

# **FALLACY AND OSTENTATION OF CORPORATE SOCIAL RESPONSIBILITY (IN SOME COMPANIES)**

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## **ABSTRACT**

Companies that achieve a more or less consolidated market position and a sustainable growth in it, start working on improving their corporate image.

Among the strategies to achieve this social recognition the preferred one is develop their actions under the principles of Corporate Social Responsibility (CSR), a concept that involves procedures and attitudes that should be ethical, rational and sustainable of these firms in their environment.

We consider that there is a fallacious behaviour of many of these companies that are covered under CSR but they commit very serious damage to the environment, sometimes unwittingly and sometimes with full awareness of it. And worst, they make an ostentatious display of it.

A narrow view of the meaning of CSR leads to these firms misleads them and deceives the community. So we think it is important to stop and analyze a series of examples that can demonstrate that the lack of broader vision of the whole in time and space, leave out of consideration effects or emergent properties of a system designed as model to follow (CSR) but adversely affects a large proportion of the population.

Keywords: Corporate Social Responsibility, fallacy, holistic vision, emergent properties.

## **INTRODUCTION**

The economic system used by our contemporary societies, has consistently tended to the accumulation of wealth in hands of a small group of people.

The companies that represent largely the interests of these persons are fully aware of these processes. If this situation is maintained in the future the sustainability of the system becomes impossible.

Therefore, and as a remedy, just as beginning, CSR represents the awareness of companies and people that the "gain" in the long term is represented by the continuation of business in the environment and its sustainability.

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We know that individuals are likely to have distinct expectations and attitudes towards CSR (Williams and Aguilera, 2006). But there are common words -implicit or explicit- in those different approaches: environment, ethic, sustainable, and its relations, are good examples. This relationship is rooted in the notion that business must be made part of the solution to global challenges, such as building stable markets, combating corruption, safeguarding the environment and ensuring social inclusion. At the same time, all has repeatedly called on companies around the world to ensure that their strategies and operations are aligned with universal values, so that negative environmental and social impacts of business are minimized.

The United Nations, in July 2000, has launched the “Ten Universally Accepted Principles” in the areas of human rights, labor, environment and anti-corruption (United Nations Global Compact, 2010). See principles about environment and anti-corruption:

Principle 7: *Businesses should support a precautionary approach to environmental challenges;*

Principle 8: *Undertake initiatives to promote greater environmental responsibility;*

Principle 9: *Encourage the development and diffusion of environmentally friendly technologies;*

Principle 10: *Businesses should work against corruption in all its forms, including extortion and bribery.*

In the same line, a concise European Commission's definition of CSR is:

*“A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.”* (European Commission, 2010b).

There are over 5.000 business participants to partner with the United Nations, and they are highly encouraged to help realize the UN's vision of a more sustainable and inclusive global economy. But is this true for all of them? Unfortunately, there are evidences in contrary. See next two examples.

### FIRST EXAMPLE

The main island of Tierra del Fuego (spanish for Land of Fire) is the largest one in South America. It is situated south of the Straits of Magellan and has a total area of about 45,000 km<sup>2</sup>. The east side is Argentinean. The capital city of the province is Ushuaia, the southern city of the world, with 70.000 inhabitants, and the entire province has 150.000. As usual, people drink cola, and they don't know the recent history ...

A few years ago, the entire cola beverage was bottle in Ushuaia, using either plastic or glass packaging. At that time, local bottle business was purchased by Patagonia's company, of

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the same brand mark. Thus, the bottle plant was closed, and the provision began to come from the continent –Trelew city, Patagonia- only in plastic containers. Trucks run 1.800 kilometers from one city to another, and return empty, in a week round.

When drink came in glass bottle, there are returnable. In plastic, go to garbage. In numbers, more than three millions of plastic bottles every year go to Tierra del Fuego, and produce 110 tons of garbage.

If we added garbage, fuel trucks, road maintenance, CO<sub>2</sub> emissions and so on, social costs are very important, but company's costs are lowest than produce in the island. The businesses not pay externalities, and the local government doesn't see the problem.

As you suppose, the company is one of the 5.000 UN's participant.

