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Kathleen R. Johnson
Keene State College

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Teaching & Learning

''Is the socially responsible corporation a myth? The good, the bad, and the ugly of corporate social responsibility'' by Timothy M. Devinney in *Academy of Management Perspectives*, May 2009

Kathleen R Johnson

Management Department, Keene State College, Keene, USA

Correspondence:
Kathleen R. Johnson,
Management Department,
Keene State College, Keene,
New Hampshire
03435-2101, USA
Tel: +1 603 358 2623;
E-mail: kjohnson@keene.edu

Abstract
The following review provides a summary of and comment on Timothy M. Devinney's article entitled ''Is the Socially Responsible Corporation a Myth? The Good, the Bad, and the Ugly of Corporate Social Responsibility.'' I argue that Devinney provides a convincing explanation for the failure of corporate social responsibility (CSR) in current predatory, oligopolistic business practices. His exposition provides an initial and necessary first step towards addressing the inequitable systems of organization that contribute to our social and environmental problems.
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Given its purported capacity to solve a host of social ills, Corporate Social Responsibility (CSR) is no doubt one of the hot academic topics of our era. Devinney challenges this halo effect – one created in part by a corporate industry that unabashedly promotes awareness of its good deeds. The author foregoes a critique of specific practices in favor of a close analysis of the very concept of CSR. Among the broadest of his questions is whether a corporation can ever set aside interest in profit maximization in order to substantively address or promote public entitlement, social welfare, or justice. Devinney answers that question with a resounding, no. Corporations, he writes, ''will never be truly socially responsible by even the narrowest definitions'' (45–46).

The author supports his conclusion with examples of the limits and boundaries of CSR. Devinney first discusses the difficulty of sanctioning corporations to act in a socially responsible way when our society lacks ''a workable, well-defined definition of social responsibility.'' He notes a problem with the ''social'' in CSR, since it currently involves a reliance on the corporation to define and represent societal needs. The corporation, he argues, will always define those needs in self-interested ways (increased sales, customer loyalty, enhanced reputation, more efficient operations, cooperation from local communities, reduced litigation, and so on). He similarly doubts the capacity of independent entities such as human rights groups, environmental groups, and NGOs to represent the interests of diverse constituencies.

Devinney further notes that the types of ''responsible'' activities that fall under the purview of CSR are poorly operationalized, and involve a broad array of activities from charity donations to reducing negative environmental impacts. As Devinney writes, ''Attempts to be all-encompassing lead to overly complex, fuzzy conceptualizations that are virtually impossible to validate or refute empirically'' (45).

Borrowing from S. B. Banerjee (2007), Devinney centers his discussion on the ''good, bad, and the ugly of CSR,'' making it clear that, while corporations are capable of becoming more virtuous along some dimensions, voluntary CSR will inevitably fall short of the mark. In terms of corporate ''good,'' the author lists four reasons why we might be inclined to allow corporations to define social policy and engage actively in CSR (even though, as he argues, the corporation can manipulate these to its own advantage rather than to solve societal problems):

- Individuals respond favorably to CSR. Consumers reflect satisfaction through their ethical purchases and employees who work for enlightened organizations tend to exhibit increased job satisfaction.
- Corporations have the wherewithal to collect information about the needs and wants of their various stakeholders and, consequently, can identify and respond to the demands of the marketplace. Presumably, some of these demands will be aligned with socially responsible activities.
- Corporations can develop innovative technologies that will meet the demands of the marketplace better than governments.
- Corporations are freer than governments to engage in new and experimental social programs that might meet societal needs. (The author describes the mainstreaming of organic products and the development of microfinancing as an example of this process.)

