

THE DRIVERS OF CORPORATE SOCIAL RESPONSIBILITY: A CRITICAL REVIEW

Matthew Haigh, University of Amsterdam

Marc T. Jones, Ashridge Business School

Abstract

The paper criticises the dominant discourse of corporate social responsibility (CSR) by examining six sets of factors conventionally considered as promoting outcomes consistent with core principles of social responsibility: intra-organizational factors, competitive dynamics, institutional investors, end-consumers, government regulators and non-governmental organizations. Each factor is addressed conceptually, empirically, and with respect to its likely future significance in promoting outcomes consistent with CSR. Our overall conclusions are not promising on any of these dimensions.

CORPORATE SOCIAL RESPONSIBILITY AND STAKEHOLDER MANAGEMENT

Business ethicists borrow from the works of such as Thomas Hobbes, John Locke and Jean-Jacques Rousseau to assert that normative obligations on the firm imposed by the social contract require constructive responses to the needs of owner and non-owner groups (Palmer, 2001). Ethics and responsibility are most often unreflexively presented as atomised problems for individual decision-makers in the firm, solvable through straightforward application of logical rules and codes of conduct. Relevant definitions of responsibility are narrow: “issues of corporate responsibility are of smaller scope than the ethical foundations of capitalism” (Goodpaster, 1983, p. 3). Ethical questions are restricted to external corporate effects such as the means of production, in which relevant questions are held to arise in places such as stockholder and consumer protection and occupational health and safety. Exemplary behaviour is encoded in governance guidelines emanating from organisations such as stock exchanges.

Departing from the deference that conventional approaches to CSR show toward corporate interests, Daly (1996) calls for systems thinking on sustainable economic development as a tenable approach to reconfiguring the capitalist apparatus. In contrast, the CSR-related research that we address flags moral justification with one hand as it defers to the mechanics of capital on the other. Four aspects describe conventional approaches. One, corporate entities are assumed responsible only for their own (acquisitive) behaviour and not for capitalism itself. This assumption would explain why most CSR researchers leave undefined categories of obligation and forms that the social contract should take and rarely consider alternatives to neo-liberalism (Lehman, 1999). Two, a related assumption is that self-regulation is a proper normative ideal for corporate entities (Gray, Owen and Maunders, 1988). Voluntary CSR reporting is assumed, without examination, to sufficiently acquit the firm of extra-legal responsibilities. Three, economics is not identified as a matter of choice. Institutional and legal status qua, market forces and the legality of corporations to accumulate private property are reified as part of the “fundamental legitimacy of capitalism” (Goodpaster, 1983, 3), in accordance with its neo-liberal underpinnings (Lehman, 1999). Moral agency is received with as little critical reflection. Finally, inherent contradictions between the pursuit of economic growth and goals of ecological maintenance and social justice are considered, if at all, as trivial. In their review of the business ethics literature, Bowie and Dunfee (2002) note that the CSR-related management-focused research (the subject of this essay) tends to avoid reflecting on conflicts between ethical and profit motives.

DETERMINANTS OF CSR PRACTICES

Influences on CSR practice tend to overlap or interact in quite complex ways; e.g., when investment firms spend media dollars to educate potential financial consumers as to the advantages of social investment funds. Yet, they are analytically distinct in terms of their internal logics and immediate empirical referents. We proceed by identifying six sets of influences that might promote social responsibility actions within the firm: internal pressures on business managers, pressures from business competitors, investors and consumers, and regulatory pressures coming from governments and non-governmental organizations. We address each sequentially with respect to (i) its internal logic (the conceptual arguments for and against it); (ii) its empirical salience in terms of the latest relevant research, and (iii) our considered opinion regarding its prospects to be a

significant factor in promoting outcomes consistent with social welfare. The justification for depicting these forces and not others is threefold: their close relation to the capital accumulation process generates the externalisation dynamic; the nature of consumer identity in capitalist social formations impacts whether 'enlightened consumption' can be a substantial force promoting CSR; and the direct access to firms demanded and sought by the state and popular mobilisations.