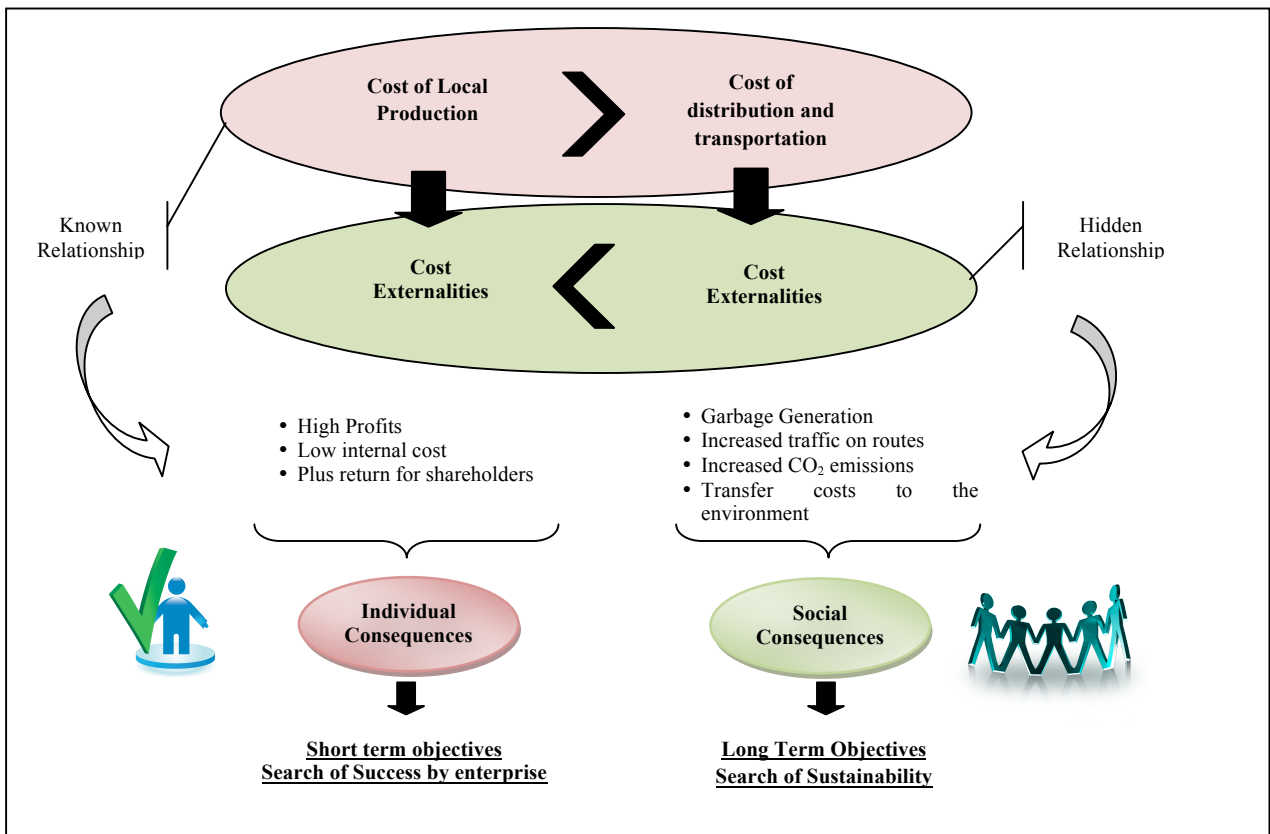


Figure 1. Model of first example

## SECOND EXAMPLE

According to the United Nation's Food and Agricultural Organization (FAO), half of the world's fisheries are now fully exploited. They are effectively being fished as hard as they can be. Another quarter is classified as overfished or depleted. And demand for seafood continues to grow, seemingly unabated. Higher demand puts more pressure on finite fishery

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resources and, in some instances, has encouraged the growth of pirate fishing—illegal, unreported, and unregulated fishing that further threatens the health and resilience of fisheries around the world (Howes, 2010).

At the same time fisheries are collapsed, there are another sustainable fisheries management around the world. It's clear there is no silver bullet to the environmental and social problems of overfishing. An eco-labeling organization for sustainable wild capture fisheries gets international marine certification, supported by one of the world's largest purchasers of frozen seafood, and the world's largest and most recognized international conservation organization. Actually is full independent. It was created to use its certification and labeling program to identify and reward existing good practice, and to help create the market pull to encourage less well-managed fisheries to improve their performance in order to meet the standard. Through the use of the eco-label -certified sustainable seafood-, try to build a model of sustainable consumption by empowering consumers, whether major seafood buyers or individual consumers, to make the best environmental choice. Today, are the only widely recognized certification and labeling program in the world to conform to the FAO -Food and Agriculture Organization of the United Nations- guidelines for certification and labeling programs for wild-capture fisheries. Now about the 12 per cent of the wild annual harvest for human consumption are engaged. Good! Good? Is not gold that glitters.

San Matias Bay, Patagonia, is one of the wild shellfish banks of the world. Specially scallop (*vieyra tehuelchis*). Many years ago, scallops were most commonly harvested using scallop dredges or bottom trawls. One of us, 30 years ago, dives with another researcher to see how the trawls and dredges work. We could see how was destroyed the bottom of the sea, their fauna and flora, include most of young scallops. Trawls and dredges were forbidden by the government, and today is only harvested by divers. No more young scallops die, no more destroying of flora and fauna, they may also be more ecologically friendly.

