
Reflections on the presentations and discussions at Expectations vs. Reality - CSR conference, Prague, 15 September 2006

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This is an edited version of the presentation that was prepared for the closing speech at the conference. It reflects on the conference presentations and discussions. Due to the time constraints, it was delivered in a very abridged and stylized version at the conference.



First of all, I would like to thank the organizers for making this conference happen. This gave us the opportunity to follow the exceptionally interesting stream of presentations and discussions and made it possible to engage, in a critical way, with the most relevant and extremely interesting topic, which corporate social responsibility (CSR) certainly is. Moreover, as become apparent during the conference, CSR is quite ambiguous and equivocal, if not controversial, topic deserving a critical and systematic scrutiny.

It is a rather challenging task for me to pull the threads of conference discussions together. Not least because the stream of sessions and discussions the participants had the opportunity to engage with is indeed a hard act to follow. At the same time, playing the ideas, opinions, and points that were made provides interesting lessons on the ideologies and practices of CSR. In these brief reflections, I will try to identify some of those lessons. I will discuss what I see as underlying constraint or tensions of the corporate social responsibility project in particular and of bringing the ethics into business in general.

I proceed as follows. After identifying the crucial questions of the conference, I recall some of the answers that we have heard at the conference. Then, I bring them together in order to make few points on what I see as lessons from the Expectations vs. Reality conference.





Corporate social responsibility: What is at stake?

The very title of the conference, expectation vs. reality, very much indicates two main concerns that were central focus of the conference presentations and discussions. This is obviously not a coincidence as these are the crucial issues to be addressed.

As far as the ‘reality’ part of the equation is concerned: What is the actual practice of corporate social responsibility? Do CSR policies really reduce negative impacts of corporate activities? And why is it the case, or why it is not the case? This implies the second – and perhaps the underlying the question – what should we expect from CSR. What should it deliver and what can it to deliver? What are the conditions under which CSR can work as intended?

In the opening plenary, Olivier de Schutter has emphasized ambivalences and different understandings and tensions associated with the concept of CSR. In particular, he identified shift in the understanding of CSR within the institutions of the EU towards the reliance on voluntarism, business self-regulation, and subordination of CSR to the Lisbon strategy. The presentations and discussions that followed confirmed his observations and underlined the differences in expectations from CSR among the respective stakeholders, such as the NGOs, business, and unions. The afternoon’s presentation of Commissioner Špidla then very much reaffirmed Schutter’s understanding of the position of Commission’s position.

The morning section about the reality of CSR in Central and Eastern Europe showed that the expectations of the advocacy NGOs and many in academia about the substantial improvements of corporate conduct have not been fulfilled. Accordingly, the CSR proved to be inefficient tool in the attempts to make the corporations to minimize or eliminate their negative impacts on the communities and the environment. Pavel Franc, in his overview of the situation in the region, emphasized that we should expect business to behave ethically. However, he then provided a dismal picture of the reality of CSR in the region. The corporations in the region officially subscribing to CSR codes of conduct actually do not show any real commitment, follow the business-first logic, and understand CSR as philanthropy or public relations. He insisted that legal framework is needed in order to make a real difference. According to Franc, the failure of CSR to deliver in the region can be attributed to local cultural background and post-communist legacy: the public does not expect much from the corporations, it is not educated about CSR, and the governments don't have a proper strategy. In addition, he noted the adverse effects of dismal economic situation of many communities and competition of the states for mobile investment (FDI). The remaining presentations of the session confirmed Franc's observations. In the Slovak case study, Roman Havlíček's shared his experience that CSR is often used as public-relations tool and spin for brand building. He mentioned that the government is complicit in the infringement of social standards. He emphasized the importance of the legal framework, which is the ground on which his organization is able to make the corporations to respect social and environmental standards. Discussing the situation in Hungarian and in the Czech Republic respectively, Philippe Kalfayan and Jiří Nezhyba underscored many of these observations. In addition,

Kalfayan emphasized competitiveness constraints that the companies face and mentioned problems associated with the fact that the practice of CSR controlled by business.

The discussion that followed made it possible to compare different expectations and experience among different actors, the business and unions in particular. For instance, Mr Kovacs, Hungarian business representative, warned that CSR is not well understood: it can be anything and very often it just a list of demands from NGOs. In his understanding, the stories presented by the panellists represent standard capital-labour disputes. However, CSR is what is not required by law. In principle, business is ethical as it is profitable to be so. Moreover, he mentioned strict US regulations the corporations have to face. Mr Piskorski of CSR PR Poland emphasized the need for education, active government approach, and NGO participation. Mr Spahn from EFFAT (European Federation of Food, Agriculture and Tourism trade unions) made the point that the unions do not see CSR as an alternative for other instruments. He also mentioned that the participation in CSR related activities proved to be quite difficult for the unions. Mr Czilento of ETUC called for recovering the original, regulatory approach of the Commission which was lost (as observed in Olivier's presentation). He mention that it is particularly difficult to convince business association (UNICE) to go beyond voluntarism and self-governance.

