CSR has been around long enough not to be considered a fad. Yet, it is not quite an established reality either.

N. Craig Smith and Halina Ward consider the fate of CSR in the UK and beyond.
Given all that’s going on, is it simply enough for corporations to generate profits (and lots of them) and let others make communities better places to live?

Thinking
Though there are always winners and losers, the practices associated with CSR today are deeply vulnerable to external negative shocks; economic recession, a pandemic such as avian flu, catastrophic flooding. Each could create significant disincentives for CSR. Individually, each may seem more or less unlikely. But collectively it is certain that shocks will happen.

**Multiple crossroads**
At the start of *CSR at a Crossroads*, we saw two distinct crossroads in CSR in the UK. From within the International Institute for Environment and Development (IIED), a think tank working on business and sustainable development in middle- and low-income countries, we saw the risk of a damaging split between two views. On one side were advocates of “corporate social responsibility” or “corporate responsibility” (viewed as an agenda for market-driven business action above and beyond legally binding requirements). On the other were advocates of “corporate accountability”, who focused on the need to introduce new forms of legally binding corporate accountability and to reform company law with social ends.

However, there was an alternative crossroads hypothesised at the start of the project, one in which CSR was either headed towards becoming more embedded in business organisations (“mainstreaming”) or simply staying in a kind of corporate ghetto as a superficial bolt-on with little real impact on a firm’s social or environmental performance. In time, a variety of further characterizations also emerged.

**Philanthropy versus core competence-based CSR**
Here, CSR defined as charitable giving is contrasted with approaches that focus on applying the distinct competences or capabilities of a firm to address social or environmental issues (for example, telecom company BT’s initiatives to promote digital inclusion).

**CSR versus “the business of business is business”**
In this characterization, the firm that has adopted CSR is contrasted with the firm that views maximisation of shareholder value as the sole legitimate purpose of business. This crossroads might alternatively be seen as a possible tipping point, at which great things might be about to happen through CSR as opposed to business as usual.

**Narrow versus expanded business case**
The future of the CSR agenda could be viewed in terms of possible shifts in the business case for CSR. This approach would be based on a distinction between the narrowly crafted and clearly established business case that is difficult to question where it exists (because it is a “no-brainer”) and the broader business case that relies less on clear projections of financial return and more on qualitative reasons (for example, enhancing corporate reputation or improving employee morale).

For some businesses, the narrower business case hardly qualifies as CSR; it is simply business as usual, albeit “good business”. And it has been argued that hard quantitative evidence of “the business case” is elusive in practice. Conversely, the expanded business case takes a longer-term perspective and is founded on the support and enlightened vision of business leaders. Arguably, one example would be J.P. Garnier’s decision as CEO of GlaxoSmithKline to take a leadership position on developing country access to essential medicines.

**Pure business case versus combined business and moral case**
A variant on the narrow versus expanded business case is the view that one future pathway for CSR could be a continued strengthening of the business case and the alternative could be greater reliance by business on a combination of “business case” and “moral case” or “normative case” arguments. This latter approach is evident in the activities of some privately held corporations, such as Novo Nordisk, or Grupo Nueva. For publicly held corporations, the moral case for CSR (that it is “the right thing to do”) is more difficult to make. A generally perceived, if not legally required, obligation to consistently enhance shareholder value presents barriers.

Publicly held corporations could give more weight to the moral or normative cases if stakeholder models of the firm had greater currency. This might happen through an erosion of shareholder primacy in legal terms. It could also result from a sense of greater legitimacy attached to the stakeholder model, in which managers fulfill their duties by balancing the interests of multiple stakeholders, including shareholders, but also others such as consumers, employees, communities or even the environment.

**Shareholder capitalism versus new models**
Some of our conversations pointed to a crossroads

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**By 2015, the term CSR may well be dead in the UK, according to a clear majority of participants.**
characterized by a possible move away from shareholder capitalism to a radically different enterprise model in which social purpose is placed above profit or profit is harnessed to social purpose. Social enterprises exemplify this alternative model, but more radical alternatives include the overhaul of company law to reflect a “stakeholder-driven” rather than “shareholder-driven” approach.