INTERNAL AND COMPETITIVE PRESSURES FOR CSR

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 that managers are not provided compelling incentive to do so (Jones, 1996). Assuming (bounded) economic rationality, a firm can only be expected to undertake and sustain so-called social responsibility activities and initiatives under certain conditions. If the governance structure of a European-American firm (or that of another firm seeking exposure to European-American markets) is functioning properly with respect to prioritising the interests of stockholders/owners, then management should pursue only those strategies/projects designed to enhance or protect the firm's position across its relevant markets (McWilliams and Siegal, 2001).

We consider three pre-requisites to the effective deployment of any CSR strategy, as follows. First, senior management must have an awareness of the content and potential instrumental value of CSR. Operating in accordance with instrumental principles would sanction any motivations leading to CSR actions. Porter and van der Linde (2000, p. 131) consider CSR as a competitive driver that requires appropriate resources. However, for business managers, business is first. Social considerations come second and providing only that such considerations would not open an exploitable weakness (O'Dwyer, 2003). The paradigm simply prevents widespread improvements consistent with social welfare. Problematics here include the intersection of CSR with managers' personal values attached to remuneration packages based solely on economic performance; the need to estimate the net economic impact of a proposed CSR strategy even in the absence of clear and transparent metrics, and the resources, capabilities and leadership to fund and administer CSR strategies (Adams, 2002; Jones, 1996).

Moreover, CSR practice is shaped by legal frameworks mandating that corporations focus on economic performance and managers' remuneration being tied to that performance. Researchers note that business managers charged with operationalising CSR in their firms filter such initiatives through an economic lens. O'Dwyer (2003, p. 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 employment of CSR. An interview-based study on 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 in other contexts. Dick-Forde (2005), interviewing managers in a partly nationalised Caribbean corporation, comments on the under-funding 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, the line of research linking CSR disclosures to practice has produced inconsistent results, and it cannot be said that the choice and amount of disclosure reflects the extent of performance (King and Lenox, 2003). Business managers are faced with the performative equation of maximising the gap between revenues and relevant costs. Managers might give CSR more attention if they could expect CSR actions to help maximise that gap. Captured by this short termism, managers would be reluctant to accept the cost imposts of CSR if they could not readily determine the likelihood of an economic return.

Second, 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 are 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).

A third problematic aspect of firm- or competitive-driven CSR concerns the wide variety of definitions and orientations. 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 human rights and environmental sustainability of its wholesalers, while those of Starbucks more narrowly target employee welfare. A firm can be responsive towards one stakeholder group and simultaneously exploitative of another, making somewhat of a mockery of the ethical lineage of the CSR concept. Moreover, 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 minimisation (and thus the maximum generation of negative economic externalities) and the production of unnecessary products and services. By overlooking the basic dynamic of business, the research encourages its reader base to engage in responsibility actions that do not alter the relation of Business first (profit and market share) and Society second (other stakeholders in line after stockholders).

In sum, CSR momentum acting within the firm is unlikely to promote more than superficial expressions. Structural and legal environments admit only instrumental forms of CSR. Unless and until managers' remuneration packages to force them to recognise 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 externalising engine that powers every business firm and is the primary source of capitalist pathologies.

EXTERNAL PRESSURES FROM INVESTORS AND CONSUMERS

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 its use of self-selected social and environmental policies in portfolio construction. At first blush, the concept of social investment widens the customary conception of stockholder value by expressing retail investors' ethical values in terms of arguments advanced by the deep ecology movement (Gray, 1992). In practice, social funds use the instrumental argument as a marketing tool. The line is 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 Cowton (2004). 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. (In this context, it is unsurprising that social funds accept unaudited corporate self-reports as evidence of practised CSR (Haigh, forthcoming(c); Mays Report, 2003)). Moreover, social funds have accounted for a very small proportion of funds under management (no more than four-tenths of one percent) since inception (Haigh and Hazelton, 2004). Small market shares limit the abilities of social funds to directly exert pressure on share prices or to gain access to executive managers (and so influence corporate behaviour).