The afternoon discussion focused on the limitations and possibilities of the present framework of CSR in the EU and beyond. Richard Howitt emphasized many possibilities within present regulatory framework and voluntaristic commitments. He agreed with Olivier's understanding of EU's position on CSR. At the same time, he insisted that CSR and competitiveness may go

together. Finally, he outlined a positive agenda: without creating new regulation, it is possible to enforce existing regulation; without having consensus to punish, there may be a consensus for rewards; complaints mechanism can be developed and used; and EU's actors should participate in the international debates on international treaties. Pierre Echard presented the perspective of companies. He provided examples of success, where companies are working to meet the expectations of stake holders. He emphasized that CSR should be about voluntary commitments of companies. What is needed to do according to Echard is to exchange good practices. Craig Bennet, then, responded to Howitt's call for NGOs to challenge the practice of the EU. He shared the experience of Friends of the Earth with numerous campaigns in the UK in order to show that present regulation and voluntaristic commitments cannot deliver. He put the ethical consumerism in context by quoting a figure that 98 percent of consumerism is unethical. Moreover, there are limits to the range of commodities that can be made ethical with the means of certification, such as of fair-trade branding. In his experience, companies are not interested in ethical practice before being pushed hard. His presentation called for effective regulation as the only way to solve the negative impacts of corporate activities on the environment and societies. According to Bennet, regulation has proved to work and will be a primary means to correcting market in the future. In contrast, Commissioner Špidla warned that regulation does not solve everything. He noted that CSR is often (mis)used as a catch-all concept. He insisted that CSR is not here to replace regulation and social dialogue. CSR can work as a complement. For instance, it can be important as a means to export the European standards outside the EU. In general, he claimed that entrepreneurship has to be from definition responsible. The discussion that followed focused on the balance of regulation and voluntarism.

Corporate social responsibility: What should we expect?

How should we bring together the points that were made at the conference? Is it possible to reconcile the different views and answers to the underlying questions? That is, should we expect CSR to deliver, to make companies behave ethically, with respect to the concerns of the communities and the environment? Let me now turn to what I see as underlying constraint or tensions of the corporate social responsibility project of bringing ethics into business on the general level. These I feel were both implicitly and explicitly present in the discussions at the conference. These constraints make me to have rather sceptical expectations about the reality of CSR in general.

As we all know, the project of CSR is trying to make corporation responsible. Thus, it tries to bring together the logic of business and social concerns. That is the pursuit of profit and competitiveness requirements, on one hand, and the concerns with social cohesion, justice, individual dignity, human, workers, and consumer rights and reproduction requirements of the natural environment, on the other hand. As Václav Havel noted in his introductory remarks, there are many possible contradictions between the short term and long term concerns; between the point of view of generations and short-term logic of investment returns, between the logic of accounting and the logic of social and environmental reproduction.

In the “traditional”, (non-CSR) understanding of these two logics, the aim of profitable enterprise can be best secured by the market-based governance; the social and environmental requirements can be secured by politically-based regulation with the legal means. The latter,

however, is increasing questioned. Now, CSR is often presented as a solution to reconcile the logic of business and social and environmental concerns by shifting emphasis to the former means of regulation: market-based organization. So is it possible (can CSR deliver)? At the conference, we have seen some examples of the fact that these two logics are not necessarily contradictory. However, we have also seen many cases showing that those two can be rather contradictory. In my opinion, the conclusion is that indeed, under certain conditions those two can be reconciled. As Mr De Schutter argued, the success of voluntarily CSR is heavily context dependent. For instance, CSR can work as far as commodities in certain and I would say very specific fields of consumption are concerned, such as coffee, tea, bananas. Alternatively, it can work where the costs of the ethical measures do not have considerable repercussions for profitability and competitiveness. On the general level, however, the traditional wisdom holds: The profitability/competitiveness can be secured by market, the social and environment can be secured by regulation with the means of political compulsion.

Why? As we could have observe at the conference, the attempts to deliver social and environmental improvements and standards by market-based coordination produce (1) paradoxes and often perverse outcomes because of the structural constraints of the market; that is, the bottom line of profitability and (2) difficulties resulting from the necessary commodification of the code of conduct (CSR standards).

