Title: **Did we get the CSR implementation right?**

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**Abstract**

This essay discusses the potential reasons why CSR initiative might not be implemented successfully and effectively into corporate practices. The discussion is based on the assumption that finance graduates are most likely to find themselves in the centre of corporate decision making. The main argument is that these students, however, do not get sufficient exposure to non-financial CSR issues. The quest suggested by this paper requires even deeper understanding of human mentality and especially the mind-set of finance and accounting students. If these students do not consider “doing good” worthwhile, an implementation of CSR initiative might never achieve the desired state. This work also argues that such a philosophical approach also relates to the need of raising more leaders with vision of a better world. An example of Elon Musk is presented in line with indicative direction of actions by which the observed limitations in the CSR implementation might be overcome. The essay argues that successful implementation of CSR and thus more sustainable and responsible practices of corporations are significantly dependent on the syllabus of finance and accounting courses and on the way how the education in these courses is structured.

**Introduction**

As far as the world economy is concerned, it can be characterized by enormous corporations competing heavily for each dollar to be added to their financial statements. This competition, however, sometimes involves practices which raise concerns about their value-adding characteristics. Approximately two centuries after the industrial revolution happened, people have started to realize that the way we do things might not be the right way. As a result of this, a significant and important discussion has grown about the corporate social responsibility (hereinafter CSR) and environmentally sustainable practices and its impact.

Such initiatives include various areas from environmentally friendly processes, through positive effects on society and local communities, to creating economic value. Over the past few decades, CSR has gone through a significant development and various definitions for this phenomenon have been invented (Caroll, 1999). Clearly, it is a complex area which requires a thorough technical and conceptual understanding in order to be improved successfully. This paper argues that these aspects are not sufficient for a worldwide progress in CSR implementation.

The rationale for writing this essay is shown in Appendix 1. The paper is structured as follows: the difference between shareholders and stakeholders is described in the first section. The second section briefly discusses the initiative in relation to stakeholders. The issue of “doing good” is discussed in the third section. The fourth section argues there are limitations in educating finance professionals. The fifth section provides an illustrative example of entrepreneurial icon Elon Musk. The final argument of absent visions is presented in the penultimate section. The last section concludes.

**I. Stakeholders versus shareholders**

Considering all the different types of organizations, this paper focuses on corporations since these have a considerable impact on the current state of the world. Thanks to that, corporations should also be the ones who create a significant impact for the future and thus lie in the centre of CSR initiatives.

One of the main characteristics of a corporation is that it is owned by a number of people called shareholders (Ross et al., 2010). These people provide capital to the organization via buying its shares. The financial theory prescribes that share price should be equal to the sum of estimated future cash flows for the investor. Literally, these shares represent a share in the distribution of company’s profits, which are usually distributed via dividend payments (Evans, 2011). It is assumed that if the corporation does not pay dividends in a particular year, this money is reinvested in the company in order to generate more profits and thus more dividends in the subsequent years (Brealey et al., 2001). Therefore, it becomes obvious that the most important aim of a corporation is to increase shareholders’ wealth - it is all about money.

On contrary, there are the so-called stakeholders. These are all the people and groups, to whom the corporation has certain responsibilities (Goodwin, et al., 2005). These people have some direct or indirect interest in the corporate activities. Obviously, stakeholders include employees, customers, suppliers, local communities, government authorities and shareholders, too. An observant reader might already suspect that there definitely occur conflict situations between shareholders and other stakeholders.

It is clear that creating monetary value for shareholders does not always mean creating a value for all the stakeholders. For example, it is without any doubt that manufacturing clothes in particular Asian countries is much cheaper than in the majority of Western countries, resulting in lower production costs and thus higher profits attributable to shareholders. However, is it a correct approach from the perspective of the Asian workers working in the factory for ridiculous wages? Similarly, it is always cheaper to dispose the waste into a river rather than to pay high fees for a proper liquidation process. However, is it a correct approach from the perspective of the nature? These are extreme cases but they clearly illustrate the main point what CSR and similar initiatives are about. It is about finding solutions for the conflict between shareholders who want the money, and those stakeholders who want a better world.

