

### **The only business of business is doing business (?)**

Lees onderstaand artikel. In dit artikel stelt de auteur dat organisaties toch vooral moeten zorgen voor goede financiële resultaten, dat het vooral, zo niet alleen, gaat om invulling geven aan hun economische verantwoordelijkheid en dat op het terrein van de sociale verantwoordelijkheid veel te hoge eisen aan organisaties gesteld worden. Zet de argumenten van de auteur op een rijtje en schrijf een reactie, waarin je, met name op basis van wat je in hoofdstuk 6 en 7 gelezen hebt, aangeeft waarom de visie van de auteur (veel) te eenzijdig is.

## The good company

Companies today are exhorted to be “socially responsible”. What, exactly, does this mean?



**I**T WILL no longer do for a company to go quietly about its business, telling no lies and breaking no laws, selling things that people want, and making money. That is so passé. Today, all companies, but especially big ones, are enjoined from every

side to worry less about profits and be socially responsible instead. Surprisingly, perhaps, these demands have elicited a willing, not to say avid, response in enlightened boardrooms everywhere. Companies at every opportunity now pay elaborate obeisance to the principles of corporate social responsibility. They have CSR officers, CSR consultants, CSR departments, and CSR initiatives coming out of their ears. A good thing, too, you might think. About time. What kind of idiot or curmudgeon would challenge the case for businesses to behave more responsibly? Thank you for asking.

### Cynics and believers

The practices that caring, progressive CEOs mention when speaking at conferences on CSR come in all shapes and sizes. Treat your employees well; encourage loyalty among your customers and suppliers; avoid investing in “unethical” industries, or in countries where workers are paid low wages or denied decent benefits; take care to save energy and recycle used envelopes; and so on. The range of such policies makes it hazardous to generalise. Some of them advance the interests of shareholders and of the wider world as well; others make everyone, except the office bureaucrats paid to dream them up, worse off. Motives vary too. Some CSR advocates are cynics: they pay lip service to the idea but are chuckling quietly. Others are true believers, born-again champions of a kinder, gentler capitalism (see our survey in this issue).

The one thing that all the nostrums of CSR have in common is that they are based on a faulty—and dangerously faulty—analysis of the capitalist system they are intended to redeem. Admittedly, CSR is now so well entrenched and amply funded that to complain about it may be pointless. We are concerned that it may even be a socially irresponsible use of scarce newsprint. Nonetheless, if businessmen had a clearer understanding of the CSR mindset and its defects, they would be better at their jobs and everybody else would be more prosperous.

Simply put, advocates of CSR work from the premise that unadorned capitalism fails to serve the public interest. The search for profit, they argue, may be a regrettable necessity in the modern world, a sad fact of life if there is to be any private enterprise. But the problem is that the profits of private enterprise go exclusively to shareholders. What about the public good? Only if corporations recognise their obligations to society—to “stakeholders” other than the owners of the business—will that broader social interest be advanced. Often, governments can force such obligations on companies, through taxes and regulation. But that does not fully discharge the enlightened company’s debt to society. For that, one requires CSR.

This is wrong. The goal of a well-run company may be to

make profits for its shareholders, but merely in doing that—provided it faces competition in its markets, behaves honestly and obeys the law—the company, without even trying, is doing good works. Its employees willingly work for the company in exchange for wages; the transaction makes them better off. Its customers willingly pay for the company’s products; the transaction makes them better off also. All the while, for strictly selfish reasons, well-run companies will strive for friendly long-term relations with employees, suppliers and customers. There is no need for selfless sacrifice when it comes to stakeholders. It goes with the territory.

Thus, the selfish pursuit of profit serves a social purpose. And this is putting it mildly. The standard of living people in the West enjoy today is due to little else but the selfish pursuit of profit. It is a point that Adam Smith emphasised in “The Wealth of Nations”: “It is not from the benevolence of the butcher, the brewer, or the baker, that we expect our dinner, but from their regard to their own interest.” This is not the fatal defect of capitalism, as CSR-advocates appear to believe; it is the very reason capitalism works.

Maybe so, those advocates might reply, but perhaps the system would work even better if there were a bit more benevolence in the boardroom and a bit less self-interest. In some cases, that might be so, but in general (as Smith also noted) one should be wary of businessmen proclaiming their benevolence. A question to ask of all outbreaks of corporate goodness is, who is paying? Following the Indian Ocean tsunami, many companies made generous donations to charities helping the victims. There could be no worthier cause—but keep in mind that, in the case of public companies, the managers authorising those donations were giving other people’s money, not their own. Philanthropy at others’ expense, even in a cause as good as that one, is not quite the real thing.

### Pernicious benevolence

Unfortunately, tainted charity is certainly not the worst CSR can do. For instance, in the name of socially responsible conduct—also to deflect embarrassing criticism from anti-trade NGOs and to curry favour with ill-informed consumers—some multinational firms have proudly withdrawn from investments in developing countries where labour practices fall far short of western standards. This is a pernicious kind of benevolence. The policy may in fact be profit-maximising, for the reasons just noted, but as a rule it will harm the people it is supposedly intended to help: the people in the poor countries concerned, who would have benefited either from employment at higher-than-prevailing wages or from the knock-on economic effects of inward investment.

All things considered, there is much to be said for leaving social and economic policy to governments. They, at least, are accountable to voters. Managers lack the time for such endeavours, or should do. Lately they have found it a struggle even to discharge their obligations to shareholders, the people who are paying their wages. If they want to make the world a better place—a commendable aim, to be sure—let them concentrate for the time being on that. ■