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**Corporate Social Responsibility and Its Discontents:
Contradictions in ISO 26000: 2010.**

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With the publication of ISO 26000 by the Geneva-based International Standards Organization in November 2010, a new era began for Corporate Social Responsibility—institutionalization as a standard for corporate management by the most prestigious international standard-setting body in existence. ISO today lists Social Responsibility alongside Quality, Environment, Risk Management, Business Continuity, Energy Management, and Information Security in its “indispensible” online guide “Management Standards: The Essential Collection.”² Yet, elsewhere on its website ISO maintains that ISO 26000 is not, in fact, a management standard. This apparent contradiction reveals inherent tensions in the attempt to apply an emotional public relations concept as a practical guideline for the conduct of business. Yet inevitably ISO 2600 will come to affect multinational and national enterprises as its influence spreads throughout the world due to promotion by national standard-setting bodies that make up ISO.

A 2012 post-publication survey by Kristina Sandberg and Eduardo Campos de Sao Thiago declared certification a “hot topic” after 68 countries ranked it an average 2.8 on a scale of 5 (with 1 being “very little interest,” and 5 “great interest”). Although others might interpret the data differently, ISO researchers listed “certification” and “verification” at the top of their issues slide.

The introduction of a new international standard necessarily affects corporate communication, especially one focused on universal corporate social responsibility, such as ISO 26000. Indeed, despite a published caveat that “ISO 26000:2010 is not a management system standard. It is not intended for certification

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² http://www.iso.org/iso/home/store/publication_item.htm?pid=PUB200012, retrieved July 9, 2014.

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purposes or regulatory or contractual use. Any offer to certify, or claims to be certified to ISO 2600:2010 would be a misrepresentation of the purpose and a misuse of ISO 2600:2010;³ there are for-profit corporations such as SGS--which claims to be the world's leading inspection, verification, testing and certification company⁴—and DNV-GL Business Assurance⁵, which offer to use ISO2600 as the basis for a benchmarking system to conduct Social Responsibility Performance Assessments. While one might make note of Orwellian doublespeak, there can be no doubt the next step for ISO will be the establishment of a certification process.

And this is clearly the intention of those who promoted the standards. In fact, the need for involvement of ISO was discussed as part of a global strategy for the United Nations Human Rights Council by John Gerard Ruggie in his book *Just Business: Multinational Corporations and Human Rights*.⁶ He notes: "I assigned a team member to keep track of the human rights elements of the standard being negotiated, and after the adoption of the UN Framework to try to ensure ISO's alignment with it."⁷ Ruggie, who teaches at Harvard and previously at Columbia, cynically notes: "It is officially designated a social responsibility 'guidance,' not a certifiable standard...but apparently the marketing opportunities for a certifiable standard were too great to resist."⁸ That ISO is unable to enforce its own boilerplate is seemingly an ironic jest to Prof. Ruggie, which gives you an idea of how seriously the standard is taken. Rather, it is a pretext for the construction of a new industry, a jobs program to provide employment and influence to a new cadre of Corporate Social Responsibility executives and their network of consultants, regulators, and so forth. It is unlikely to improve the human rights or social welfare of anyone not on the

³ http://www.iso.org/iso/catalogue_detail?csnumber=42546, retrieved July 9, 2014.

⁴ <http://www.sgs.com/en/Public-Sector/Quality-Health-Safety-and-Environment/Sustainability/Social-Sustainability/ISO-26000-Performance-Assessment-Social-Responsibility.aspx>, retrieved July 9, 2014.

⁵ <http://www.dnvba.com/Global/sustainability/management-practices/Pages/ISO-26000.aspx>, retrieved July 9, 2014.

⁶ John Gerard Ruggie (2013), *Just Business: Multinational Corporations and Human Rights*. New York, W.W. Norton.

⁷ Ruggie, 2013, p. 163.

⁸ Ruggie, 2013, p. 176.