The second part of the line of argument 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 it did Gray, Owen and Maunders (1988), strikes us as ludicrous. Most social fund portfolios are modelled on

mainstream stock market indexes or tailored variants. Most mainstream Australian equities mutual funds choose their stocks from the Standard and Poor's ASX200/300, which represents the largest 200 and 300 corporations by capitalisation listed on the Australian Stock Exchange. Over the period June 2002 to June 2004, the 16 largest Australian social funds (95 percent of the Australian market) held stock in most of those corporations. Obviously, social mutual funds are constrained by pressures to maintain economically competitive portfolios. To survive, institutional investors must sustain a focus on continuously maximising 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 studies of Haigh (forthcoming [a]) and Mackenzie and Lewis (1999) note 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 (c.f., Freedman and Stagliano, 1991; Patten, 1990).

Ultimately, the contention that social funds might produce 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. 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 shares, the influence that publicly mandated social funds might exert over the operations of corporations is negligible (Haigh and Hazelton, 2004). Such a conundrum is closed to solution: CSR only becomes operationalisable within financial services if presenting itself as an instrumental argument. In sum, research and practice suggests that corporations with stock held by social funds are more likely to ignore than to heed calls for social responsibility actions.

Turning to consider retail consumers, studies have been published since the 1970s focusing on demand characteristics of consumers of products and services to which are attached green characteristics: 'natural' cosmetics, recycled paper, eco-vacations and such like (Crane, 2001; Shrum, McCarty and Lowrey, 1995; Davis, 1994; Drumwright, 1994; Marks and Mayo, 1991; Kinnear, Taylor and Ahmed, 1974; Fisk, 1973). Prothero (1990) considers eco-consumerism as a strategy to capture new markets. Smith (1990, p. 88) argues for the place of ethical purchase behaviour alongside legislation, market forces and individual moral obligation. Conceptually, consumers can promote CSR practice through their purchase decisions in product-markets. If consumers are consistently willing to pay some form of premium for CSR-affiliated products (or brands or reputations), producing firms will gain competitive advantage, thus forcing non-CSR firms to migrate to similar positions. This is an extension of the basic concept of consumer sovereignty, which has been applied elsewhere in modelling citizenry behaviour in political 'markets' (cf., Jones, 1993).

The conceptual argument that eco-consumerism can promote social welfare 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 neoclassical economics (Smith, 1990, p. 185). 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 valorises 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 means of production. Dugger describes processes by which monetarist economic policies in the late 20th century, and corporate mergers that took advantage of such policies, created rather than responded to markets. Such behaviour suggests that corporations do not adjust operations to meet the demands of consumers (Dugger, 1989, p. xi). And three, the proposition of capitalist pathologies being addressed by the pathogen, as it were, is 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, we observe problematic empirical relationships between firms' CSR behaviour, consumers' perceptions of that behaviour, and consumers' purchasing behaviour. As an example, a recent study by Bhattacharya and Sankar (2004) finds 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.

To sum up this discussion on investors and consumers, the notion that a moneyed echelon treating itself to ethical luxury will somehow serve to alter basic capitalist dynamics seems absurd. The literature on consumer boycotts does little to contest our perception (c.f., Tyran and Engelmann, 2005; John and Klein, 2003). From the perspective of encouraging corporations to practise CSR, both eco-products and social investment products offer little promise of radical change except to act as a palliative to individuals' consciences (Haigh, forthcoming [a]). 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 – the adverse selection of neoclassical agency theory (Kulkarni, 2000). Such perceptions, if held, might account for relatively muted consumer demand for such products and services (Schwartz, 2003; Mason and Bequette, 1998).

REGULATORY PRESSURES

Jurisdictions are yet to require substantive legislation requiring sustainability reporting of all large organizations (Gray and Milne, 2002) and a benchmark of government responsiveness to CSR has not emerged. Governments have tended to tax externalities since the 1970s by using shifting mixes of tradeable permits, direct regulations and corrective market mechanisms such as emission standards (Abelson, 2002, p. 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 decentralised state-by-state process. 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 which are 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 will apply throughout the EU from July 2006, banning products containing any more than trace amounts of dangerous substances such as 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. The EU rules are generating global repercussions as component suppliers must ensure compliance if their parts end up in products sold in Europe. China's Ministry of Information Industry, for example, has announced that it is basing its rules on ROHS.

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, p. 236). Popular books detail the weaknesses in government policies and the reluctance of governments to be branded as anti-free trade, as prominent CSR researchers consider regulation as a natural adjunct to improving the social performance of business, contingent only on the correct design of market incentives (Porter and van der Linde, 2000, p. 156). 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.

