



## Compilation: Full text of responses to *Economist* survey on Corporate Social Responsibility

The *Economist* supplement “The good company – a survey of corporate social responsibility”, published on 22 January 2005, provoked a strong reaction.

The survey is available here:

[http://www.economist.com/surveys/displayStory.cfm?Story\\_id=3555212](http://www.economist.com/surveys/displayStory.cfm?Story_id=3555212)

Below is the full text of letters responding to the survey that have been made available to the Business & Human Rights Resource Centre.

The views expressed below are those of the authors.

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**Aridi, Rabih – Member of the Board of Directors, Amnesty International USA**

27 January 2005

Dear Sir/Madam,

What struck me most about your article is not investigating certain corporations who have witnessed an increase in profits as a direct result of implementing socially responsible measures. These real life examples are not only testaments to the multidimensional value of CSR but are also models for others to follow and learn from.

Rabih Aridi

**Chandler, Sir Geoffrey – Founder-Chair of Amnesty International UK Business Group 1991-2001, former director of Shell International**

25 January 2005

Sir,

You rightly wonder if you should be expending your newsprint on this subject. Your extensive survey on CSR, like the academic and consultancy industries which have mushroomed under this banner, feeds on the woolliness which has characterised the debate and wholly ignores the fundamental challenge which capitalism faces today. That challenge is the prevailing public distrust of companies arising from the perception that profit precedes principle, rather than being based upon it. Nothing could better illustrate the validity of this perception than the recent twentieth anniversary of the Bhopal disaster – one of the worst examples of safety being compromised and adequate compensation denied in the interest of corporate profit.

The premise for any sensible definition of CSR is not that 'unadorned capitalism fails to serve the public interest', but that unprincipled capitalism inflicts collateral damage on all its stakeholders, including ultimately its shareholders. The basic responsibility of the company to society is not about benevolence, philanthropy or solving the problems of the world; it is about conducting its business profitably in a way which matches the values of contemporary society in the treatment of its employees and of the physical and social environment in which it operates. Certainly a company whose practices are based on 'ordinary decency' will thrive, but this attractively naïve concept is unlikely to be of practical help to those who actually manage in the many countries which today suffer from unrepresentative government, corruption, discrimination, violence and human rights violations. Companies are learning the hard way that their hugely increased scope and influence in the post-Cold War world and the new challenges they face require a recognition that without forethought and principles they can and do exacerbate problems and damage their own reputation.

Capitalism, the most effective mechanism the world has so far known for providing goods and services and creating financial wealth, is under threat not from without, but from itself and from its lack of underlying principles. It is a threat probably increased by the confusion of thought fostered by the proponents of CSR and the tunnel vision of its opponents whose views dominate your survey.

Sir Geoffrey Chandler

**Davies, Robert – Chief Executive Officer, Prince of Wales International Business Leaders Forum**

9 February 2005

Sir,

Any analysis of corporate social responsibility (CSR) and the broader role of business in society is timely and welcome, even a sceptical one. Indeed, CSR has become the focus of increasing criticism mainly from two different perspectives: those such as academic economists who argue that the sole business of business is to make profits and obey the law, and those who make the case for strict global regulation of business behaviour.

Today's responsible CEO is dependent on a licence to operate across complex consumer markets and supply chains, derived from a mixture of regulated shareholder value, stakeholder support and intangibles such as brand and reputation.

But what should businesses do when the rule of law is lacking or human rights are not respected? Even Milton Friedman acknowledged the fundamental importance of basic societal boundaries, and companies have a joint interest and responsibility to help improve governance.

The International Business Leaders Forum defines responsible business practice as corporate and social behaviour that extends well beyond philanthropy and beyond reasonable doubt that it is in the company's best commercial interests. This is the reality and relevance of CSR to modern business.

Robert Davies

**Ethical Corporation magazine**

[*Ethical Corporation* published an editorial on 31 January 2005 called "Bad arguments against the good company? – A response to The Economist regarding the relationship between business and society." It begins as follows.]

"We should be grateful to The Economist. The extensive diatribe published in their special survey of 22nd January – 'The good company – A sceptical look at corporate social responsibility' – has issued an intellectual call to arms to those concerned about the failure of markets to produce responsible corporate behaviour.

This is Ethical Corporation's contribution to the debate, not a statement for the movement. We could never speak for this young and evolving field with the same self-assurance with which The Economist applies a strand of 18th century Enlightenment theory to the complex global issues of political economy being faced in the real world in our own time..."