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CSR payroll. In other words, it is a rent-seeking sinecure created by a regulatory regime to reward insiders and extract revenue from existing businesses. And for Ruggie's implementation plan to succeed, it needed ISO participation. He explains: "The significance of ISO standards is that they have particular appeal in Asia because of their historical emphasis on quality management systems that grew out of Japan's experience of becoming an industrial powerhouse; and they engage an established global consulting industry that provides compliance advice to companies."⁹

For, as Sam DeKay has noted, the adoption of an ISO standard necessarily creates corporate demand for services designed to implement the standards—and thereby, new business for consultants, trainers, and corporate compliance departments. It is an industrial policy and a jobs program, and represents a serious resource allocation commitment by any organization.¹⁰ Money spent on ISO 26000 compliance, therefore, becomes a corporate budget item. The question of whether it pays for a company, or society, might be considered before adoption—however, there is no cost-benefit analysis in ISO 26000.

Discussion of some examples may be in order to understand the significance of the new ISO standard in contradistinction to Milton Friedman's article "The Social Responsibility of Business is to Increase its Profits" (1970).¹¹ For, even in 1970 the concept was not new. B. Carroll claimed the definitional construct was more than 50 years old in 1999, citing Chester Barnard's 1938 *The Functions of the Executive* among other older business titles. (1999)¹² In any case, in 1970, although "social responsibility" was not a new concept, Friedman argued against it on the grounds that such a doctrine necessarily transforms business executives into "civil servants," and "involves acceptance of the socialist view that political mechanisms,

⁹ Ruggie, 2013, p. 121.

¹⁰ DeKay, Sam (2013). Association for Business Communication Annual Conference, New Orleans, LA. Personal communication.

¹¹ Friedman, Milton. 'The Social Responsibility of Business is to Increase its Profits.' *New York Times* 13 September 1970.

¹² Carroll, Archie B. "Corporate Social Responsibility: Evolution of a Definitional Construct." *Business & Society* v.38 no.3 September 1999 268-295.

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not market mechanisms, are the appropriate way to determine the allocation of scarce resources to alternative uses.” This is bad for business, and society, in Friedman’s view. He called such a phenomenon “a fundamentally subversive doctrine’ in a free society.” Thus, because it actually has potential to harm society, any call for “social responsibility” by business—outside of adherence to law and regulation--is *de facto* socially irresponsible, according to Friedman.

However, proponents of ISO 26000 explicitly reject this type of economic analysis, as most clearly expressed by Newell Hampson-Jones in his article “ISO 26000: A Case for Social Responsibility Against Milton Friedman.” (2013)¹³ Contra Friedman, Hampson-Jones argues that the establishment of ISO 26000 was a bellwether: “The publication of the standard ISO 26000 – Guidance on Social Responsibility – could be seen as further proof that SR is no longer a management trend but best practice...” that “can benefit both the organization and society.” He claims that Friedman’s analysis is “outdated” because Peter Drucker’s *Post-Capitalist Society* (1999)¹⁴ provides a corrective approach through its elucidation of a “knowledge economy” to replace the free market. Hampson-Jones concludes, “ISO 26000 is a further positive step forward in the argument for social responsibility...” Thus, the ISO standard has instrumental value in the evolution of a new economic model. He states: “Society no longer appears to agree with Friedman’s view of business, instead viewing employees as representative of the whole company; if one employee’s mistake leads to a societal error, then society will judge the whole company, not the employee. Evidence of this can be seen with companies like Nike, Nestle and, most recently, BP.”

That Friedman might answer that there is nothing new about the “knowledge economy,” because the price system is an information system, apparently escaped Hampson-Jones’ notice—no doubt due to the

¹³Hampson-Jones, Newell. “ISO 26000: A Case for Social Responsibility Against Milton Friedman” https://www.academia.edu/420651/ISO_26000_-_A_Case_for_Social_Responsibility_Against_Milton_Friedman. Retrieved December 31, 2013

¹⁴ Drucker, Peter F. (1992). *Post-Capitalist Society*. New York, HarperCollins.

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teleological nature of the transformative change of which ISO 26000 is intended to be a part. In fact, Friedman is not contradicted by Hampson-Jones; rather he illustrates Friedman's claim that social responsibility doctrine transforms business decisions into political calculations. The difference appears to be that while Friedman claims this is socially irresponsible, Hampson-Jones (and ISO 26000, in his interpretation) view this transformation as socially desirable in itself. The two arguments are based on different propositions, which necessarily lead to different conclusions about the nature of business in relation to society.

