

INTRODUCTION: WHY THE END OF CORPORATE SOCIAL RESPONSIBILITY?

Why *the end* of corporate social responsibility? Why would we entitle a book with such a bold statement when today companies are spending more on their corporate responsibility budget than ever, when it is one of the most prominent aspects of their websites, frequently mandatory in business school curriculums and the daily topic of conversation in the business press? Why would we claim that corporate social responsibility has ended, moreover, at a time when it is needed in business now more than ever (just think of the 2010 oil spill in the Gulf of Mexico and the ecological catastrophe that ensued). Furthermore, when the financial sector is in a state of disarray following the rampant profiteering of the sub-prime era, should we not be championing the adoption of CSR rather than heralding its demise? In this sense, our proclamation might seem misleading and somewhat provocative. Could it not be for these reasons that some might argue the opposite – corporate social responsibility is really only beginning? No; if the title of our book is misleading, it is because we feel that *corporate social responsibility never really began*.

It is true that almost every large corporation in the West today makes some effort to communicate how it is committed to social issues that ostensibly lie beyond its basic business objectives (i.e. increasing profits). One need only take a cursory glance at the websites of large multinationals like BP, Shell, British American Tobacco and BT to notice that firms in many industries and sectors create much fanfare around their corporate responsibility initiatives. Indeed, what has come to be called corporate social responsibility (or CSR) is now a key marketing and branding exercise for most large and medium-sized corporations. This trend extends beyond controversial industries that invest in CSR policies such as those producing petroleum or tobacco products. For example, there is a large industry built around ethical business (with the Body Shop and Fair Trade being early examples). This corporate stratum claims to make profits while avoiding the exploitation of people and natural resources, minimizing what economists call ‘negative externalities’. Moreover, today CSR is also an academic growth industry. It is increasingly written about in business and management journals. Prestigious ones like the *Academy of Management Review* are devoting more space to CSR, and the *Harvard Business Review* increasingly features articles on the socially embedded nature of business (which would be almost unimaginable 20 years ago). The United Nations even runs a university network for responsible management.

For us, however, the key starting point for making sense of CSR is the context (i.e. capitalism) in which the discourse and practice is set. The institutional forces propelling business, the corporate form and the ideological matrix of economic rationality forward (some would say into oblivion) immediately transposes most gestures

of responsibility – including sustainability and stakeholder dialogue – into something of a farce. Indeed, the idea that the logic of the neo-corporate enterprise might be reformed to consider social issues beyond economic rationality misunderstands how capitalism functions. There is a deep tension between what we might expect to be ethical organizational citizenship and the general sense that businesses follow (increasing profits, control, reducing costs, increasing consumer dependence, widening commodification, privatization, etc.). And it is this code of business that will always take precedence over all other considerations (Heilbroner, 1985), not because the people who manage corporations are ‘bad’, but because that is how corporations were designed to operate. In this context, much of what CSR proclaims begins to look like either wishful thinking (i.e. a projected ideal regarding how the firm could behave in some future state) or simply propaganda (or what Bansal and Clelland (2004) wonderfully call ‘talking trash’), designed to pull the wool over the eyes of consumers, environmental protection groups and society more generally.

This does not mean that we cannot find instances of businesses pursuing profits in an ethical manner (however one might want to define that). Of course, it is easy to find such cases, but as an institutional totality, many commentators argue that the system is largely antithetical to the moral assertions large firms make about themselves via the discourse of CSR (see Korten, 2001). When a multinational oil company or pro-green government professes a desire to be sustainable and environmentally friendly (while prospecting the Arctic), a pharmaceutical enterprise makes ‘world health’ its key philosophical aim (while embarking on restrictive intellectual property strategies) or an arms manufacturer invests in bio-diversity (while thousands needlessly die in Iraq and elsewhere), then we must wonder what exactly is going on.

When we abstract away from particular instances to the level of totality (see Hardt and Negri, 1999), we are able to conceptualize the rather *extreme* nature of this institutional configuration. With the multinational corporation as the leading manifestation of late capitalism, we can easily distil its drivers (i.e. growth, surplus, exploitation, commoditization, marketization, rationalization, class control, etc.). But how this connects with broader social values is the real issue. For us, the observable tension, disconnect or gap between society (or ‘the 99 per cent’) and the axiomatic operating principles of modern business is not an aberration, but a defining feature of current corporate hegemony. Was this not revealed starkly when the superpowers of Western capitalism were unable to agree to a modest change in carbon emissions at the 2009 Copenhagen Climate Change Conference or the ‘failure of epic proportions’ that was the 2012 Rio+20 Earth Summit? This is the intransigent ‘capitalist realism’ (Fisher, 2009) that lies behind the airbrushed tones of a firm’s annual CSR report. The very notion of social value (what we evaluate as right or wrong, worthless or worthwhile, indeed our ability to choose) is completely subordinated to the dictates of economic rationality, a subordination that eliminates or erases rather than provides ethical co-ordinates. Fisher defines ‘capitalist realism’ in the following manner:

What counts as ‘realistic’, what seems possible at any point in the social field, is defined by a series of political determinations. An ideological position can never be really successful until it is naturalized, and it cannot be naturalized while it is still thought of as a value rather than a fact ... over the last thirty years, capitalist realism has successfully installed a ‘business ontology’ in which it is *simply obvious* that everything in society, including healthcare and education, should be run as a business. (2009: 17)

We think this realism functions in two ways in relation to recent elaborations of CSR, especially in the context of neo-liberal societies. First, it is the backdrop against which we need to evaluate business ethics aspirations, in which the very logic of the corporation has become metabolized into an *ontology* that eliminates questions regarding its desirability. For example, many of the scholarly debates in CSR could never imagine a world without capitalism. And second, when it perpetuates the myth that social justice can co-exist alongside this totalizing ‘business ontology’, CSR also trades in the ideology that we have really found the best society we could ever hope for: capitalism. This is where the deep conservatism of CSR lies.

