Beyond Corporate Social Irresponsibility

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We are moving through a phase where global crises, like the food crisis, fuel crisis, finance crisis, poverty crisis and climate crisis follow one another in an almost monotonous procession. While differences of opinion might prevail about the real causes of these crises few would deny that business contributed to each and all of them. This realisation has once more fuelled the debate about whether capitalism as such is in a serious crisis. While opinions over this question might once more divide, there is little doubt that at least certain forms of capitalism are in crisis. The regular calls for greater regulation of business that resounds around the world testifies to this awareness.

The responses by business to all these crises are very often impressive and innovative. But it is well possible that these responses – innovative as they may be – neither fundamentally challenge the way in which corporations are being run, nor the relationship between business and society. And this is what is problematic about the current corporate response to the series of crises that we are moving through. Albert Einstein's statement that "a problem cannot be solved from the same consciousness that created it" becomes particularly relevant in this situation.

The kind of capitalism that stands accused of contributing to this continuing series of crises is characterised by four major features. My contention is that these four features all contribute to an unhealthy and unsustainable relationship between business and society and are therefore in need of rethinking and revision. I will identify each of these four features and then point the direction in which I believe each of these features need to be transformed in order to restore a more healthy and responsible relationship between business and society.

Beyond the amoral corporation

The modern corporation is perceived as an amoral entity that has no intrinsic ethical obligation towards society. The corporation is of course free to take up whatever social and environmental responsibilities it fancies to pursue (for philanthropic or strategic considerations), but might discard of them again whenever it wishes to do so. This is not to deny that state and society can impose social and environmental obligations upon corporations by which they simply have to abide, but then such obligations are exactly that: imposed obligations and not intrinsic moral obligations. Corporations are simply too central and too vital to social and environmental survival and well-being to continue such a free-riding relationship with society. The amoral corporation needs to be replaced by the notion of the corporation that stand in an inescapable ethical relationship with its social and natural environment. The sentiment once expressed by Mahatma Ghandi needs to find its way into mainstream economic thinking, when he said: “I must confess that I do not draw a sharp or any distinction between economics and ethics”.

Beyond homo economicus

The prevailing notion of the modern corporation is one that is inhabited by *homo economicus* – the rational person only driven by the desire to further his or her economic self-interest. This reductionist perception of human motives results in business practices that serve economic self-interest to the detriment of other human priorities and social and environmental concerns. Such a narrow and shallow perception of human nature is not only out of step with our most basic experience and intuitions about our own motivations and those of other people. It also deprives us of calling on other motives that might inspire employees of corporations as well as shareholders, clients and suppliers of the corporation. Recognising within business that people care besides financial security and gain also for their own psychological well-being and for the wellness of their families, friends, societies and environment, can create new avenues for tapping into the creativity and support of all stakeholders of business. Moving beyond the narrow scope of *homo economicus* can open up possibilities for appealing to the ethical sensibility and ideals of all who work within our corporations and all who interact with corporations.

Beyond shareholder value

The idea that corporations will automatically be an asset to society when they pursue the creation of shareholder value is quickly losing its currency. It is becoming increasingly clear that the pursuit of shareholder value can and often does run counter to social and environmental interests. Georges Enderle (Notre Dame University, USA) recently rightly said that while creating shareholder value corporations can destroy vast amounts of economic, social and environmental wealth. The recent financial crisis has underlined that we can hardly afford the uncritical pursuit of so called shareholder value at the expense of the wealth of society. When corporations find themselves in an ethical relationship with society (as I have argued above that they should), then whatever value is created for shareholders should be compatible with the wealth of the society in which corporations operate. Wealth refers to the assets accumulated by an individual or society that enables and bolsters them to cope with future challenges. Wealth thus provides shelter against threats, but also a springboard for improvement and innovation. Aligning shareholder value with economic, social and environmental wealth creation will align corporations with the best interest of the societies in which they operate.

Beyond short-termism

Corporations are currently being rewarded for short term annual (and often even quarterly) financial performance. In an attempt to maintain the illusion of perpetual short term growth, financial performance and records are massaged to portray upward financial performance. To ensure that corporate executives stick to this trend of perpetual short term growth, their compensation is increasingly being tied up with and dependent upon their ability to produce perpetual short term gain. That short term gain can easily collide with longer term growth and economic, social and environmental wealth is no secret. To the contrary, on both a personal and social level we are all too familiar with the idea that achievement of worthwhile goals more often than not requires sacrifices in the short term and the postponement of immediate satisfaction. It has therefore become imperative that we stop measuring the success of companies and corporate executives by their past record of short term shareholder gains. Instead we should rather judge the success of companies and corporate executives by their readiness to deal with future challenges and their ability to create economic, social and environmental wealth.

Dawn of a new consciousness?

The current economic, social and environmental responsibility of business is either imposed by state or societal pressure or motivated by philanthropic or opportunistic considerations. Although it would always be possible to point to some companies as notable exceptions, they remain just that - exceptions.
A consciousness of business standing in an intrinsic ethical relation to its economic, social and ecological environment still has to be born. This calls for a profound change of the way that business perceives of its role and responsibilities in society. Such profound change of consciousness will neither occur easily, nor overnight. But maybe the series of serious crises that are currently in process is exactly the trigger for transforming the current consciousness. Jean Monnet once said: "People only accept change when they are faced with necessity, and only recognize necessity when a crisis is upon them".

About the Author

Prof. Dr. Deon Rossouw was the Founding President of the Business Ethics Network of Africa (BEN-Africa) and served as President of the International Society for Business, Economics, and Ethics (ISBEE). He is Head of the Philosophy Department and Director of the Centre for Business and Professional Ethics at the University of Pretoria. During 2008/2009 he spent a one year sabbatical at Globethics.net in Geneva where he served as Program Executive for Business Ethics.