While there is hortatory language in ISO 26000, and claims are made, in fact there is no conclusive evidence presented that supports the argument that this particular "best practice" is indeed the best. Its adoption by ISO would seem to be more due to political expediency, as Friedman feared, than reasoned deliberation, or scientific testing of the underlying hypothesis.

How socially responsible would an ISO 26000-compliant business world really be? Three examples may serve to illustrate paradoxes inherent in ISO 26000's call for social responsibility by organizations, instantiations of the law of unintended consequences that call into question the wisdom of international standardization of concepts such as social responsibility. The first example, to take up Hampson-Jones' gauntlet, is BP.

1. BP-A model CSR Corporation?

Perhaps the saddest case study is that of BP, formerly British Petroleum, and its experience with implementing Corporate Social Responsibility programs (including Sustainability and Green Energy). Christine Bader, a former BP CSR executive who also worked for John Ruggie's UN Human Rights project, wrote an entire book about her tenure with the corporation, with the title *The Evolution of a Corporate Idealist: When Girl Meets Oil*. To anyone outside the clubby, incestuous, cult-like CSR network, Bader's tale comes across as a narcissistic, selfish, arrogant nightmare, whose protagonist wittingly or not served as a

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corporate fig leaf in a program that lulled management into delusional negligence and incompetence which nearly destroyed the company in a series of disasters culminating with the Deepwater Horizon oil spill in the Gulf of Mexico in 2010. Yet from her perch in CSR, Bader, who teaches at Columbia University Business School, seemingly perceived no connection between her job and BP mismanagement. For example, she says of an earlier BP disaster due to negligence, the Texas City, Texas oil refinery explosion in 2005 that killed 15 workers and injured 170 more: “The Texas City explosion was framed as an industrial accident, a horrific one to be sure—but never as a human rights violation and therefore not part of my assignment.”¹⁵ For those old enough to remember Tom Lehrer’s lyrics about Werhner von Braun¹⁶, Bader’s remarks have a familiar ring. Interestingly, despite her Ivy League education and Human Rights training, the CSR expert still seems not to have understood the meaning of the word “complicity” that she trained Indonesians to use as part of human rights work for BP.¹⁷

Bader explained: “Whatever my thinking was at the time, the result was that I compartmentalized the Texas City tragedy and saw it as an anomaly; after all, I was working with many other BP people from around the world who seemed aligned with my views.”¹⁸ Thus, Bader’s own testimony provides evidence that a CSR department is unlikely to prevent corporate misconduct—rather, CSR executives tend to rationalize bad behavior, or make excuses, instead.

According to a study by James M. Roberts and Andrew W. Markley (2012)¹⁹, BP’s embrace of corporate

¹⁵ Christine Bader (2014), *The Evolution of a Corporate Idealist: When Girl Meets Oil*. Brookline, MA, Bibliomotion, p. 82.

¹⁶ <http://www.sing365.com/music/lyric.nsf/Wernher-von-Braun-lyrics-Tom-Lehrer/B418A910A24AB19948256A7D0025536B>, retrieved July 9, 2014.

¹⁷ Bader (2014), p. 83.

¹⁸ Bader (2014), p. 82.

¹⁹ Roberts, James M, and Markley, Andrew W. “Why the US Should Oppose International Corporate Social Responsibility (CSR) Mandates.” *The Heritage Foundation Backgrounder* no.2685 May 4, 2012.

