'if everyone did CSR then everyone would be better off.' I think that claim is probably true. In any case, today you will hear plenty of good arguments in its favour.

The fly in the ointment, so far as trying to persuade businesses to adopt CSR is concerned, is that so long as it is not the case that everyone does CSR, there is an upfront cost to any business which takes the plunge, with no guarantee that there will be sufficient return on one's investment.

While you do CSR and your competitors don't, they reap the benefits of your socially responsible behaviour while you get nothing in return apart from the glow of satisfaction at being able to occupy the moral high ground.

The problem is a familiar one from political theory. For example, everyone agrees that we need to do something about climate change. If we all did something about climate change we would all be better off. But everyone also knows that any country which takes the plunge and launches a unilateral carbon emissions initiative will be penalised economically and lose ground against their competitors. That's why the EU agreement on climate change reached last week is so important.

Students of political theory are told the story of the two prisoners who are planning to escape together. Unfortunately for them, the prison authorities have hit on the perfect plan to prevent any escape. If either prisoner provides evidence that the other prisoner is attempting to escape, the informer will be granted his freedom and given a million

dollars. The prisoners would be happy to settle for escape without the money, but neither can trust the other not to go for the extra million.[7]

What would you do? There is no technical solution to this problem in the form of a game plan which is guaranteed success. If our two prisoners can find a way to trust one another, then they will make good their escape. But how are they to do this? Trust can be won, but not compelled. And when you have someone's trust, you can never be 100 per cent sure that you have it. Along with trust, you need faith.

I hope that you can see the relevance of this to the case of CSR.

This is Politics

If politics is about getting people to co-ordinate their actions, to move in the same direction at the same time in order to accomplish a worthwhile purpose, then this is politics. What it isn't is party politics. I don't have any axe to grind for any particular political party or movement.

Some people would like you to believe that there are irresistible arguments for CSR. There are arguments, to be sure, but they are not sufficient to persuade the determined sceptic. Argument has its limits. If you are going into CSR, then better go into it with your eyes open, knowing that nothing compels you apart from your own free, unforced choice.

As we have learned from the story of the prisoners' dilemma, all that's preventing you is doubt whether the others will go along with what you are planning to do. All that's missing, in other words, is an atmosphere of trust.

This meeting today is part of the political process of generating the necessary atmosphere of trust. In my pragmatic view, whatever works -- apart from deceitful propaganda -- is OK.

There will be courageous companies who take the plunge just to have the pleasure of knowing that they are setting an example. All credit to them!

A competition to see who can do the most impressive CSR initiative is a great idea too. Information, web sites, booklets, codes of ethics, speeches and more speeches will all play their part.

I believe that CSR is a realistic goal which is well within the grasp of an energetic democracy like the Czech Republic. Let others talk and argue about CSR as much as they like. It's action that counts.

Don't be a Party Pooper

There's no harm in a bit of gentle arm twisting. At the beginning of this talk, I raised the issue of the unethical person who is fully prepared to praise CSR to the skies while secretly making an exception for oneself.

Plato in his dialogue *Republic* talked about the myth of the Ring of Gyges, which magically granted the wearer total invisibility. If you had the Ring of Gyges, would you still be ethical knowing that you had the perfect means for conning everyone into thinking that you are a fine, upstanding member of the community regardless of what you did?

It is an academic question. In the business world no-one escapes scrutiny of his or her actions. If you behave like a hypocrite or a party pooper then your colleagues, business associates and customers will know you for what you are. If not immediately, then soon enough.

Peer pressure is a wonderful thing, and never more wonderful than when it is used to make individuals who fail to toe the line feel microscopically small. However, it is well to bear in mind that peer pressure can be used to bad as well as good ends. I hope that we can use it to a good end.

Notes

1. <http://www.iod.com>
2. David Gold 'Response to Mike Parry and Robert Dunham' *Philosophy for Business* Issue 4 <http://www.isfp.co.uk/businesspathways/issue4.html>
3. <http://www.csrwatch.com>
4. Geoffrey Klempner 'The Business Arena' *Philosophy for Business* Issue 5 <http://www.isfp.co.uk/businesspathways/issue5.html>
5. *Harvard Business Review* 46, January-February, 1968, pp. 143-53. Online at http://falcon.tamucc.edu/~sencerz/Carr_Business_Bluffing.htm
6. Mar Peter-Raoul 'The Face Outside: Starting Point, Reversal, Realistic Utopia' *Philosophy for Business* Issue 35 <http://www.isfp.co.uk/businesspathways/issue35.html>
7. http://en.wikipedia.org/wiki/Prisoner's_dilemma

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