[The full article is available here: <http://www.ethicalcorp.com/content.asp?ContentID=3420>]

**Kell, Georg – Executive Head, UN Global Compact**

24 January 2005

Sir,

You are barking up the wrong tree ("The good company", January 22). Today, few corporate

social responsibility (CSR) activists doubt that the pursuit of profit does not serve the public interest and that in an ideal world social and environmental issues should best be handled by governments. The reality, however, is that governments often fail to do their part. Think of the approximately 30 countries where civil war or near conflict prevails, or the 60 countries where corruption is rampant, or the many countries where environmental degradation continues unabated. As business has gone global, these and other issues, once considered “soft” or irrelevant by the private sector, pose real dilemma situations – that is, “hard” choices where business action does make a difference, to societies and the bottom line. Fortunately, the CSR movement recognizes this. Indeed, social and environmental issues are no longer interpreted from an ideological angle, as your analysis does, but rather are becoming part and parcel of corporate risk analysis. So long as governments fail to do their part and so long as business goes global, CSR helps fill an important void.

Georg Kell

**Kuszewski, Judy – Associate Director, SustainAbility**

Sir,

While the practice of corporate social responsibility is ripe for serious examination and critical challenge, I found your 'survey' on the subject entirely missed the mark. I would agree that much of what passes for 'CSR' is poorly conceived and cosmetic. However, it is increasingly clear to analysts and business people alike that the core principles of transparent and accountable management, with sensitivity to societal expectations, are fundamental to securing business value in the future.

It is unfortunate that, given the opportunity to provide insight of real value, you instead chose to focus on cheap rhetorical point-scoring. You assert, for example, 'The claim that economic growth is necessarily bad for the environment is an article of faith in the CSR movement.' This claim is itself an article of faith in the neoconservative movement. Simply making the assertion does not make it so, yet the 18 pages you devoted to CSR are rife with this sort of unattributed, unsubstantiated and intellectually lazy polemic.

CSR is still in its infancy, but in rehearsing prejudices rather than interrogating practices, your survey has elected to throw this baby out with the bath water.

Judy Kuszewski

**O'Reilly, John – member of Amnesty International UK business group, former BP executive**

25 January 2005

Dear Sir,

Doesn't the litany of unhappy experiences of Shell in Nigeria, BP in Colombia, Unocal in Burma, Freeport in West Papua etc., merit addressing in any discussion about companies' wider social responsibilities, particularly in countries characterised by conflict or political oppression? Doubtless, all these companies obeyed the 'law', but that was a large part of their problems as they were seen as complicit in egregious human rights violations and demonstrable community neglect.

John O'Reilly

**Ryder, Guy – General Secretary, International Confederation of Free Trade Unions**

2 February 2005

Dear Editor,

Your survey of corporate social responsibility (January 22) is misleading as it characterises the labour issues as being demands for workers in developing countries to be hired on similarly "generous" terms to "rich-country workers". Thereby, the real problem – the responsibility of business for its activities in countries like China or Burma where the government does not permit human rights to be respected - is missed.

However one theme of your survey - that business should not try to do the work of governments - is the key to understanding what is wrong with the CSR form of business ethics. CSR cannot be used as a substitute for the proper role of governments and for proven frameworks of accountability, such as collective bargaining between companies and free trade unions. Paternalistic management, and the resultant anti-union policies, are inconsistent with the social responsibility to have good industrial relations and the social benefits that come from genuine collective bargaining. The government contribution to the functioning of markets is indispensable, and this includes promoting social justice and guaranteeing civil liberties. Your article rightly distinguishes between "taking account of" and "being held accountable". Much of the "demand" for the voluntary practices called CSR is being generated by a new industry of consultancies and service providers. This obscures the more important demand that management be held more accountable through strengthening the legal and institutional frameworks that are needed if the benefits of global markets are to become more widespread.

Guy Ryder

**Smith, Craig – Associate Dean, MBA Programme, London Business School; Senior Fellow in Marketing & Ethics**

January 2005

Sir,

Business leaders would be out of their jobs not doing their jobs better, if they followed your advice ("The good company," January 22nd ). They are giving greater attention to CSR today because the business case is so often compelling. While there are clearly exceptions, this actually reflects an understanding of the strengths of capitalism rather than a "faulty analysis". For most firms, the real challenge of CSR is not whether to do it, but how? How to identify issues where the firm is having an adverse impact on society before they destroy shareholder value? How to embed attention to CSR throughout the organisation rather than leaving it to CSR ghettos in Public Affairs? How to know how much is enough in response to an issue? While business leaders should exhibit a healthy scepticism when faced with the many demands for attention to CSR issues, they must certainly ascertain the extent to which these issues represent business risks to which they may have to respond.

Craig Smith

**Tsaporis, Paul – President and Chief Executive, Hewlett-Packard (Canada)**

[Article published in *Financial Post* (Canada) 21 February 2005 – also sent as response to the *Economist* survey on Corporate Social Responsibility]

The role of business in society has come under scrutiny in recent weeks. The question being debated: How important is good corporate citizenship when it comes to shareholder value?

In my view, it is absolutely crucial, not only to the bottom line but to the strength of the Canadian economy and our position on the global stage. I would argue that corporate social responsibility is now as much of an economic issue as it is one of good corporate citizenship.