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social responsibility (CSR) began in 1995 under CEO John Browne and continued under his successor after Browne's resignation due to scandal in 2007. One motivation was to discourage antitrust investigations after the British firm acquired American competitors Arco and Amoco. According to the authors, a strong CSR policy would allow the British firm to compete for US government contracts and grants, including those intended for solar power producers. The British government had created BP. The official company history notes: "Churchill was a believer. He thought Britain needed a dedicated oil supply, and he argued the case in Parliament, urging his colleagues to "look out upon the wide expanse of the oil regions of the world!" Only the British-owned Anglo-Persian Oil Company, he said, could protect British interests. The resolution passed resoundingly, and the UK government became a major shareholder in the company. Churchill had ended Anglo-Persian's cash crisis, and no one had long to quietly ponder the long-term implications of a company entwining its financial interests with a political entity."²⁰ Anglo-Persian Oil became British Petroleum. As a declared agent of British imperialism, BP was no stranger to Friedman's dystopian vision of corporate executives acting as civil servants; thus perhaps most receptive to CSR doctrine in its later guises. In any case, BP attempted to camouflage its Britishness by changing its name to an abbreviation, beginning a "Beyond Petroleum" advertising campaign, and contributing to Anti-Global-Warming efforts such as the U.S. Climate Action Partnership—as well as political candidates including President Barack Obama. Fulfilling Friedman's description, BP became a corporate activist in the battle against climate change—which led the company to neglect its core business responsibilities, according to Roberts and Markley, who point out that after the BP fired veteran Amoco and Arco managers, it suffered a rash of problems due to managerial negligence including a 2005 Texas refinery fire and explosion and a 200,000 barrel oil leak from an Alaska pipeline. The company responded by increasing CSR efforts under Browne's successor, Anthony Bryan "Tony" Hayward, soon

²⁰ <http://www.bp.com/en/global/corporate/about-bp/our-history/history-of-bp/early-history.html>. Retrieved Dec. 31, 2013.

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after Browne resigned in 2007 over a scandal surrounding his lying under oath to a British court about a gay lover.²¹ The company contributed to charities, promoted solar energy and trumpeted its sustainability and commitment to social responsibility.

However, Browne's shame was soon dwarfed by Hayward's. BP's Gulf of Mexico Deepwater Horizon offshore drilling operations literally exploded in 2010, creating the worst oil spill in world history, 20 billion dollars in corporate liability, and the collapse of the company's share price. Roberts and Markley conclude: "BP's fixation with CSR and its green drive to get "Beyond Petroleum" appeared to have led it to give short shrift to crucial management responsibilities, and to forget why BP was in business."²²

Subsequently, BP shamelessly deployed the term "responsibility" to deal with its Deepwater Horizon disaster: "We feel a deep sense of responsibility to everyone affected by what we do and how we do it – not just in the Gulf of Mexico, but wherever we operate. And not just this year, but every year."

So the pro-CSR corporation had one CEO who perjured himself in court, and another who presided over the worst pollution disaster in world history. Somehow, it makes one think that a strong CSR doctrine might indeed lead to precisely the consequences for corporate management described by Milton Friedman. In at least this one very well known case, CSR doctrine was demonstrably irresponsible for the company and for society.

Now, let's take a look at a company that consciously avoided CSR doctrine, the un-BP, if you like: Apple Computer.

²¹ http://content.time.com/time/specials/packages/article/0,28804,2009445_2009447_2009442,00.html. Retrieved Dec. 31, 2013.

²² Roberts & Markley, 2012.

2. Steve Jobs & Apple—an anti-CSR CEO of an anti-CSR company.

Walter Isaacson's magisterial biography of Steve Jobs (2011)²³ does not contain a single entry in the index under "Charity," "CSR," "Corporate Social Responsibility," "Social," or "Responsibility." This is not surprising. Jobs did not believe in spending company money on charity. He was so Scrooge-like that he did not pay dividends to stockholders. Job's control-freak style of management at Apple, and what Isaacson characterizes as his "nasty" and "mean" personality, enabled him take the company from one-twentieth the value of Microsoft in 2000, to parity in 2010, to being worth 70% more than Microsoft in 2011—a year in which Mac's market share grew by 28% as Microsoft's shrank 1%.²⁴

Yet no one can deny that Apple products have in fact added value to society. Their user-friendly, easy-to-use, and simple design made computing accessible to a wide range of people alienated by Microsoft's difficult interface...and helped move computing from the corporate office to the individual home and pocket. This, in turn revived an endangered American electronics industry through the iPod, iPhone, iPad, and MacBook computers. Indeed, Isaacson called Jobs "the greatest business executive of our era, the one most certain to be remembered a century from now."²⁵

One reason for Jobs' success at Apple, is that rather than diverting attention and resources to CSR initiatives, Apple remained focused on its core business, and in Jobs' own words, put "humanity into innovation." Isaacson concluded Jobs' focus was "to a create a company to last, not just to make money."²⁶

In putting his company first—above employees, customers, or society—Jobs exemplified Friedman's

²³ Isaacson, Walter. Steve Jobs. New York: Simon & Schuster, 2011.