The range of views on whether significant change or gradual evolution are the road ahead is a good indication of overall mood among our group of CSR commentators, policy makers and practitioners. And it is also a good indication of the range of views on what might need to happen to reach desired futures. One might speculate that those commentators who saw gradual evolution on the horizon were logically more likely to favour scenarios that could be associated with such a process. Those who saw a clear crossroads, or perhaps a turning point or a tipping point, might be more likely to contemplate the desirability of scenarios in which significant change was required.

The road ahead?
Ultimately, all had to realize that CSR was confronting many different possible paths. And this led us to wonder what force could possibly help businesses to do the right thing in terms of social responsibilities. Building a strong “moral” case for doing the right thing across the UK business community must in part depend upon the appetite more widely for “doing the right moral thing” in those areas addressed by CSR. Managers are not automatons, passively responding to market signals. They can develop strategies that change the rules of the game, for example, stimulating consumer demand so that social and environmental considerations are a significant factor in consumer choice. Similarly, firms with a demonstrable commitment to CSR could target investors that care about these issues (e.g., in private equity).

Today, many campaign groups working on CSR and corporate accountability in the UK see a need for greater government intervention to create the “financial business case” for responsible business behaviour, contrary to the desired position of government participants at our workshops. Many see changes in the regulatory environment – particularly company law and company reporting – as a prerequisite for enabling business decision makers to take greater account of moral values that cannot clearly be connected to a narrow business case.

UK research institutes and think tanks have been influential in shaping ideas on mainstream CSR, that is, CSR characterized by the search for market-based narrow business cases and only such government intervention as runs with the grain of the market. But think tanks have largely not found the resources both to innovate and to have impact in the more contentious areas of the CSR (or corporate accountability) agenda, including company law reform or mechanisms of legal accountability for multinational corporate groups.

The near-global commitment to capitalist economic models based on liberalization of trade and investment, deregulation and privatization set high stakes for advocates of greater government intervention in the marketplace. Fears (some transparently little more than posturing) that intervention will cause weakening of the UK’s overall competitive position run high.

Fundamental change in the economic system appears unlikely between now and 2015. So the challenge for advocates of greater intervention is to make the case for sound regulation with a values base so strong that it is a real match for political concerns associated with the imperative to remain globally competitive. This raises issues about the nature of the UK’s commitment to CSR. But it isn’t true that UK businesses, alone, will decide what to do and when.

Crossing the road
CSR is at a crossroads. Which way it heads is partly dependent on external events: the growing importance of China and India; the implications of outsourcing workforces to middle- or low-income countries; or the global security environment. But fundamentally, its future turns on the interaction of two factors. First, what business believes it “ought” to do, which is set by both the profitability and moral acceptability of certain practices. And second, by what government says business “must” do.

Governments, in theory, prefer a “light touch”. Ideally, minimal market intervention would be
coupled with a big commitment to sustainable development from business and consumers. Such a scenario seems unlikely for now. Examples of bad practice – the Bhopal tragedy, failures of oil majors in the Niger Delta and corporate inaction on climate change – show that the pure business case is still too weak. But consumers and governments seem unwilling to do more and campaign groups acting alone cannot create more than islands of “good practice”.

Many business leaders and non-governmental organisations are looking to the government to break this double bind by offering a clear policy framework. This inevitably means more intervention and more regulation. Trade associations such as the CBI employers group should pay heed and reform their lowest common denominator approach to issues ranging from mandatory company reporting on social issues to environmental regulation. Failure to do so will invite protests from members.

Leading businesses, in turn, need to raise their voices and act. Rather than passively wait for a socially responsible business case to emerge, they need to build one which tries to address challenges such as climate change and sustainable development. CSR is a term in flux which may wither in time. But its spirit – understanding business as part of society – will survive. And we can be sure that “business as usual” will be no answer to the pressing issues of our time. CSR is dead, long live CSR!

Resources
Halina Ward and Craig Smith, “Business as usual is not the answer to society’s problems”, Financial Times, October 20, 2006.

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