We will maintain in the following pages that the concept of CSR is embedded in the political shifts of the contemporary business model and its intersection with the state, contemporary culture and the socio-economic demands of late capitalism more generally. These permutations in economic rationality are intimately related to the discourse of ethics and ‘giving back to society’ currently espoused by the business sector. We are thus highly critical of the concept of CSR not because we feel that business corporations should not be more responsible to societal stakeholders (such as workers, the environment, governments and consumers). Of course, they should. But the way most CSR policies (and scholarship) view business and society is a little bit like ‘having one’s cake and eating it too’. Given the intrinsic violence of neo-corporate regulation, it must bar any meaningful adherence to the ethical protocols announced by business ethics pundits. For such adherence would be tantamount to a major transformation of the current status quo, in which the corporation would cease to exist. In this sense, CSR is particularly problematic because it conceals the very source of the ills it claims to address. That is to say, CSR is frequently a tokenistic gesture when one observes the broad structures of the global capitalist system, providing yet another alibi for business as usual, extending market forces even deeper into a social body that is already in seizure.

CSR AND CAPITALISM

This book aims to deal with two basic dimensions of CSR and its related correlates (i.e. business ethics, sustainability, stakeholder theory and so forth). First, we deal with the *practice* of CSR in the large enterprises that now dominate the global economic scene. The practice of CSR is set against the backdrop of the corporate economic system that functions as an excessive expression of unbridled capitalism. It is for this reason that we call for caution when evaluating the meaning and efficacy of CSR initiatives. While there are a growing number of ‘ethical companies’ that brand themselves and their products as sustainable (the Body Shop etc.) we are more concerned here with the majority of firms that use CSR for reputational purposes. This is because they make up the greater part of the present corporate forays into business ethics – the petroleum company that is worried about bio-diversity, the retail chain that claims it is defending workers’ well-being, and so on.

The second dimension of this topic concerns the way in which it is treated in research and scholarship. CSR in the discipline of management studies and organization theory has largely been co-opted by strategic management. Here, the key research problem is to link CSR to performance outcomes and vital economic indicators. In other words, does CSR make money for the firm? And, if so, how can it be strategically leveraged in relation to brand reputation, customer loyalty, employee motivation and competitive advantage? In the business ethics field, we

are sympathetic with a growing number of critical views that aim to politicize CSR and the firm along with it. These studies are very sceptical about CSR because of the blatant hypocrisy that it frequently entails. Critical analyses of stakeholder theory, sustainability and ‘the triple bottom line’ have similarly pointed out the double standards that are a defining feature of CSR when practised in the corporate sector (see Dunne, 2007).

But before we proceed to our stance on CSR, what exactly do we mean by the concept? While various forms of CSR initiatives have been a keen aspect of industrial capitalism for many years (especially in the form of charities, philanthropy and so forth), today CSR has developed into a prominent and cogent corporate discourse involving marketing, recruitment, employee motivation, governmental policy and a keen awareness of shifting consumer values. In its contemporary guise, CSR is defined in consistent ways in various quarters of the business world. For example, these are some of the definitions used to capture the phenomenon (from Blowfield and Murray, 2008: 13):

CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis. (European Commission, Directorate General on Employment and Social Affairs)

CSR is the proposition that companies are responsible not only for maximising profits, but also for recognising the needs of such stakeholders as employees, customers, demographic groups and even the regions they serve. (PricewaterhouseCoopers)

CSR in business practice has today moved well beyond mere philanthropy. It includes a multifaceted set of corporate activities that attempt to attend to the ethical implications of the firm. This may include recruitment initiatives (whereby the corporation is considered a more ‘progressive’ employer), social accounting and reporting (where firms publish reports on their environmental impact, etc.), corporate culture (e.g. using fair trade coffee in the office) and, most importantly, reputation management (Hanlon and Fleming, 2009). One of the assumptions that we have much trouble with, amply displayed in the quotations above, is that ethics and capitalism can find a happy overlap, a unison in which both corporate hegemony might grow, make money and exercise control *and* co-exist in a liveable social landscape. It is this liberalist notion of a ‘win-win’ (e.g. Elkington, 1994) outcome that will be a major objection in this book. As Banerjee (2007) has also noted, only a cursory glance at the facts pertaining to climate change, social exploitation, the homogenization of culture (one language dies every 14 days), and the discernible link between orthodox economics and war tells us that, in practice, the fantasy world of an ‘ethical capitalism’ is built upon a misunderstanding of the kind of society that history has bequeathed us.

THE CSR FIELD

We might find three general perspectives in the literature regarding what CSR means for business today. The first concerns *why business should adopt CSR*. Normative arguments acknowledging a need for CSR are based on ethical or instrumental rationales, while those against are based on institutional function or property rights perspectives (Jones, 1996). Ethical rationales are derived from religious principles, philosophical frameworks or prevailing social norms. Ethicists argue that firms are compelled to behave in a socially responsible manner because it is the morally correct thing to do (Frederick, 2006). In its extreme form, ethics-based advocates of

CSR would support such behaviour even when it involves an unproductive resource expenditure for the firm. The more commonly invoked instrumental arguments in favour of social responsibility are based on a rational calculation that CSR actions will benefit the individual firm over time. Such arguments rely on organizational legitimation. By appearing responsible, a firm can proactively anticipate objections to its activities, postpone governmental scrutiny, exploit opportunities arising from increasing levels of cultural, environmental and sexual awareness, differentiate its products from those of less proactive competitors, and continue to privilege economic rationality. The perspective is illustrated by Jones:

[B]ehaviour that is trusting, trustworthy, and cooperative, not opportunistic, will give the firm a competitive advantage. In the process it may help explain why certain 'irrational' or altruistic behaviours turn out to be productive and why firms that engage in these behaviours survive and often thrive. (1995: 422)

The second perspective concerns *why business should not adopt CSR*. It is interesting to note that CSR was originally a term of disdain. For free market zealots like Levitt (1958) the very thought of business ethics was equated with some socialist conspiracy. The argument was popularized in Milton Friedman's (1970) classic statement that the corporation's only responsibility is to increase profits for its owners. The case against social responsibility is based on corporate function and property rights. The institutional function argument asserts that non-corporate institutions like governments, labour unions and civic and religious organizations are the proper vehicles to pursue social responsibility; that business managers have neither the skills nor the time to implement public policy; and that an empowered business sector would not be accountable for its actions, unlike governmental bodies held accountable through the electorate. Allowing or encouraging business to expand its institutional role by way of social responsibility is dangerous in that it allocates tremendous authority without accountability (Levitt, 1958).