²⁴ Isaacson, 2011 pp.562-3.

²⁵ Isaacson, 2011 p. 566.

²⁶ Isaacson, 2011 pp.568-9.

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theory of the responsibility of the business executive. Did it lead to a successful business? Yes.

Of course, the consumer technology field is not the oil industry, and a competitive consumer manufacturer is not a monopolistic government sponsored natural resources enterprise. So perhaps comparing BP to Apple could be seen as comparing apples to oranges.

However, the example of Apple indicates that in at least one case, the best CSR policy may have been no CSR policy—a direct contradiction of ISO 26000's claim that the ISO standard is applicable to all organizations as a best practice.

But if standards are not universally applicable—they are no longer standards. And if ISO 26000 cannot be applied to Apple, business executives need to think carefully whether it should be applied at all. Which leads to the question: Is there an alternative model for social responsibility in organizations? The answer Friedman suggested is that such responsibility begins with individual business leaders rather than bureaucratic guidelines. And our next example is just that, a socially responsible business leader who led by example, rather than by international standards. The case is that of Julius Rosenwald, head of Sears, Roebuck, who showed his social responsibility by the promotion of African-American education in the United States.

3. Julius Rosenwald: A Model Socially Responsible Business Executive.

Rather than promulgating unenforceable and perhaps unintelligible “standards” for social responsibility, a true best practice might be to recognize the individual nature of conscience as the mainspring of socially responsible action. Reason dictates that can be no standard or universal formula for social responsibility, because the meaning of the term changes over time and place, affected by circumstance

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and community standards. For example, ISO 26000 completely avoids any mention of marriage equality or gay rights, perhaps because the concept is widely opposed by African and Middle-Eastern clergy, among others. Yet would not a European or American business executive feel that the cause of marriage equality was the central question of social responsibility in the early 21st century? If one cannot agree on that, why should any corporation accept the list of socially responsible issues enumerated in ISO 26000 as either good for business or society? Perhaps marriage equality is more of an issue than an 8-hour day to some companies, and to some societies, in 2014? The silence of ISO 26000 in this regard calls into question both its universality and its applicability to current issues facing global business organizations.

However, as Friedman argued, there certainly is a role for the socially responsible business executive, who follows the dictates of his own conscience, using his own money. Perhaps no one better exemplifies an individualist alternative to the bureaucratic paper philanthropy of ISO 26000 than Julius Rosenwald's establishment of the Rosenwald Fund with his profits from Sears, Roebuck, where he was president and chairman of the board, for "the well-being of mankind."²⁷

The connection between company and foundation was clear, yet operations were distinct. Offices of the Rosenwald Fund were originally located in a corner of a Chicago Sears distribution center.²⁸ The fund established 5,000 of Booker T. Washington's schools for African-Americans in the American South, supported the Tuskegee Institute, endowed Roosevelt University, and provided individual Rosenwald Fellowships to Gordon Parks Jr., Elizabeth Catlett, Claude McKay, Dr. Charles Drew, Augusta Savage, Katherine Dunham, Ralph Ellison, W.E.B. Du Bois, James Weldon Johnson, and Langston Hughes, among

²⁷ A detailed account of the foundation's work may be found in Perkins, Alfred. *Edwin Rogers Embree: The Julius Rosenwald Fund, Foundation Philanthropy, and American Race Relations* (Philanthropic and Nonprofit Studies). Bloomington: Indiana University Press 2011. 384 pages. A more personal analysis is contained in his grandson's biography. Ascoli, Peter M. *Julius Rosenwald: The* Bloomington: Indiana University Press 2006. 453 pages.

²⁸ Perkins, p. 79.

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others. Designed to “sunset” (in order to insure the founder’s wishes were not violated by subsequent administrators) the fund expended approximately \$70 million dollars before its closure in 1948 (approximately \$677 million in 2014 dollars), contributing significantly to the cause of social progress in the United States.

