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Corporate Social Responsibility and the Triple Bottom Line

Corporate Social Responsibility (CSR)

The aptly named CSR view is that corporations are members of the moral community. Instead of separating them from society as Friedman would, they are viewed as citizens in the world. They have responsibilities that are analogous to those of other members of the moral community, and these responsibilities fall into four groups:

1. Economic Responsibility
2. Legal Responsibility
3. Ethical Responsibility
4. Philanthropic Responsibility

The **Economic Responsibility** is the responsibility of a business to make money. "Required by simple economics, this obligation is the business version of the human survival instinct. Companies that don't make profits are—in a modern market economy—doomed to perish. "[2] So, as long as we believe that the business ought to exist, it must be allowed to try and make a profit. Otherwise, we are condemning it to death.

the **Legal Responsibility** is the responsibility to obey the letter and the spirit of the law. This is not just the obligation to follow the law as it is written, but "this obligation must be understood as a proactive duty. That is, laws aren't boundaries that enterprises skirt and cross over if the penalty is low; instead, responsible organizations accept the rules as a social good and make good faith efforts to obey not just the letter but also the spirit of the limits."[3]

This responsibility is a heavier one than it may seem. Many corporations have broken the rules when the profits that they stand to gain are much higher than the penalties that they might have to pay for breaking the rules. According to this responsibility, they must not do so, because they are required to view obeying the law as something that creates the best results for everyone.

The **Ethical Responsibilit**y is the responsibility to do the right thing even when neither the spirit nor the letter of the law apply to the situation. This is a key obligation, and it requires the firm to act as any other citizen must. We might make allusions to the Good Samaritan or to handing our change to someone who asks for it on the street, but the core of the responsibility is that firms ought to act like persons who live in a civil community. This requires that we view firms (and that they view themselves) as responsible members in a community.

The last category, the **Philanthropic Responsibility**, is a responsibility "to contribute to society's projects even when they're independent of the particular business."[4] This responsibility requires the business person to do some things which stem from generosity towards the community that they exist in. This is likely to be a controversial requirement, but it speaks to the connections between the community and the firm. "[T]hese public acts of generosity represent a view that businesses, like everyone in the world, have some obligation to support the general welfare in ways determined by the needs of the surrounding community." It might require that an affluent business person stop and buy a lemonade or a hotdog from a stand that contributes to a neighborhood project or to buy some cookies from the local Girl Scout troop. It might require that they open their business to local youth who want to learn about how it works and get inspired to become entrepreneurs. Whichever form it takes, it requires that businesses do something that benefits the community without having anything to gain, directly.

These four principles are ordered from the **most** pressing to the **least**. This means that businesses must attend to the Economic, Legal, Ethical, and Philanthropic responsibilities in that order. This does not mean that the economic responsibility to maintain a profitable business always trump the other three. It means that a business which is profitable must also act within the bounds of the law, and that they must act within the bounds of ethics. At the bottom of the list, a business might be required to behave philanthropically. This only applies to a business that has already met the other three responsibilities, however. A struggling business lacks any meaningful responsibility for community outreach. When they consider a possible course of action they must weigh the benefits and burdens according to these weighted responsibilities. If an action would keep the firm profitable, but it bends a law in a way that is not ethically objectionable, they might be allowed to do it.

Think of laws on the highway. There are good reasons for following the speed limit. It keeps us from getting speeding tickets (economic), shows respect for the law and the common rules we all share (legal), and it helps to prevent traffic accidents through safe driving (ethical). I might be allowed to break the law (and thereby risk a ticket), however, if there are really strong ethical reasons to drive quickly. Perhaps there is someone in the car that requires medical help. In such a case, the strength of that #3 responsibility might force me to override the other two above it.

It might also be the case that I could make a huge amount of money by doing something that is illegal and very harmful. Perhaps my firm could save a great deal of money by dumping a toxic substance (like PCB) along the roads in a rural area of North Carolina. It would save the company a huge amount of money and time, while contaminating the soil in some 14 counties. In that case, the business would have been prohibited from taking the action that they did by the illegality of it and the huge environmental harms imposed on nearby residents and upon the state.

There is an important difference between this theory of corporate responsibility and the **Stakeholder theory** of social responsibility. According the to CSR, the corporation has an obligation to the society that it lives in. According to Stakeholder theory, the corporation must consider the interests of many groups of people. The difference here is that these groups of people might have preferences for, or demand things, which are counterproductive to the wellbeing of the overall society. In this way, the Stakeholder theory might be much more permissive than the CSR view. If the creation of some chemical by-products would be of overall benefit to many of the stakeholders involved, then it might be permissible on one view while prohibited on the other.

Triple Bottom Line

Another theory of corporate social responsibility is the Triple Bottom Line. Like the CSR theory we just discussed, Triple Bottom Line works on the assumption that the corporation is a member of the moral community, and this gives it social responsibilities. This theory focuses on sustainability, and requires that any company weigh its actions on three independent scales: **economic** sustainability, **social** sustainability, and **environmental** sustainability.

These three tabulations are all aimed at long-term sustainability. **Economic** sustainability must focus on the long term because this is the nature of a persistent company. A decision which creates an economic boon in the short-term (like the Ford Pinto), but causes long-term harm, would likely reduce this bottom line to such a degree that the action would be untenable.

Social sustainability gives precedence on the balance of economic power in the society. Competition in the business arena is common, and encouraged, behavior, but maximizing the bottom line in social terms requires that a business foster an environment in which all can succeed. This might seem counterintuitive, but in the big-picture it is better for a whole society to thrive than for one single corporation to thrive alone. This will allow the company to continue to exist, and it will foster good-will between the company and the society that it exists in. The PCB dumping alluded to in above created an environment in which that company could not exist, and it is no longer present in NC.

The requirement of **environmental** sustainability stems from the recognition that resources are not infinite, and leads to the reasoning that too much degradation will worsen the lives of ourselves, our children and so on. Members of the moral community ought not cause undue harm to the people around them and the people who will come later, and so this bottom line values some protection of the environment. The word "some" in the previous statement introduces vagueness in the calculation, but it might be necessary because there is some risk of environmental degradation in many necessary business activities. The question of how much environmental degradation is acceptable is one that must be answered, but it need not be answered in this module. Suffice it to say that this calculation must be made even if it is a rough calculation. Business cannot operate in a world which is poisoned or "used up." Efforts should be made to renew some of the environments that have been harmed in the past, and these environmental harms and gains belong on this bottom line.

The reasoning behind this tripartite theory is that if businesses calculate their gains and losses in this way they will be more likely to take actions which are to the benefit of both the business and the community. It is easy, when the numbers are large enough, to ignore the social and environmental dimensions of a business decision. This is because the average business decision is made by comparing the expected costs and benefits in terms of dollars and, only then, considering the other dimensions of that decision. In order to combat this order of operations, the Triple Bottom Line requires that a business decision be composed of all of these elements from the beginning. When the data shows each of these dimensions along the same line, and measured with the same metric, it will be much easier to see the impact of a decision and to judge the fittingness of that decision.