The property rights argument against social responsibility has its roots in neo-classical capitalism and continues to be influential due to its simplicity and resonance with the views of many in the business community, particularly those in financial services. This perspective maintains that management has no right to do anything other than act in ways that increase shareholder value (Benston, 1982). To do otherwise constitutes a violation of management's legal, moral and fiduciary responsibilities. The rationale for all managerial action is the primacy of stockholder rights over those of auxiliary stakeholders and management's corresponding duty to maximize economic performance.

The third perspective concerns why we must be *critical of CSR*, and this is where we locate our book. The integration of ethics into the institution of modern business is theoretically a good idea. One only has to look around today to see that things are not going well – that we are living in a kind of 'end times' as Žižek (2010a) recently put it. But the current use of business ethics – including intimations towards sustainability, responsibility and 'the triple bottom line' – is something of a misnomer since it does very little to modify the systemic negativities of a world that it is supposedly remedying. In some cases, CSR appears even to be capitalizing on some of these negativities. For example a large multinational food company that is well known for its highly exploitative supply chains might carry a certified fair trade product in order to have its brand visible in the ethical area of the supermarket. There is a growing and, we suggest, promising stream of scholarship that is critical of CSR as

both a practice in the business world and a theoretical concept in academic research. It claims that much CSR discourse in corporations performs an ideological function by lending a tokenistic element of ethicality to an inherently unethical institutional form. According to Roberts (2003), for example, CSR can often be dismissed as a cynical ploy to enhance reputational value. For Banerjee (2007), CSR is frequently disingenuous and diversionary. He demonstrates how the international activities of multinational capitalism dwarf in priority and significance corporate aspirations to be ethical. And Hanlon (2007) and Shamir (2008) argue that CSR may even be a way of extending market rationality into the social world. With the rise of neo-liberalism and the privatization of vast parts of society, CSR becomes a vehicle for corporatizing non (or even anti) business ways of life, with eco-innovation, human resource management and ethical branding gaining powerful leverage over activities that might have once been performed outside of business.

TOWARDS A CRITIQUE OF CSR

This critical view of CSR is useful since it positions it in the context of an international political economy. Like Jones et al. (2005), we are not against ethics but *for ethics*, only in a more thoroughgoing manner. For, at one level, the ideological proclamations of CSR, including industrial democracy and sustainability, are very progressive. The nub of the problem is that these latent dreams of ‘socializing the firm’ are not really meant to be taken seriously. If they were, it would signify a major transformation (or even revolution) in business and society. Like many other aspects of liberalist discourse, the trouble is not its aspirations but the obligatory *distance* we are meant to take from their full realization (e.g. real democracy would obliterate the current joke that is parliamentary democracy). An inbuilt cynical distance is operating here that quietly sustains a hypocritical tension between what one claims and what actually happens. Moreover, as we slowly build towards a robust theoretical political economy of CSR (explicated in Chapter 5), it will be suggested that the discourse of corporate ethics should not be simply dismissed as harmless ‘window dressing’ or ‘talking trash’. It may be this and much more, but it is also a concrete business practice that has real effects – that of partially sustaining the structures of late capitalism, of an environmentally unfriendly hegemony governed by the corporation.

Some may say, ‘Well, even if it is all talk, at least it is a topic of discussion in boardrooms and at annual general meetings. That is better than nothing, and something might come of it.’ Roberts (2003), for example, makes an interesting case that while it is easy to demonstrate the double standards of much CSR in practice, the discourse of ethics nevertheless opens a space for a different kind of mentality in which one is in dialogue with ‘the Other’ (be it workers, environmental campaigners or consumers). He draws upon a phenomenological philosophy of responsibility to argue that ethics is about exposing oneself through the language of others, precipitating a leap into the void of the ‘social relation’. The talk of business ethics might be very important for at least creating the potential for this to occur – indeed, has not this very book benefited from CSR talk to begin our criticism? This is a thoughtful way of approaching the myriad of political possibilities that the very presence of an ethical discourse in the firm might broach. But it is the power effects of such talk that we are interested in. From that standpoint, *CSR is actually a step backwards*, rather than a primary move forward to some future state of social justice. A step backwards because it has the consequence of actually solidifying the myth that large corporations (and the consumer culture that goes along with it) can exist in a world where glaciers do not

melt or species extinction is not a common occurrence. By entrenching this untenable 'win-win' ideology, we will argue in this book, CSR must be viewed as an obstruction to genuine progressive change rather than its harbinger.

It is in this sense that we feel CSR, more than anything else, represents a failure, a retreat from politics. What might have once been a critical stance towards multinational capitalism has been effectively mainstreamed so that its contours, the assumptions and the political parameters are preset before one enters the language game. So, the provocative title of our book has a number of interlaced meanings that we think are important for current and future research in this area. CSR has ended because it never began – it was always linked, we think, to a failure to deal seriously with the task of politicizing the firm in business studies and beyond. What once might have been a meaningful social movement many years ago to counter the inimical externalities of capitalism has weirdly become a pro-business position. If CSR ever had a modicum of radicality (which we see as a synonym for reasonableness rather than extremism), then as a project, it never really got off the ground. The language of ethics has been appropriated to become the servant of the very institutional gridlock it sought to reform. But, CSR has ended in other ways. If we accept that to take seriously the ideological claims of CSR would be tantamount to a revolutionary dislodgment of corporate hegemony, then it behoves us to speak about it only if we want to take its underlying message *to the very end*. That is to say, to remain stubbornly true to the tenets of stakeholder theory, sustainability and the 'triple bottom line'. For sure, if a radical socialization of the corporation is latent here, then it must be put at the forefront of the discussion. If we are not willing to do this, then we ought to remain silent, at least within this framework.