Regardless of the forces that have made it so, it is now a core tenet of effective and profitable management. We've seen all too well what happens when a CEO forgets that his or her job is to manage the company and begins to manage only the share price instead.

All business leaders must realize that at the same time as making a profit, we can make a difference -- should we choose to do so. And it is in our enlightened self-interest to do so.

As a technology company, HP operates in a world where only 10% of people can afford to buy our products. Taking advantage of the opportunity to serve the other 90% requires a different approach and thought process. Whoever cracks that code opens up tremendous opportunity for everyone engaged in enhancing economic, educational and social development.

Here in Canada, we must not only be thinking about the role of corporate social responsibility in driving successful businesses, but also the need to develop and train our future business leaders to be socially responsible. Why?

Well, first, let's examine the argument against the need for corporate social responsibility. It has been said -- even within the pages of this newspaper -- that a corporation's responsibility is to its investors, not to society. While it is true that corporations are in business to create shareholder value and drive profit, the fact is, good citizenship is good business.

Leaders must understand that they are responsible for more than a balance sheet -- particularly at a time when their stakeholders have lost faith in their ability to effectively manage even that.

A distinct shift has occurred in consumer attitudes. There is a direct correlation between a company's ability to successfully introduce and sell new products and customers' attitudes towards social responsibility. According to research conducted by GlobeScan, more than 40% of Canadians punished corporations last year by not purchasing their products or speaking critically about them because they felt those companies were behaving in a socially irresponsible manner.

As leaders, we cannot ignore that kind of impact on our ability to succeed.

Being a responsible corporate citizen can also have an impact on recruitment, retention and employee engagement. Responsible for HP's Canadian operations, I have witnessed significant improvements in both employee engagement and customer loyalty as we've increased our social leadership. For instance, I've seen employee satisfaction levels rise considerably across the country, based on our recognition of good corporate citizens through our HP Employee Hero program.

It is a CEO's job to balance the interests of investors with the welfare of employees and the customers and communities it serves. Regulatory compliance is needed, but there is also a

difference between governance and leadership. We must think beyond corporate transparency to true leadership.

Those who are going to lead our corporations in the decades to come must understand that there are no substitutes for the fundamentals of business leadership:

- A CEO should manage the company, not the share price.
- Managing means balancing short-term returns with long-term investment.
- It is a CEO's job to think about a decade, not just a quarter.
- Real profit and real cash flow and real balance sheets matter.
- Trust, integrity, transparency, accountability and responsibility matter.

How do we define and encourage this kind of leadership? The time to act is now.

First, the values of a company must be clear and must lay the foundation for creating a culture that supports and enables employees to do the right thing. Next, leaders must be fast and decisive when there are no rule books. Corporations must not wait for rules and laws to come into place - they must act before they become required.

CSR must have a place and a voice in the boardrooms and on the leadership teams of our leading organizations. On the education front, our business schools must work to integrate CSR into all parts of the curriculum, rather than as an adjunct to existing courses.

At HP, corporate citizenship is an integral component of our business operations. We've taken that leap to marry social and environmental objectives to business objectives to create new value and raise the level of competitiveness of our organization on a global scope. I encourage other Canadian leaders to do the same.

Consider the power we all have, as individuals and corporations of all sizes, should we choose to make a difference in the world around us. It is harnessing this power that will allow Canada to develop and nurture its future leaders and continue to compete strongly in the global marketplace.

Paul Tsaparis

**TwentyFifty (human rights consultancy) – John Morrison, Luke Wilde, Sally Britton**

Dear Sir,

Your analysis of 'The good company' is right to be cynical of unaccountable and arbitrary philanthropy but makes no mention of the more substantive debate around business and human rights. Not only do human rights speak equally to all aspects of business ethics and business responsibility but they facilitate appropriate divisions of labour between state and non-state actors. Your articles might have mentioned the work of the Business Leaders Initiative on Human Rights ([www.blihr.org](http://www.blihr.org)), Mary Robinson and the Ethical Globalisation Initiative, Respect Europe, the Amnesty International Business Groups and the Danish Institute for Human Rights amongst others; not least the launch of [www.business-humanrights.org](http://www.business-humanrights.org) in Davos this Friday (28 Jan). All of the above are helping to define a more legitimate and accountable approach to corporate responsibility.

John Morrison, Luke Wilde, Sally Britton (TwentyFifty)

**Ward, Halina – Director, Corporate Responsibility for Environment and Development,  
International Institute for Environment and Development**

25 January 2005

Sir,

Advocates of corporate social responsibility (CSR) start with the premise that markets must do more to deliver public goals. ("The good company", January 22nd). Many would in fact happily see governments in the driving seat on CSR. But businesses often work hard to persuade governments that their job is to facilitate pursuit of profit, not to referee its social fallout. You make a strong case for tougher regulation of business in the public interest. Let us see if businesses tired of CSR agree.

Halina Ward