

The re-working of an old idea?

Charles Kaye looks at the historical basis for what we now know as CSR.

Financial news frequently features topics such as carbon offsetting, child labour, human rights and stewardship. Corporate Social Responsibility (CSR) appears to have risen up the business agenda and the huge multiplication of corporate codes relating to CSR policy bears testament to this. But it is in no way a new concept.

Firms which have employed strong and effective corporate governance have long realised that CSR is a crucial part of strategy. Recent and high-profile failures (Enron, World Com, Parmalat etc.) can give the impression that current emphasis on corporate social responsibility simply represents a knee-jerk reaction to recent problems; but strong and efficacious CSR is an essential part of business competitiveness and thus long-term value creation.

Milton Friedman has recently passed away. His argument that the only social responsibility of a business is to increase its profits predeceased him. Friedman cringed at terms such as 'business ethics' which have permeated the contemporary corporate vocabulary. Nevertheless, notions such as the firm's obligation to obey the law are not new; neither are managers' obligations not to harass or exploit workers, to deplete and ruin the environment, or to give nothing back to the community. Even Friedman accepted that the aim of managers must be to

fulfil the wants of shareholders: this will nearly always be 'to make as much money as possible while conforming to the basic rules of the society, both those embodied in law and those embodied in ethical custom'.¹

CSR can be viewed as a resurgence of the old idea that good business practice can be a very useful asset to the company. Robert Owen noted in 1816 that '*showing to the master manufacturers an example in practice, on a scale sufficiently extensive, of the mode by which the characters and situation of the working manufacturers whom they employ may be very materially improved, not only without injury to the masters, but so as to create to them also great and substantial advantages*'.²

Owen had realised, decades before the mid-Victorian boom, that industrialists could be persuaded to be more 'socially responsible' if such action would yield competitive advantage. Corporate Social Responsibility is an old concept with new clothes.

¹ The New York Times Magazine, September 13, 1970. Copyright © 1970 by The New York Times Company.

² Robert Owen, 'Address to the Inhabitants of New Lanark (New Year's Day 1816)', quoted in Sidney Pollard and John Salts (eds.), (1970): Robert Owen: the prophet of the poor, Basingstoke, Macmillan: 203.