The final way in which we feel that CSR has ended regards the major socio-political events over the last 15 years that have sobered even the most ardent champion of neo-liberal capitalism. The atrocious reality of this socio-economic paradigm has been exposed for what it really is to such an extent that we suspect even the most gleeful CSR consultant feels slightly embarrassed as he or she delivers yet another PowerPoint presentation on the competitive advantages of sustainable business practices. The corporatization of war following 9/11; major ecological catastrophes such as the melting of glaciers in Chile within a generation or the 2010 Gulf of Mexico oil spill; the failed 2012 Rio+20 Earth Summit; firms fighting over the spoils pending the disintegrating of the polar ice caps; the global decline of workers' 'rights'; the state flagrantly supporting a banking and finance sector that has not only handcuffed most of us to a volatile economic model, but which is also perversely greedy and religiously supported even when in crisis; the predatory exploitation of the human genome by bio-genetics firms transforming the human body and its reproductive capacities into a 'for-profit' zone; the continuing mass slaughter of non-human animals under increasingly cruel and unforgiving conditions; the Well, the list continues indefinitely. This is certainly the right time to herald the end of CSR.

If the above propositions are correct – and we will endeavour to give credence to these arguments over the course of the forthcoming chapters – then perhaps we need to think about two courses of action in the realm of theory and politics. The first is to link CSR to neo-capitalism in a manner that positions it as a political project of ruling elite interests. The radical message that might have once been the raw material of the CSR intervention is long gone. We now live in an age where even management consultants and popular business writers are evoking the language of emancipation, counter-culture rebellion and anti-hierarchical values. This is what Žižek (2009) has recently chided as 'liberal communism' in that a pro-business mentality seeks legitimation through the

cultural motifs of ethics, radicalism and social well-being. Bob Geldof and Bono might be seen as prime examples of the liberalist communist. All of these intimations to remedying the broken world of modern global capitalism are, of course, made to chime with the advance of business. Bob Geldof has even highlighted the social justice benefits of ‘private equity’ in relation to his plans for investing in Africa. This mindset seeks to enjoy both the rewards of rampant profiteering and the euphoric afterglow of ‘caring for society’.

And second, perhaps we need to change the co-ordinates of the discussion since the discourse of business ethics and CSR is now so shot through with the values of economic rationality that it has been rendered virtually useless. Maybe the only way that an honestly ethical position on the current corporate-led crisis might be possible is precisely outside the realm of CSR practice and theory. This is not to say that we should no longer speak of ethics in relation to the business world. Indeed, we are calling for the very opposite, a more candid political engagement with the realities of the corporation, something that is missing in much orthodox CSR scholarship found in journals like the *Academy of Management Review*, *Organization Science* and elsewhere.

THE DRIVERS OF CSR

Big business has endeavoured to justify itself as a ‘social good’ in the past through philanthropy and so forth, but the sheer prevalence and discussion around this latest iteration in the guise of CSR appears to make it something quite unique. So what has changed? This is a complex question since the reasons why the vast majority of large multinational firms might now include ‘social responsibility’ in their branding are probably varied and complex. A common way to view CSR in the scholarship we have consulted is to make a distinction between drivers that are *reactive* on the one hand and *proactive* on the other. Sometimes CSR initiatives might be foisted upon firms – pressure from unions, the government or consumers – and the other is where an enterprise takes the initiative and seeks profitability, reputational value-added opportunities and kudos through a business ethics campaign. Today, however, we argue that distinction is no longer useful. The discourse of CSR is now only proactive since it represents a move to foreclose political engagement that might truly challenge the firm, making CSR as mandatory now as the balance sheet or planning strategy. For sure, what we might have called external pressure (from, say, social movements, environmental agencies and so-forth) is now transfigured into a business opportunity to deepen the logic of the firm either through legitimation strategies (e.g. CSR as instrument for accumulating cultural capital that deflects critical scrutiny) or through socio-political capture, a capitalization on the growing ethos of dissent among consumers, workers and popular culture more generally. Again, this does not mean that we result in a ‘win-win’ situation since this capture of criticism is designed to extend rent-seeking behaviour rather than eliminate it. The irony, as we have mentioned above, is that this economic rationality obeys a set of principles that CSR is ostensibly attempting to overcome. Having said that, we would still doubt that the corporation would have put such emphasis on CSR issues on its own accord. So again, we ask, what has changed?

The drivers of CSR practice tend to overlap or interact in quite complex ways. Yet, they are analytically distinct in terms of their internal logics and immediate empirical referents. We proceed by identifying six areas where CSR is articulated through the

needs of capitalist economic rationality. To reiterate our earlier point, what looks to be a pressure to curb the excesses of unbridled profiteering should more realistically be depicted as a strategic opportunity firms use to extend their influence via a 'discourse of sociality'. CSR becomes a tool for enhancing value via markets, shareholder activism and the financial system. We also identify consumer tastes, the state and non-governmental organizations (NGOs) as important components of the CSR discourse in corporations today. The justification for depicting these forces and not others is threefold: their close relation to the capital accumulation process generates the externalization dynamic; the nature of consumer identity in capitalist social formations affects whether 'enlightened consumption' can be a substantial force; and the direct access to firms demanded and sought by the state and popular mobilizations. Other voices would include the media, 'ecosystem' consultants, business schools and the general public. For the sake of cogency, we note their potential influence and point to the work of others (Freeman and Gilbert, 1992; Neimark, 1995).

CSR AS PROFIT-SEEKING BEHAVIOUR

Most instrumental arguments for CSR centre on market efficiency and risk management. By adopting a set of practices whose expected initial benefits are directed away from stockholders (while, at the same time, following those that are), the firm is arguably positioned to take advantages of previously unforeseen business opportunities, counter the risk of losing presence in existing markets and establish a presence in emerging ones. Such arguments ignore how managers are generally not provided compelling incentives to follow CSR objectives (Jones, 1996). Assuming (bounded) economic rationality, a firm can only be expected to undertake and sustain so-called social responsibility initiatives under certain conditions. If the governance structure of a European–American firm (or that of another firm seeking exposure in European–American markets) is functioning 'properly' (with respect to prioritizing the interests of stockholders/owners) then management generally pursues only those strategies/projects designed to enhance or protect the firm's position across its relevant markets (Jensen and Meckling, 1976; McWilliams and Siegel, 2001a).