A fundamental problematic relates to the costs of ensuring compliance, which may prove 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. 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. Moreover, lobbying activities of business groups and the reluctance of business to recognise the costs of generated externalities leads to superficial treatments of environmental reporting legislation, both by regulators and the regulated. To illustrate, the Australian Conservation Foundation successfully lobbied the Australian government in 2004 to amend financial services legislation to require the disclosure of any environmental and

social considerations used in consumer investment products. The Australian initiative follows from the *British Pensions Act* 1995; since July 2000, trustees of British occupational pension schemes have been required to disclose such policies in Statements of Investment Principles (Statutory Instrument 1999). Both the British and Australian legislation was subordinated by the lobbying efforts of practitioners' associations (Haigh, forthcoming [b]); 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 (Haigh, 2004).

Three, the hegemony of economic rationality (Gorz, 1987) and its colonisation of non-corporate institutions (Deetz, 1991) means that capital 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 policymaking: e.g., environmental taxation (Chomsky, 1999). Four, 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. In recent decades, globalisation 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, p. 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, p. 34) would price itself out of markets through application of aggressive regulations attacking negative externalities is unrealistic.

PRESSURES FROM POPULAR MOBILISATIONS

Organizations formed from popular mobilisations, hereafter referred to as promotional non-governmental organizations (NGOs), coalesce in various formal and informal alliances with other organizations located in institutional capital. Our categorisation of NGOs follows Smith's (1990, p. 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 (Guay, Doh and Sinclair, 2004). 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 placed shareholder resolutions at the annual general meetings in 2002 of two national Australian banks. The resolutions were drafted as a response to the banks' holdings in a corporation engaged in old-growth forestry operations and sought to change the banks' articles of association so as to prohibit those specific investments. In the 1990s, Greenpeace New Zealand mounted a minority resolution in a forestry corporation, seeking to change the environmental effects of the said corporation's wood-chipping processes. More often, shareholder activists threaten a special meeting to gain access to management (Whincop, 2003). Promotional and anchored NGOs have also sought occasional collaborations with public corporations and institutional investors. As examples, the Interfaith Center on Corporate Responsibility, constituted by churches and investment managers, organises 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.

The Global Reporting Initiative, which we characterise as an anchored NGO, illustrates the institutional capture of promotional 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. (A third addition is slated for 2006.) 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 the intention of this paper to address the dubious contribution a triple bottom line report might make to environmental and social welfare (see, Brown, Dillard and Marshall, 2005; Gray and Milne, 2004). However, the industrial sectors represented by GRI reporters point to legitimating benefits. 363 of the 429 GRI signatories, or 84 percent (December 2004), were in politically visible industrial sectors: 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 are noted as quick to report their status as GRI reporters (Moermann and van der Laan, forthcoming[a]). Legitimation as a motivating factor in CSR disclosures is not new (Gelb and Strawser, 2001; Guthrie and Parker, 1989). 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, as argued by Dugger (1989, p. 144), corporate signatories to G2 contaminate the GRI memberships of less dominant promotional NGOs. The GRI markets its reports as bringing an increased financial bottom line and providing avenues for new markets. Against this line of argument, promotional NGOs struggle for their agendas to be recognised in other than an economic discourse (O'Dwyer, Unerman and Bradley, 2005).

An ongoing collaboration of the GRI, the UN Environment Programme Finance Initiative (UNEPFI) and European investment banks illustrates the primacy of economics. Amongst 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 reduces to economics:

"... 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 ... "

Such a quotation provides us with an appropriate mechanism to close this brief paper. It points out that 'win-win' zones exist where outcomes consistent with CSR can also be profitable opportunities for business activity. Yet many zero-sum situations arise where a CSR outcome will be a drain on corporate profits; or where an action to enhance profitability will generate some form of negative externality. The CSR literature focuses overwhelmingly on the former both in terms of making the conceptual case as well as in the numerous empirical investigations of the relationship between CSR and profitability. The literature is much weaker with respect to dealing with the latter two varieties of zero-sum cases. We would suggest this weakness is due to an inability – or refusal – of mainstream CSR scholars to apply a genuinely critical approach to the study of CSR, the corporation and the overall political economy of capitalism.