Unlike the mandatory project of ISO 26000, the Rosenwald Fund’s effort was voluntary, stemming from inner conscience. Rosenwald discussed his principles of philanthropy during his lifetime, noting: “I am a great believer in the influence of one man upon other men for good or bad, and I give not only with the idea of stimulating others to giving, but to proper giving.”²⁹

In other words, Rosenwald’s conception is of social responsibility as an individual issue to be dealt with through leadership by example. His approach is opposed to the notion of collective responsibility manifest in ISO 26000, which depends upon administrative measures rather than individual initiative.

It is too soon to say whether ISO 26000 has been a success or something less, as it has not yet been implemented (some might say the empty rhetoric would be impossible to implement in any case).

However, one can say with confidence that Rosenwald’s individualist approach is not compatible with the language ISO 26000, because it is impersonal rather than a reflection of individual conscience. One cannot name a legacy of ISO 26000, but one can do so for Julius Rosenwald’s personal commitment to the education of African-Americans. It survived his death, and the fund sponsored many of the NAACP cases that led to *Brown v Board of Education*, before it was liquidated in 1948.³⁰

Without recognition of the role of responsibility of the individual personality, it is doubtful that ISO

²⁹ Ascoli, p. 318.

³⁰ Ascoli, p. 396.

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26000 could accomplish anything at all—other than create jobs, grants, contracts and windfall profits for those who learn how to game the system it establishes at larger corporations (small companies would not be able to afford the expense).

In conclusion, implementation of ISO 26000 incentives misallocation of business resources from productive to unproductive economic activity. Some might see this as a social good, for example social collectivists opposed to individualism. But is a collectivized conscience any conscience at all? There is some evidence, from Christine Bader's account of BP's CSR activity, that CSR professionals are oblivious to real human rights violations—such as death and dismemberment in refinery explosions due to corporate negligence. Perhaps the most frightening example can be found in a book published by Harvard Business School Press in its "Leadership for the Common Good" series devoted to "Social Entrepreneurship," featuring an introduction by Professor Klaus Schwab, founder of the World Economic Forum held annually at Davos Switzerland. The authors, John Elkington and Pamela Hartigan, try to present examples of socially responsible business that might serve as role models, and come up with one that illustrates their theory of social enterprise: "The next example may shock readers, but just think of the way that Hezbollah—particularly its civil-engineering arm, Construction Jihad—seized the initiative from the Israelis by rebuilding the devastated parts of south Beirut after the 2006 war. It's unlikely that Hezbollah will receive any of the social capitalist awards offered by magazines like *Fast Company*, but its use of social networks—based on schools, hospitals, and a banking system—is in many ways typical of an entrepreneurial approach in the public interest."³¹

The Hezbollah example reveals the potential of CSR programs to drive out conscience, decency and individual responsibility from business management systems. The reason is structural, because as Jane

³¹ John Elkington & Pamela Hartigan (2008), *The Power of Unreasonable People*, Boston, MA, Harvard University Press, p. 115.

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Jacobs explains in her magisterial Socratic dialogue, *Systems of Survival*, trade and government are necessarily opposed, like Yin and Yang. They represent different and incompatible systems of human organization. Indeed, for Jacobs, as for libertarians, “business is business.” When one attempts to mix what Jacobs calls the “Guardian syndrome” with the “Commercial syndrome,” the result is predictably a Mafia, or as our Harvard Business Press authors noted proudly, Hezbollah.³² When actually implemented, because of definitional contradictions identified by Jacobs, CSR becomes not a prescription for Corporate Social Responsibility, but rather another “Corporate Shakedown Racket,” in the words of Nick Nichols.³³

Further research is needed to determine whether definitional contradictions in ISO 26000 are such that make it inoperable on its face, perhaps through a longitudinal study of how major corporations implement ISO 26000 or a comparison with a control group that does not participate in the standard. For a communications practitioner, one major challenge would be in implementing a non-standard standard that contradicts itself, is bad for business, and harmful to society.

³² Jane Jacobs (1992), *Systems of Survival: A Dialogue on the Moral Foundations of Commerce and Politics*, New York: Random House.

³³ <http://www.assist.ac.kr/site/aSSIST/webzine/e-webzine/page/eng/200807/06.html>, retrieved July 9, 2014.

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