Researchers note that business managers charged with operationalizing CSR in their firms filter such initiatives through an economic lens. O'Dwyer (2003: 535), after presenting the findings of interviews of senior executives in a number of Irish public-listed corporations, points at 'structural pressures' and 'perceived barriers' to a more integrated application of CSR. An interview-based study of German and UK managers in chemical and pharmaceutical firms finds that managers view CSR initiatives as ancillary to the main game of economic performance (Adams, 2002). Reflecting this priority, personnel charged with the task of producing CSR reports were functionally separated from accounting departments. The separation of CSR from core operations is commented on in other contexts. Dick-Forde (2005), interviewing managers in a partly nationalized Caribbean corporation, notes the ghettoization of environmental management/reporting functions and their isolation from strategic management and management accounting processes.

Organizational relegation of the CSR reporting function to public relations departments (rather than to cost/revenue centres under the scrutiny of accountants) would explain its observed ineffectiveness to date. Despite the widespread promotion of the 'business case' for CSR and its internal funding by boards of directors, the line of research linking CSR projects to concrete practice has produced inconsistent results. And it cannot be said that the choice and amount of a CSR initiative reflects the extent

of practical enactment or performance (King and Lenox, 2001). Business managers are faced with the performative equation of maximizing the gap between revenues and specific costs. Managers might give CSR more attention if they could expect CSR-inspired actions to help maximize that gap. Captured by this short-termism, most managers are reluctant to accept the cost of CSR implementation if they cannot readily determine the likelihood of an economic return (Adams, 2002).

CSR AND THE HEGEMONY OF THE MARKET

Continuing this trend of instrumentalization, we see CSR closely linked to the principles of market rationality. For example, firms may be compelled to react to the first-mover CSR strategies of their competitors where they believe that failing to do so would disadvantage them vis-à-vis market positioning. Strong isomorphic effects are observable across industry and strategic group levels where a particular first-mover's CSR efforts gain wide positive publicity among dominant stakeholders (Bansal and Roth, 2000). In these cases, even where the CSR strategy has not been proven a 'winner' (in terms of net payback), other firms will imitate it because they perceive the costs of not doing so as prohibitive. An entire industry sector can thus behaviourally migrate to the position where it adopts non-rational responsibilities that transfer wealth to non-vested stakeholders. For example, in Australia during the 1970s, most employers in the waste collection industry held generous family leave provisions significantly in excess of statutory mandates and irrespective of labour market conditions (Brooks, 2005).

The marketization of CSR is also reflected in the way the discourse creates a second 'market of stakeholders' that then competes for attention within the orbit of the firms' activities. Take for example the wide variety of definitions and orientations in the corporate discourse of responsibility. Definitions are declarative and based on experience, convenience and observed practice. Moreover, priorities of firms vary with respect to determining which stakeholders benefit and to what extent. For example, the Body Shop's CSR activities famously focus on promoting the human rights and environmental sustainability of its suppliers, while those of Starbucks more narrowly target employee welfare. A firm can be responsive towards one stakeholder group and simultaneously exploitative of another. Indeed, the corporate responsibility research from the management field, in the main, leaves unquestioned the definitions of responsibility and sustainability adopted by an organization based on the appropriation of surplus value, cost minimization (and thus the maximum generation of negative economic externalities) and the production of unnecessary products and services. By overlooking the basic dynamic of business rationality, the research encourages practitioners to engage in ethical activity only as long as it does not alter the priority of business first (profit and market share) and society second (other stakeholders in line after stockholders).

In sum, the momentum of CSR within the firm is unlikely to change systematically the logic of neo-liberal economic rationality in any broad sense (growth, accumulation, return to shareholders). Structural and legal environments admit only instrumental variants of CSR practice. Unless and until managers' remuneration packages force them to recognize negative economic externalities generated by their firms, accounting models will not be modified to take into account such 'environmental' and 'social' costs. Fundamentally, while some CSR initiatives might generate positive or mitigating effects on externalities, they cannot fundamentally alter the externalizing engine that powers every business firm and is the primary source of capitalist pathologies.

CSR AS THE FINANCIALIZATION OF BUSINESS ETHICS

The recent global financial crisis has renewed interest in the potential viability of 'ethical' and 'social' investment funds. Practitioners use various terms to describe managed investment products offering portfolios screened against social considerations. We use the term 'social fund' to denote a unit trust that markets itself on the basis of social and environmental policies in its portfolio construction. At first blush, the concept of social investment enlarges the customary conception of stockholder value by expressing retail investors' ethical values (Gray, 1992). In practice, social funds use the instrumental argument as a marketing tool. They claim that by incorporating all externalities and pricing goods and services accordingly, invested corporations will benefit by positioning themselves to take advantage of market opportunities and avoid imposts from the state. Such benefits are expected to flow through to the investor in the form of increased capital gains and strong dividend policies (Statman, 2000): a win-win-win result for investors, invested corporations and stakeholder groups.

Belief in the potency of this argument is found in Bruyn (1987) and Cowton (2004). On closer scrutiny, the evidence at hand suggests that most institutional investors do not exert direct or indirect pressure on invested corporations to practise CSR. Some large pension funds – the California Public Employees' Retirement System and the UK-based Hermes are examples – have on occasion exercised or threatened to exercise proxy-voting rights to force management to discontinue or adopt certain actions. Such practices, while not trite, are isolated. To judge from investment mandates, most institutional investors are yet to be convinced that social responsibility is an instrumental argument for wealth generation. And this is no more true than at the present juncture defined by wasting finance markets following the 2008 economic crisis. In this context, it is unsurprising that social funds accept unaudited corporate self-reports as evidence of practised CSR (Banerjee, 2007). Moreover, social funds have accounted for a very small proportion of funds under management (no more than four-tenths of 1 per cent) since inception (Haigh and Hazelton, 2004). Small market shares limit the ability of social funds to exert pressure directly on share prices or to gain access to executive managers (and so influence corporate behaviour).