REFERENCES

- Abelson, P. (2002). *Lectures in public economics 4th ed.* Sydney: Applied Economics.
- Adams, C.A. (2002). Internal organizational factors influencing corporate social and ethical reporting: beyond current theorising. *Accounting, Auditing and Accountability Journal* 15(2), 223–250.
- Bansal, P., and Roth, K. (2000). Why companies go green: a model of ecological responsiveness. *Academy of Management Review* 13(4), 717–736.
- Berle, A.A., and Means, G.C. (1968 [1932]). *The modern corporation and private property*. New York: Harcourt, Brace and World.
- Biddle, D. (2000). Recycling for profit. In *Harvard Business Review on business and the environment*. Boston: Harvard Business School Press.
- Bourdieu, P. (2001). *Firing back against the tyranny of the market*. New York: The New Press.
- Chomsky, N. (1999). *Profit over people: neoliberalism and global order*. New York: Seven Stories Press.
- Daly, H.E. (1997). *Beyond growth: the economics of sustainable development*. Boston: Beacon Press.
- Deetz, S. (1991). *Democracy in an age of corporate colonization*. Albany: New York State University of New York Press.

Dick-Forde, E. (2005). Democracy matters in corporate accountability: a Caribbean case study. *Critical Perspectives on Accounting* proceedings, City University of New York.

Dugger, W.M. (1989). *Corporate hegemony*. New York: Greenwood Press.

Goodpaster, K.E. (1983). The concept of corporate responsibility. *Journal of Business Ethics* 2(1), 1–22.

Gorz, A. (1987). *Critique of economic reason*. London: Verso.

Guay, T., Doh, J.P., and Sinclair, G. (2004). Non-governmental organizations, shareholder activism, and socially responsible investments: ethical, strategic, and governance implications. *Journal of Business Ethics* 52(1), 125–139.

Haigh, M. (forthcoming(a)). What counts in social investment: international survey evidence. *Advances in Public Interest Accounting*.

Haigh, M. (forthcoming(b)). Managed investments, managed disclosures: financial services reform in practice. *Accounting, Auditing and Accountability Journal*.

Haigh, M. (forthcoming(c)). Social investment: subjectivism, sublation and the moral elevation of success. *Critical Perspectives on Accounting*.

Haigh, M., and Hazelton, J. (2004). Financial markets: a tool for social responsibility?. *Journal of Business Ethics* 52(1), 59–71.

Jones, M.T. (1996). Social Responsibility and the green business firm. *Industrial and Environmental Crisis Quarterly* 9(3), 327–345.

Jones, M.T. (1993). Adam Smith and the ethics of contemporary democratic capitalism in New Zealand. *International Journal of Social Economics* 20(12), 3–13.

King, A., and Lenox, M. (2001). Does it really pay to be green? an empirical study of firm environmental and financial performance. *The Journal of Industrial Ecology* 5(1), 105–116.

Lehman, G. (1999). Disclosing new worlds: a role for social and environmental accounting and auditing. *Accounting, Organizations and Society* 24(3), 217–241.

McWilliams, A., and Siegel, D. (2001). Corporate social responsibility: a theory of the firm perspective. *Academy of Management Review* 26(1), 117–127.

Milne, M.J., and Chan, C.C. (1999). Narrative corporate social disclosures: how much of a difference do they make to investment decision-making?. *British Accounting Review* 31, 439–457.

Palmer, E. (2001). Multinational Corporations and the social contract. *Journal of Business Ethics* 31(3), 245–258.

Porter, M., and van der Linde, C. (2000). *Green and competitive: ending the stalemate*. In *Harvard Business Review on business and the environment*. Boston: Harvard Business School Press.

Schwartz, M.S. (2003). The ‘ethics’ of ethical investing. *Journal of Business Ethics* 43, 195–213.

Smith, N.C. (1990). *Morality and the market: consumer pressure for corporate accountability*. London: Routledge.

Wood, D.J. (1991). Corporate social performance revisited. *Academy of Management Review* 16, 691–718.

First appeared in The Business Review, Cambridge