The question is who actually are these stakeholders? Are these the customers who can appreciate the company’s products which were created through socially and environmentally responsible process and who can reject the products which did not? Is it everyone who breaths the air polluted by corporate industrial activities? Is it everyone who believes that people should have equal rights despite their ethnic origin? Are not we all, humans, the so-called stakeholders?

**II. CSR and environmentally sustainable practices**

It is clear from the previous section that CSR involves a large number of techniques, which change the design of previously adopted corporate practices in order to create a better world for the current and future generations. It is a set of rules of how to do a business in order not to harm people, nature, communities and the world as a whole. These policies ensure that the corporation does not only meet the minimum legal requirements, but creates more positive effect than that (Griffin and Prakash, 2014).

There is a wide range of studies coming from academic and professional spheres which have already developed admirable tools which have the potential to rotate the rudder of corporate practices towards more responsibility. However, are these enough? Are the invented tools sufficient to ensure that corporations will adopt these effectively? Or is there something else that people need to change in order to make a difference from the past two centuries of industrialization and chasing the mammon?

**III. The worthiness of “doing good”**

The answers for the above asked questions might lie in the very fundamental human mind-set. The quest could go as far as whether people are naturally good or whether they need an incentive, whatever it could be, to “do good”. This issue has been investigated by economist Tomas Sedlacek in his book ‘*Economics of Good and Evil: The Quest for Economic Meaning from Gilgamesh to Wall Street’*. Sedlacek (2013) discusses the issue in relation to various historical, psychological, religious, political and cultural contexts and only provides a direction how to find the answer for such question rather than concluding in favour of a certain side.

The philosophical approach in which Sedlacek discusses the problem of human selfishness represents the way in which we all should think about CSR initiative as well. Many economic and financial theories assume implicitly that people want more money and that investors want to increase their monetary wealth – usually referred to as the non-satiation assumption (Garbo, 2012). If shareholders will always ask what will be the pay-off of their investment, this might result in poor decisions. Literally, pay-off relates to the word to ‘pay’, which everyone has associated with some monetary event.

The shareholders should, for example, rather ask what value their investment will generate and for whom. At this point, it is important to mention a quotation of a famous investor Warren Buffett (2009), who stated that “*price is what you pay, value is what you get*”. Thus, the prerequisite of people searching for mammon should be questioned. If people believe that “doing good” is worthy only in exchange for a monetary reward and not for the good itself, than it will always be hard to implement CSR initiative into commonly-accepted corporate practices.

**IV. Responsible management education in finance & accounting**

Apart from discussing whether “doing good” is worthwhile in people’s opinion, Sedlacek (2013) also argues that economics should not focus only on the mathematical models for increasing profits, but rather on the overall context and the interdisciplinary aspect of economic activities.

Having an academic background in finance and accounting, the author of this essay intends to relate the experience from studying such courses to the presented discussion. Students on these courses mainly focus on the above mentioned mathematical calculations, on the projects with positive NPV’s, on tax optimization and various techniques leading to increasing the monetary profits. Only rarely, however, one can hear the students discussing the non-financial aspects. Only rarely the lecturers motivate such a discussion that financials represent only one side of the coin. The education should, however, stress the importance of stakeholders. Future leaders must take stakeholders and the potential conflicts of interests into account instead of just focusing on shareholders, as being taught nowadays.

Considering that finance is linked to most of the other organizational departments, it is strongly argued that financial students should be one of the most important starting points in order to change the practices of current and future corporations. There are various studies, such as the one conducted by Frey and Meier (2003), which show that students of business economics act more selfishly than students of other courses. However, if we allow exactly these mammon-oriented students to be in the centre of organizational decision-making, it will be almost impossible to implement the initiative successfully. Unfortunately, the point is that many finance and accounting students do not realize there might also be a different value, other than the monetary one for shareholders. Therefore, the question is whether the recently popular responsible management education is designed effectively and whether it targets the important sectors of academic sphere.