The second part of the argument made by 'social investment' advocates contends that social funds will outperform managed investments that do not explicitly take into account social considerations. Studies neither confirm nor disconfirm systematic differences between social and mainstream investment products. Any other expectation, as pointed out by Gray, Owen and Maunders (1988), defies economic rationality. The majority of social fund portfolios are modelled on mainstream stock market indexes or tailored variants (see Haigh and Jones, 2010). Obviously, social mutual funds are constrained by pressures to maintain economically competitive portfolios. To survive, institutional investors must sustain a focus on continuously maximizing economic performance earned on investments in large corporations. Studies of retail investors find mixed levels of commitment. Milne and Chan (1999) use an experiment to measure the positive impact of corporate social disclosures on subjects' purchasing decisions, finding limited support. The survey study of Mackenzie and Lewis (1999) notes that social investors had invested most of their discretionary investable wealth in mainstream investment products. Studies of institutional investor demand for CSR reports also present mixed and inconclusive results (Freedman and Stagliano, 1991; Patten, 1990).

Ultimately, the contention that social funds might promote CSR-type outcomes across industrial sectors is questionable. The outperformance argument relies on a

social fund distinguishing itself in the pack. Most mainstream financial institutions have offered social investment products for a number of years; as such, managers of social funds compete for market share and view investment criteria as providing a competitive advantage, much as might any fund manager (Patten, 1990). Manufacturing differences between portfolio screens negate the potential that social funds might exert collective pressure on invested corporations and produce observable outcomes in industrial sectors. Coupled with low market share, the influence that publicly mandated social funds might exert over the operations of corporations is negligible (Haigh and Hazelton, 2004). In sum, research and practice suggest that corporations with stock held by social funds are more likely to ignore than to heed calls for social responsibility actions.

THE ETHICAL CONSUMER?

Has not the rise the 'ethical consumer' fundamentally changed the business model of many corporations, especially those concerned with brand reputation and consumer loyalty? Since the 1970s, studies have focused on the demand characteristics of consumers of products and services to which are attached green characteristics: 'natural' cosmetics, recycled paper, eco-vacations and suchlike (Crane, 2001; Davis, 1994; Drumwright, 1994; Marks and Mayo, 1991). For some analysts, such as Prothero (1990) and Smith (1990: 88), eco-consumerism can be viewed as a strategy of capturing new markets, and is thus inherently linked to the overall logic of capitalist production/consumption cycles more generally. Conceptually, consumers can promote CSR practice through their purchase decisions in certain product markets. If consumers are consistently willing to pay some form of premium for CSR-affiliated products (or brands or reputations), firms will gain a competitive advantage, thus forcing non-CSR firms to migrate to similar positions. This is, of course, an extension of the basic concept of consumer sovereignty, which has been applied elsewhere in modelling citizenry behaviour in political 'markets' (Crane and Matten, 2010).

For us, the argument that eco-consumerism can promote social justice is flawed in three respects. One, the practice of purchasing consumer goods and services to pursue social and environmental goals necessarily accepts the assumptions of neo-classical economics. The inability of that model to address allocative equity within and without economic markets is evident. Two, treating social and environmental questions as ancillary to the purchasing act valorizes consumption and reifies the legitimating myth of consumer sovereignty, when an informed assessment of retail industries would show that consumers have very little say over what they buy, and even less over the means of production. Echoing Galbraith's (1958) adage of 'Render unto Caesar that which is Caesar's', Dugger (1989) demonstrates how monetarist policies underlying corporate mergers actually created rather than responded to market and consumer preferences. Such behaviour suggests that corporations do not adjust operations to meet the demands of consumers (Dugger, 1989: xi). And three, the idea of a key capitalist pathology – consumerism – being addressed by the pathogen, as it were, is highly problematic. As Heilbroner (1985) notes, capitalism is not only about producing goods and services, but also about producing people, in the sense of certain and particular forms of dominant consciousness. The contemporary individual may be inconsistent, alienated and so forth, but he or she still contributes to the reproduction of capitalist institutional structures and social relations through obligatory acts of consumption and labour.

Moreover, it is very difficult to correlate empirical relationships between firms' CSR behaviour, consumers' perceptions of that behaviour, and consumers' purchasing behaviour. As an example, Bhattacharya and Sankar (2004) found that despite indications that eight in ten Fortune 500 corporations address CSR issues and that eight in ten survey respondents stated they considered CSR when making purchasing decisions, robust linkages between corporate CSR initiatives and actual consumer purchasing patterns did not appear. Most subjects in the study were unaware of corporate CSR activity per se and those that were aware were unwilling to pay premium prices for CSR-embedded goods (Wicks et al., 2010).

To sum up, the proposition that a moneyed echelon treating itself to ethical luxury could somehow serve to alter basic capitalist dynamics seems unjustifiable. The literature on consumer boycotts does little to contest our argument (John and Klein, 2003; Tyran and Engelmann, 2005). From the perspective of encouraging corporations to practise CSR, both eco-products and social investment products offer little promise of radical change except as a palliative to individuals' consciences (Fleming, 2009a). We do not believe consumers can be counted on to promote CSR outcomes. Indeterminate associations between consumers' perceptions, attitudes, values and behaviours would bar CSR from the cost/benefit deliberations of most manufacturing firms. Moreover, as firms' overall competitive approaches and differentiation strategies increasingly integrate CSR initiatives, the quality of information transmitted to consumers becomes captured by the marketing function, leading to confusion, cynicism and exit choices (Biddle, 2000). Green consumers, perhaps more susceptible than other consumer groups to focused emotional advertising (Dacin and Brown, 1997), might suspect opportunism on the part of manufacturers and suppliers (Kulkarni, 2000). Such perceptions, if held, might account for relatively muted consumer demand for such products and services (Schwartz, 2003).