But the greed doesn't sleep. Non ethical business men connected the "eco-labeled organization", and obtained sustainable certification to use dredges and trawls!

It is not the only case for this organization. Similar cases occur in New Zealand and Tierra del Fuego, with black hake –*merluza negra*, *dissostichus eleginoides*- and hoki –*merluza de cola*, *macroronus magallanicus*-. Overfishing put that species in danger of extinction.

Fisheries exploitation grows as population increases at global level. According to a FAO report, in two decades, nearly doubled the production of fishing:

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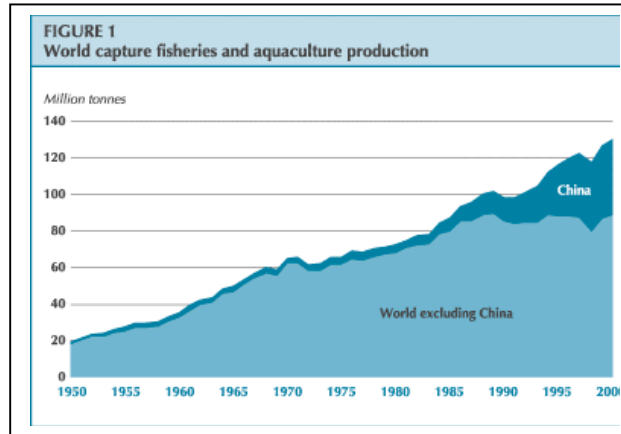


Figure 2. World capture fisheries and aquaculture production

This case presents a bit more serious than the first example, because the search for an image of CSR is only superficial, just to force their customers to believe in it, while inward organizational practices have not changed. These same practices have triggered a desperate state of the marine environment, and the pursuit of social control solutions, such as eco-labeling, ends into an extraordinary fallacy.

### CONCLUSION

We consider that there is a fallacious behaviour of many companies that are covered under CSR but they commit very serious damage to the environment, sometimes unwittingly and sometimes with full awareness of it. And worst, they make an ostentatious display of it.

In recent days, Jeffrey Sachs wrote that we can look a “*company like Exxon-Mobil, which earns billions of dollars each year in Africa but, according to one of the company’s online reports, spent only around \$5 million per year on malaria control programs in Africa from 2000 to 2007. Exxon-Mobil could and should be funding much more of the continent’s urgently needed primary health services, either out of royalties paid by the company or out of corporate philanthropic donations (...) The challenge is one of morality and vision.*” (Sachs, 2010).

A narrow view of the meaning of CSR leads to these firms misleads them and deceives the community. If we analyze the above examples, can demonstrate that the lack of broader vision of the whole, in time and space, leave out of consideration effects or emergent properties of a system designed as model to follow (CSR) but adversely affects a large proportion of the population.

Matjaz Mulej wrote: “*If the current problems and complexity concerning sustainability have resulted from one-sidedness, the way out cannot be attained by specialists working in separation from each other*” (Bozicnik and Mulej, 2010). CSR is a way might create a new economy with (informal) system thinking. And necessary ethical behavior of corporate decider. It is necessary and urgent to understand ethic is a journey, not a destination.

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Ethical behavior is more than a single initiative or a corporate social responsibility program; it is an ongoing and integrated effort. It requires a high degree of commitment to and belief in ethical behavior that enables the leaps of faith required to make investments that feature long-term paybacks and that are often contingent on the creation of value in the marketplace. In short, ethical behavior is a way of doing business. Companies that go for ethical behavior at this level typically exhibit these characteristic: They elevate sustainability to a core business strategy, and embed ethic in their innovation efforts. To achieve this ethic, sustainability must be on the mind and the agenda of the senior leadership team as a cultural trait within the company, and it needs to be driven across the organization.

These practices include the adoption of ethical design standards, cross-functional teams, stage-gate reviews, open innovation practices, and the rising tide of ethic technology to rapidly expand initiatives and maximize their impact. They must view the entire business processes through an ethic lens. And of course, not only ethic lens.

*“There are individuals, including scientists claiming that the climate change has not been caused by humans as much as by the sun. But they cannot claim the same about the humankind’s running out of natural resources, over-specialization with a very poor readiness for interdisciplinary and inter-interest and international creative cooperation. Neither can they say about over-abuse of power, monopolistic, military and bureaucratic instead of democratic behavior, renewing the feudal–times-type of reality in distribution of wealth and happiness.”* (Mulej, 2010).

In that way, we can observe how to renew the EU strategy to promote Corporate Social Responsibility as a key element in ensuring long term employee and consumer trust. (European Commission, 2010a).

Without a complete, explicit and ethic picture of the relationship "system-environment", any practice that tends to promote CSR, will be incomplete because of ignorance or for reasons of mere commercial interest. Humankind has enough to sustain the whole world population necessities, but has not enough to sustain human greed.

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