Zingales (2015) in his inspiring presidential address calls for educating students in finance towards more transparent and legal-compliant behaviour. The aim of Zingales’ address is to make the public reputation of finance better by decreasing the number of financial frauds and scandals, which has its roots in the education system, he argues. This essay aims for even higher objective. It calls for adjusting the education syllabus by at least including the non-financial aspects and other stakeholders’ perspectives in the decision-making processes taught at finance and accounting degrees. The reality shows that including CSR and similar topics as optional modules arguably proves to be non-effective way, since these selfishly oriented students do not care about such issues and thus will most probably sign up for other optional modules, which provide ‘fancier’ financial topics. Surprisingly, some people also claim that despite having CSR and similar modules as compulsory subjects in some countries, neither the students nor the lecturers assign an important weight to such modules. In a world with such a human mind-set, how can one even try to implement the CSR tools effectively?

On the other hand, the intuition suggests that if customers, as a group of stakeholders, value products from sustainably managed corporations more, then they will also be willing to pay more for such products. Actually, there is statistical evidence provided by Richter (2014) that this is already happening. Therefore, if the corporate decision-makers take into account the value created by responsible and sustainable practices, it will most likely pay-off in future. And the pay-off means literally dividends to be ‘paid’ to shareholders.

If all the stakeholders, including shareholders, get the initiative right, then the monetary return will arrive soon - but in line with a value created for the world, for the environment, for the society and future generations. On contrary, if the corporation ignores the wishes of other stakeholders, the shareholders’ wealth value might get destroyed, too. Finance students and future corporate leaders need to be aware of this two-directional effect and bear all stakeholders’ needs in mind.

Holland (2004) analysed a module covering CSR and similar issues, designed directly for final year accounting students. The article mentions that one of the limitations for effective implementation of such modules into finance and accounting curricula is the students’ prior mind-set – and this is exactly what this essay is trying to highlight. Since the course has been offered to final year students (assuming that they should be able to address the complex issues), these “*have already studied for two years in a series of traditional management courses”*, but at the same time “*have to be prepared to accept fairly radical concepts which may challenge the ways in which they think about their overall degree course and their further course of employment”* (Holland, 2004). It has been documented earlier by Frey and Meier (2003) that students of these courses act selfishly already prior to entering the degree studies. Such behaviour is even deepened by the traditional management education, therefore introducing “doing good” may become very hard at a later stage. Holland (2004) argues that “*it may be necessary to introduce some of the concepts […] in earlier courses*”. Nevertheless, Holland (2004) concludes in line with the message of this paper that the importance of such courses *“cannot be underestimated and must be recognized by those who resource management education”.*

**V. Elon Musk as CSR hero**

Finally, this section introduces Elon Musk and his approach of how to run a corporation. Out of his remarkable childhood and family background, Elon Musk is mostly known for being a visionary and genial entrepreneur whose ideas reshape the world around us. He has been involved with many other businesses, but mainly Mr. Musk is known as the founder and CEO of Tesla Motors, Inc. (hereinafter Tesla).

Tesla is a car manufacturing company producing wholly-electric vehicles. They have already introduced four models of electric cars and even one electric truck. Although there are concerns about Tesla being prolongedly in the red numbers in terms of profits, Elon Musk is still able to raise finance from investors because they simply believe that this is the right direction. Mr. Musk has also sacrificed a significant amount of his own wealth in order to make this ‘revolution’ happen. Elon Musk (2014) announced that Tesla’s patents and intellectual property will be offered as an open-source for other car manufacturers as well as for anyone, who wants to use Tesla’s technology in a good faith. Again, he has sacrificed his monetary pay-offs for the value it may bring for the whole society.