THE ETHICAL STATE OR THE CAPTURED STATE?

Jurisdictions are yet to require substantive legislation requiring sustainability reporting of all large organizations, and no benchmark of government responsiveness to CSR has emerged even following large environmental incidents and corruption scandals. Governments have tended to tax negative externalities since the 1970s by using shifting mixes of tradable permits, direct regulation and corrective market mechanisms such as emission standards (Abelson, 2002: 155). In the United States, the Toxics Release Inventory and other environmental legislation is administered through the Environmental Protection Agency and supplemented through a very decentralized state-by-state process. Moreover, several European Union governments have introduced legislation to make environmental reporting mandatory for corporations. Since 1995, the Dutch government has offered personal income taxation exemptions to retail investors in a reportedly successful attempt to stimulate environmentally sensitive energy, agriculture and technology projects. Debentures issued to fund projects certified by the government environmental agency carry concessional taxation benefits for debenture holders (Richardson, 2002). Other governmental environmental initiatives emanate at the EU level. The Restriction of Hazardous Substances (ROHS) legislation bans all products containing any more than trace amounts of dangerous substances like lead or mercury. The Waste Electrical and Electronic Equipment Act commenced in the EU zone in 2004, mandating that electronics manufacturers accept and recycle used electrical products. The Registration, Evaluation, Authorisation and

Restriction of Chemicals Directive requires that EU-registered firms register chemicals used in manufacturing processes.

Lehman argues that critical evaluation of the state is necessary if reformist research agendas are to 'tackle the entrenched interests of corporate power and prestige' (1999: 236). We would agree, and further add that the resurgence of what Harney (2009) calls 'extreme neo-liberalism' in the governmental sector (extreme because it's entirely untenable even on its own terms) has profound implications for the way business and society interface. In light of the overreliance on capital as illustrated in the financial crisis 'bailout' of private firms, the state seems to have been captured by business interests rather than becoming an organ for democratic voice. And for this reason, it is unlikely that governmental regulatory pressures can be counted upon to promote CSR outcomes at the industry and firm levels, for four basic reasons.

First, a major focus of corporate lobbying in Europe over recent years relates to the perceived costs of ensuring compliance, which lobbyists argue are prohibitive either for large firms employing high levels of outsourcing, such as Dell, or with respect to new layers of governmental inspectors, adding to what many observers already perceive as a bloated EU central bureaucracy. In the United States, lobbying groups have been successful in curtailing US commitment to CSR on economic grounds. Indeed, many governments now agree that imposing regulatory compliance costs on the business sector increases firms' non-productive overheads and negatively impacts competitiveness in international markets wherever such regulations are not in force. Second, lobbying activities of business groups and the reluctance of business to recognize the costs of its negative externalities lead to superficial treatments of environmental reporting legislation, by both the regulators and the regulated (see Haigh and Jones (2010) for examples of this). Lobbying around the Copenhagen Climate Change Conference and the 2012 Rio+20 Earth Summit similarly revealed how powerful business interests were aligned with the nation-state (*Guardian*, 2012; Jowit, 2010). Proposed regulation then becomes subordinated by the lobbying efforts of practitioners' associations; consequently, investment managers are permitted to define the scope, terms and content of relevant disclosures. As the requirements are silent on audited disclosures, investors have little reason to expect that the quality of information will improve (Banerjee, 2007).

Third, the hegemony of economic rationality (Deetz, 1992; Gorz, 1989) and its colonization of non-corporate institutions (Hardt and Negri, 2009) means that the corporate sector has already won the discursive battle, although not necessarily through the Trojan horse of CSR itself. The extent to which governments have adopted national economic competitiveness as their *raison d'être* has led to capital and the state becoming almost indistinguishable from each other with respect to public policy making, for example, environmental taxation (Chomsky, 1999). And fourth, to impose more aggressive environmental and social regulations on business would require that states enjoy a significant degree of autonomy from corporate and finance capital. The global financial crisis and the massive corporate 'bailout' (involving one of the largest transfers of public funds to the private sector) disabuse us of any such notion as governmental autonomy. Moreover, globalization has empowered capital as the level of institutional pluralism has decreased. Individual states are currently much more dependent on capital than is capital on any individual state. Bourdieu (2001: 14) notes that states promote market hegemony by endorsing the very policies that tend to consign them to the sidelines. To expect that the 'left hand of the state' (Bourdieu, 2001: 34) would price itself out of markets through aggressive regulations attacking negative externalities is unrealistic.

THE NGO

Organizations formed from popular mobilizations, hereafter referred to as NGOs, coalesce in various formal and informal alliances with other organizations located in capitalist markets. A useful categorization of NGOs follows Smith's (1990: 108) distinctions between sectional, promotional and anchored pressure groups. *Sectionals* protect the interests of a particular component of social systems; *promotionals* seek to address what they consider as pressing ecological or humanitarian problems; *anchoreds* present as promotionals but are grounded in sectionals.

Ethicists posit promotional NGOs as the natural facilitators of CSR based on their minority membership of corporations (Matten and Crane, 2005). For example, promotionals are known to purchase stock in corporations so as to either call special meetings to put voting resolutions on single issues or to attend general meetings to vote on matters such as those affecting board composition. As an example, the Australian Wilderness Society recently placed shareholder resolutions at the annual general meetings of two national Australian banks. The resolutions were drafted as a response to the banks' holdings in a corporation engaged in old-growth forestry and sought to change the banks' articles of association so as to prohibit those specific investments. And there are many reports of shareholder activists threatening special meetings to gain access to management (Fleming and Spicer, 2007). Promotional and anchored NGOs have also sought occasional collaborations with public corporations and institutional investors. As examples, the Interfaith Center on Corporate Responsibility, established by churches and investment managers, organizes and documents stockholder resolutions to be put to US corporations, while the US Friends of the Earth targets many of its publications and activities at mutual funds.