Regarding the former, the structural constraints of the profitability requirement obviously limits the extent of substantial commitment to ethical and/or responsible behaviour. The companies have to prioritize the market logic over ethical principles. They have to see the

codes of conduct as a means to achieve competitiveness by “reputational capital” which may be valorised either by consumer demand or by attraction of scarce labour. What is important, the aim in this context cannot be the ethical practice, but a certificate or report that provides a record of ethical practice. Alternatively, the corporations may see ethical practice as contributing to an improvement of operational efficiency if its outcomes are such. As we have seen in the Eastern European cases, if the conditions for valorisation of the reputational capital are not at place, the companies cannot care about ethics (if costly). Under the reputational constraints, the companies prioritize production of a certificate or report over substantial improvement (as seen in the Slovak case). What is more important, if the responsible behaviour is not profitable, the companies cannot behave ethically. As Franc observed, the primary concern is to build a construction plant; the ethics comes at the second place, under the condition that the NGOs push hard on that.

Another paradox: If complying with a code of conduct is a prerequisite for market competitiveness, the companies can easily make workers, communities, and even political bodies enter into tactical alliance in face of social or environmental auditing. It suffices to provide a tale connecting the fortune of workers or communities to the fortunes of company to turn the formal compliance to a code of conduct to another constraint imposed on workers or communities. This was evident in the Slovakian and Hungarian case and in case of LG Phillips in the Czech Republic. This may suppress (without resolving!) the contradictions between ‘the social’/’environmental’ and ‘the economic’ at the workplaces and/or in the localities.

The last paradoxes and perhaps perverse outcome of the structural constraints of the market I wish to mention is what we could have observed in the presentation on Magyar Telecom. The fact that the incorporation of code of conduct has lead companies to elaborate extensive managerial or audit documentation apparatus and thus more effort may go to reporting and paperwork than substantial improvement.

The market-based understanding of CSR, which is now dominant as argued by Schuett, implies commodification of the code of conduct (CSR standards). Thus, the social and environmental concerns are managerialized and CSR becomes a marketing device and commodity that often mask conflicts, tensions, and contradictions between the business logic and social and environmental constraints. In this context, it may be useful to distinguish between a “market for ethics”, a “market in ethics”, and “ethics for market”.¹

Market for ethics refers to the recognition by the corporations, service-oriented NGOs, and subcontractors that ethics can become the basis for accumulating reputational capital. Thus they seek to turn politically-sensitive global social and environmental questions into profitable managerial-ethical knowledge and auditing practices such as constructing codes, monitoring performance, writing reports, setting up task forces, filling in forms and keeping files/records/documents. This in turn creates a market in ethics. This is actually what we have all been part at the conference. These are opportunities for business (e.g. auditors, lawyers,

¹ See N.-L. Sum & P. Ngai (2005). Globalization and paradoxes of ethical transnational production: Code of conduct in a Chinese workplace. *Competition and Change*, 9(2), 181-200.



ethical officers) and for NGOs to demonstrate their effectiveness and raise funds (and benefit from international projects and organize well-endowed conferences) that arise from the market in ethics. Precisely in this context, I think it is important to ask why is it that the speakers who call for political and regulatory solutions get attention of both politicians and the media when they organize CSR related activities. The success stories they quote, however, are won mostly with traditional legal means without that much applause.

The point is whether the actually-existing CSR projects can result in the original motivation behind social and environmental codes, namely, to develop and institutionalize an ethics for the market. I think that this conference has shown that not only the reality of CSR, but also realistic expectation from this market-based governance gives us reasons to expect it to deliver only under very specific and rather narrow conditions. What is more, we have witnessed that managerialization and auditization practices regarding codes may foster reputational and material benefits for the corporations and NGOs, but this may occur at the expense of diverting attention from the workers' welfare, concerns of citizens and environmental protection. It may also undermine the original motivation behind those codes.

To conclude, we have seen that the attempt to reconcile the logic of business and social/environmental concerns with the means of CSR measures has its great opportunities, but also rather narrow limits. However, I don't see a point in blaming corporations for employing business logic and managerial means as it was implicit in many of the presentations. For instance, it is not the individual corporations that make nation states to compete for foreign investors, prioritize competitiveness concerns over local environmental



and social regulations, and trigger beggar-thy-neighbour policy competition. I think we should rather look at other suspects or events such as the decision of ECJ in the Cadbury Schweppes case, taking place in the week of the conference, which effectively encourages tax competition.² Indeed, these are decisions and transformations that make the competition possible. Thus, any strategy aimed at social and environmental improvement or making economic subjects to behave responsibly or ethically should primarily focus on the transformation of the regulatory frameworks in particular and the state (including the EU) in general. This seems much more pertinent after the assurance of the Commissioner Špidla that the Commission does not wish to make CSR codes less “soft”.

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² The confectionery and beverages company, won a partial victory when the European Court of Justice said that putting subsidiaries in low-tax European countries should not be treated as tax avoidance if they carried out genuine economic activities.