UDC 331

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QUALITY OF LIFE AND CORPORATE SOCIAL RESPONSIBILITY IN A MODERNIZED SOCIETY

Corporate social responsibility (CSR) has been subject of discussions both in academic and corporate circles since the 1960s. Yet to this day, there is no consensus of what exactly constitutes CSR. Academic works in field of corporate economics tend to define CSR more in terms of its ability to affect profits than its potential impact on communities and environment. This bias (be it conscious or subconscious) had an unfortunate side effect of leaving actual quantifiable impact of CSR on quality of life relatively unexplored.

Corporate social responsibility predicates on a position that corporation, or more precisely its management, has a responsibility to protect and strengthen societies in which it operates. CSR is central to the concept of sustained development, which predicates that for a long-term economic growth there is a need to create additional markets by improving quality of life of impoverished communities. Despite its stated goal of improving quality of life, academic literature seems to be preoccupied with research into the CSR's ability to increase corporate profits [1]. Moreover, while such research did find positive correlation between corporate social performance and corporate financial performance, this effect does not come from real qualitological impact of CSR but rather from improved public perception caused by it. This essentially means that profit-based approach to CSR is more likely to favor measures that prioritize visibility over impact.

If we were to quantify real measurable impact of CSR on communities, we would find it grossly inadequate. According to Maslow's hierarchy of needs, there is a certain order in which human needs must be satisfied. Therefore, improvement of quality of life would require satisfaction of basic physiological needs (food, housing, and healthcare) before it would be possible to affect it with measures that are more abstract. Simplest and most effective way to do it is to provide employees with living wages. Even beyond that, De Regil argues that without fair labor endowments, it is actually impossible to achieve sustainable growth and any CSR measures would be meaningless [2].

Even when corporations finally take action that would meaningfully positively affect human lives (disaster aid for example) such action tends to be disproportionate their ability to help [3]. While it would be easy to blame insufficiency of CSR measures onto corporate managements and just proclaim them evil, there is an alternative explanation. According to it, it is actively illegal (at least according to corporate law) for the CEO to implement any measure that would be sufficient to cause real impact on quality of. Argumentation here is that CEO being employee of corporation is legally obliged to serve interests of judicial owners of corporation i.e. its shareholders. Which means that since any significant expenditure that would not cause immediate return of investments is by its nature harmful to the shareholders financial interests, it would contradict manager's primary obligation and therefore be illegal.

This does provide strong opposition to the libertarian approach to CSR, which is still dominant in the field of corporate economics. This approach states that CSR measures are only effective if done voluntary by corporations themselves and any state regulation only serves to lessen their ability to do good. Its most radical proponents, such as M. Friedman, propose that corporations do not have any obligations beyond increasing their profits and merely following law already constitutes the entirety of CSR.

In conclusion, it would seems that approaching CSR as just another factor in corporate profit calculus does not lead to any meaningful impact on quality of life of affected communities and generally only serves corporation itself. Therefore, it highlights necessity for increase in state regulations and oversight. If corporations would prove themselves incapable of implementing effective sustainable growth strategies by themselves, it would mean that such strategies must be legally imposed upon them for the good of our society.

References:

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