From a more critical perspective, however, some have convincingly argued that a number of key NGOs have been co-opted into extending the logic of corporate dominance in the context of global capitalism (see Hardt and Negri, 1999). And as such, we must remain pessimistic about the ability for these institutional forms to enforce the substantial changes on business and society that many argue is required. Let us take, for an example, the Global Reporting Initiative (GRI) to illustrate the institutional capture of NGOs. The GRI was formed in Boston in 1997 after the Coalition for Environmentally Responsible Economies secured a financial grant from the United Nations Foundation, and is designated as a UN Environment Program Collaborating Center. The GRI issued its Sustainability Reporting Guidelines in 2002, which were followed by a second edition, known as G2, in 2004. G2 lists hundreds of measures that signatories can choose. Purportedly, all derive from a 'triple bottom line' approach: the management doctrine that presents accounting profits by reference to impacts on employees and urban/non-urban environments.

It is not our intention to address the dubious contribution that a triple bottom line report might make to environmental and social justice here (see Brown et al., 2005; Gray and Milne, 2002). However, the industrial sectors represented by GRI reporters point to its increasingly limited role as a mere legitimating agency: 363 of the 429 GRI signatories, or 84 per cent, were in politically visible industrial sectors, namely retail products, financial services, health care, telecommunications, construction, mining and energy. The tobacco manufacturing industry is particularly prominent, with 17 subsidiary companies of the British American Tobacco Group counted as GRI reporters. Corporations engaged in politically sensitive operations have also been quick to proclaim their status as GRI reporters. Legitimation as a motivating factor in CSR disclosures is not new (Gelb and Strawser, 2001; Moneva et al., 2006).

While legitimation might underpin the instrumental argument for CSR, it carries certain other consequences. In the sense that the motivations of promotional NGOs are replaced with those originating in the business sector, corporate signatories contaminate the GRI memberships of less dominant promotional NGOs. In their critical analysis of GRI, Moneva et al. (2006) come to the conclusion that it has been appropriated to such an extent that one might view it as a way of camouflaging unsustainability rather than promoting it. As Moneva et al. put it:

the understanding of the meaning of sustainable development, the three dimensions/ pillars of sustainability and their interactions has been changing as the concepts have been analysed, reinvented and operationalized for institutional purposes. The process of the development of the GRI guidelines has meant an opportunity for the different lobbies to further their own (environmental) agendas by appropriating these concepts ... and more companies are adopting the GRI methodology to prepare their sustainability reports but, at the same time, the level of compromise with sustainable development assumptions is low. As a consequence, the guidelines developed by the GRI are used as a new tool for legitimizing management decisions and actions. (2006: 134)

To drive the point home, the ongoing collaboration of the GRI, the UN Environment Programme Finance Initiative (UNEPFI) and European investment banks illustrates the primacy of capitalist rationality. Among the UNEPFI's working programme of climate change, military conflict and water, the significance of a lack of available sanitary water in large areas of populated Africa is reduced to the problem of:

an emerging risk of strategic importance to businesses and their financial backers around the world ... becoming even more important with rapid globalisation within the business supply chain. Therefore, a business case for strategically addressing water challenges is getting stronger Water supply problems can open a window to improve operational performance and efficiency. This can give a company a competitive advantage on its peers ... an investment opportunity for financial institutions to propose sustainable improvements which can benefit business. (www.unepfi.org, 2005).

The GRI, operating as the supra-representative of ecological/social activist movements but dominated by heads of industry, inverts the original relationship by hijacking (promotional) NGOs. The influence that an industrially diversified conglomerate might wield over a human rights NGO from a small European country need not be elaborated here. However, in terms of achieving outcomes consistent with social responsibility, promotional NGOs over time tend to concern themselves only with reforms likely to be accepted by business; that is, with those that can be expressed through the discourse of governance guidelines emanating from vested interests, not with those that would question the role of business in directing social progress towards its own ends.

CONCLUSION

This introductory chapter has sought to justify our provocative statement that CSR never really began in a genuine sense, and is yet another facet of the corporate justification of the capital accumulation process, this time utilizing the veneer of 'social goods',

‘giving back to society’ and ‘sustainability’. If the capitalist system is in social, economic and environmental crisis, we do not see CSR as a way out of the current jam, but as an excuse for avoiding some inconvenient truths or, even worse, a Trojan horse designed to co-opt criticism and deepen the current paradigm of global unsustainability.

Most of the assumed causes of CSR in business posit the motivations for CSR as being outside the firm. In this view, organizations are reacting to shifting societal values and expectations. For example, in the post-Enron era of sceptical consumers and citizens alike, organizations now have to place more emphasis on how their corporate practices are actually adding to the well-being of the community at large. Consumers are now decidedly more unwilling to accept visible profiteering. The Nike and Gap cases from the 1990s are good examples (see Farzad and Boje, 2008). Child labour and sweatshops discovered within their supply chains markedly changed the marketing (if arguably not the actual material production) process. The consumer boycott of Nestlé following the powdered baby milk scandal had a major impact on the firm’s operating practices (also seen in permutations in governmental regulation), but as we mentioned, this was more around the image of the company as a strategic resource than something that changed the internal business model (Crane and Matten, 2010).

However, these are isolated cases. In relation to mainstream purchasing patterns, there is indeed much debate about whether consumers really care about the CSR profile of the products or firms that they endorse (or more accurately, if ethical concerns translate into paying a high price for commodities). For sure, ethical products associated with environmental and worker-friendly businesses are often purchased by middle and upper-middle classes who are more likely to afford them. Some surveys tracking the consumption patterns in the EU indicate that the majority of consumers are concerned about the ethical status of the products, but only one in five would purchase a more expensive product on these grounds (Crane and Matten, 2010). In the grip of an economic crisis, fewer are willing to do so. The recent attempt by organic produce farmers to reform regulations to allow them to use pesticides in the face of dwindling demand reveals an increasing willingness to allow cost considerations to trump ethics.

We will now unpack our critical analysis in more depth, taking each key CSR concept into consideration. As the chapters proceed, our objective is to develop a robust and clear framework for understanding what has gone wrong with CSR theory and practice. And in doing this, we are better able to posit possible solutions, some of which might require abandoning the CSR paradigm altogether.