Devinney neutralizes most of these seemingly salutary features of CSR in his subsequent discussion of the ''bad'' of CSR. He now highlights the major ''philosophical problems with CSR''; namely, that it ''asks corporations to work against their natural genetic makeup and managers and employees to work at cross-purposes'' (51). The ''five natural vices of relevance'' are as follows:

- Corporations exist not for the purpose of solving problems but to enhance their share price. What happens when the social or environmental problems we ask corporations to resolve do not have economic returns?
- Corporations ''skew societal standards to their own needs'' (50). An example Devinney provides is the firm that supports tougher environmental standards as a way to crush smaller upstarts that cannot afford the stricter standards.
- Corporations are not representative of society at large, but merely a small, narrow political constituency.
- Corporations are ''naturally socially conservative,'' and corporate power and resources succeed in marginalizing the concerns of real citizens (50).
- CSR permits governments to ''abdicate some of their social responsibilities'' and move society towards the privatization of public functions (51).

The ''ugly'' of CSR flows from insufficient empirical evidence distinguishing activities that are simply good for the corporation from those that promote social goods. Here the ''fuzziness'' of our conceptualization of CSR noted above gives birth to an arbitrary assignment of value – most often defined by corporations as whatever improves their share price. Moreover, there is simply no clear indication that ''doing well by doing good has a clear and obvious relationship to the generation of firm value'' (51).

The author concludes with an appeal for four improvements: (1) an improved research agenda, one that will develop a ''domain specification methodology that can be applied in multiple contexts to allow for replication and generalizability'' (54); (2) a way to better distinguish the various political contexts in which corporations use CSR to benefit society from those that merely exploit CSR for corporate self-aggrandizement; (3) a better understanding of the ways that CSR links to traditional performance measures; and (4) an increased knowledge base about how varied social contexts influence stakeholder behavior (presumably for the purpose of identifying and developing those contexts that motivate individuals towards positive and responsible decision making).

Comment

In the early 20th century, corporate managers were often responsible for balancing the demands of stockholders who were varied and well dispersed. The largest stockholdings in corporations such as AT&T and United States Steel were typically less than 1% of total shares. In this largely pluralistic context, no one group had overwhelming power over any other, and labor unions along with the federal government exerted more influence on business. Acting responsibly was part of a trusteeship associated with doing business (Hay and Gray, 1981). Eventually, institutional investors such as banks, pension funds, and insurance companies began accumulating large amounts of stock in specific companies. Today, these institutions are the major shareholders in the US and a principal voice in company operations – including what has come to be known as CSR.

Devinney provides several convincing explanations for the failure of CSR reflected in current predatory, oligopolistic business practices. The ill-defined concept of "social responsibility" permits corporations to define it in ways that are self-serving. Furthermore, CSR measurement problems seem to foster arbitrary assignments of value. Devinney's calls for an improved methodology for studying CSR seem on target and justified.

While Devinney helps us to navigate the conceptual and ideological maze surrounding CSR in its current form, he fails to place CSR in the larger social and political context. He comes closest in his articulation of one of the most pernicious – because least well understood – of the problems associated with CSR; namely, the privatization of public functions. CSR has become a mechanism that weakens democratic decision making; it suggests that government regulation and oversight are not necessary and replaces the (dis)enfranchised citizen with the shareholder. As a result, CSR is involved in a much larger transformation in the relations among business, civil society, and government. Devinney's article hints at but stops short of a call for policies that will dismantle a centralized, monopolized corporate sector – policies that call for fair tax burdens and regulations on corporations so as to undo or avoid unfettered interests of (especially large) corporations. Perhaps Devinney hopes his readers will come to these conclusions on their own.

At first blush, CSR can appear as an easy and palatable solution to our social and environmental problems since it avoids the profound changes required of our lifestyles, consumptive patterns, and systems of social organization based on radical inequalities of wealth and income. Yet a narrow concern for CSR distracts us from the need for fundamental restructuring of the corporate sector along democratic lines. Devinney's exposition of CSR is an initial step towards addressing that power.

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About the author

Kathleen Johnson's research areas include organizational behavior, environmental sociology, marketing, and gender in the workplace. She currently teaches in the Management Department at Keene State College and can be reached at kjohnson@keene.edu.