

CORPORATE SOCIAL RESPONSIBILITY

# The False Dawn of Corporate Social Responsibility

by David Vogel



*The relative number of companies pursuing shareholder value remains high.*

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In *Enlightened Capitalists*, his historical study of corporate virtue, **James O'Toole** reports that few firms have been able to remain both responsible and financially viable over a long period of time. This conclusion is, of course, sobering. But his fascinating study of business pioneers who tried to do well by doing good also reveals a more positive development. For throughout the history of American business, new socially committed firms keep

emerging. Those virtuous firms themselves may not have been sustainable, but their vision of corporate virtue – that firms can prosper by making the world a better place - has proved remarkably enduring.

Not only have there always been some enlightened capitalists, but their (re)appearance has repeatedly been greeted by what the *Financial Times* recently heralded as “a new dawn.” Thus we are continually assured that now, at last, we are entering into a new era of responsible business. This will be a world in which there will not be just a few enlightened companies, but one in which corporate responsibility will become a business norm. All forward-looking managers will finally come to realize that they now *must* be good corporate citizens – caring about the well-being of their employees, consumers, and the broader public - if they are to prosper and earn the public’s trust.

Unfortunately, every “new dawn” of responsible business has proven to be as unsustainable as the firms O’Toole chronicles. New virtuous firms do keep emerging. But the relative number and impact of “corporations with a conscience,” to use the title of a 2003 book on firms that were then “making a difference,” shows little sign of increasing. The good news is that there *are* always new opportunities for firms to make money by displaying exemplary corporate citizenship. But the bad news is that in the long run, for most firms most of the time, those opportunities keep being overshadowed by the siren call of maximizing shareholder value - a temptation relatively few managers can resist. For all but a handful of publicly traded firms, the business benefits of corporate responsibility always turn out to be elusive, and thus enlightened firms remain a niche market rather than a business norm.

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And before anyone gets too optimistic about the latest false dawn of corporate responsibility, we need to acknowledge another persistent feature of the corporate landscape, namely corporate irresponsibility. Prominent recent examples of the latter

include the falsification of emissions data by Volkswagen, the safety lapses of Boeing's new aircraft, and the widespread marketing of opiates by several major pharmaceutical and health product firms.

As reliably as there will always be new waves of enthusiasm for corporate responsibility, we can confidently predict that unethical behavior will also be a recurrent feature of business – one that unfortunately shows no sign of diminishing. Indeed, one might well argue that the recent social and environmental harms caused by irresponsible firms outweighs the social and environmental benefits produced by more responsible ones. Perhaps instead of paying so much attention to celebrating firms that trying to make the world a better place, we should focus on how we can prevent some firms from making it worse.

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