Tesla’s investors and Mr. Musk believe that electric vehicles represent the future. Undoubtedly, they expect the monetary returns in future, but they are willing to support the more important value created by environmentally friendly and safer vehicles. Baker (2017) states about Elon Musk’s visions that the „*purpose is there because it is something we desperately need to do as a society, not because it’s the most natural approach to guaranteeing maximum profits”.*

Many people would agree that Tesla can be considered as the corporation which triggered the recent electric-vehicle boom amongst other car manufacturers. If one had asked whether one corporation can make a difference to a global problem – the answer illustrated by this example would be yes. Elon Musk, cited in the biography written by Ashlee Vance (2015), said that “*it seemed like one should try to make the world a better place because the inverse makes no sense*”.

His unstudied socially responsible and environmentally sustainable philosophy clearly indicates the direction which people and corporations around the world should take. Elon Musk is “doing good” because he simply believes that this is the right way. Surely, it is not only the educational system which has shaped his CSR personality, but it might definitely be one of the important building stones on which we could build more responsible corporations for future – following Elon Musk’s example.

**VI. Absent visions and leaders of tomorrow**

It is plausible that many institutions have started to educate people about CSR issues over the last decade. Unfortunately, this paper argues that some of the most important parts of corporations have not been affected by these actions strongly enough. If we want to transform today’s corporations into more socially and environmentally responsible entities, we need leaders with visions. We need more Elon Musks.

Changing people’s mind-set is not an easy task to do. However, it becomes easier through education. Students have to have at least a chance to realize and discover that “doing good” in the spirit of CSR initiative can indeed create value on a higher-than-individual level and it can potentially bring the monetary pay-off for shareholders, too. The point is that shareholders’ and stakeholders’ interests do not always have to be mutually exclusive.

The last few decades of research have developed admirable tools of how to achieve more sustainable and socially responsible corporate functions. Now, the next step is to teach and motivate future leaders how to utilize these tools. The vision of a better world achieved with these tools is still absent in many corporations.

**Conclusion**

This essay has discussed the limitations of implementing CSR initiative into practice. Firstly, the difference between shareholders and other stakeholders was discussed to illustrate the potential conflicts of their interests. The main discussion has begun by introducing the interdisciplinary view on CSR and arguing that “doing good” is worthwhile. If people fundamentally think that “doing good” for no immediate and obvious monetary reward is not worth it, the implementation of responsible and sustainable practices will face significant obstacles.

The limitation has been mainly related to students of finance and accounting courses, which only rarely get exposure to CSR topics. These students exhibit a tendency to strive for mammon rather than for the overall goodness of the world. By allowing students with such mind-sets to be the ones who make important corporate decisions in future, the practices might never achieve the desired state. Finally, an example of Elon Musk’s approach to running a corporation has illustrated the importance of believing that “doing good” is worthwhile. Mr. Musk bears the idea of making the world a better place strongly in mind.

Building on that, the successful implementation of CSR practices requires not only the development of innovative tools and policies, but also raising more future leaders with visions, more people believing that “doing good” is worthwhile and more finance and accounting graduates who are not afraid to take the perspective of all stakeholders into consideration. This would, however, require a significant progress and/or update in the area of responsible management education.

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**Appendix 1: Rationale for writing this essay**

As a finance and accounting student, I have not really had a chance to write an assignment about CSR topics this (or another) academic year. However, I do have certain interests in this area and I like the idea of presenting students’ views to other-than-marker’s eyes. Moreover, I enjoy writing, so producing this paper out of my academic responsibilities is rather an enjoyable activity. Therefore, I asked the PRME staff if I can come up with my own topic and luckily I was allowed to do so.

The fact that neither during my high school studies back in the Czech Republic, nor during bachelor’s studies in England or master’s studies in Scotland I was exposed significantly to CSR and sustainability issues, made me realize that this is a huge gap. After a discussion with my classmates from various backgrounds, they mostly agreed that they have a similar experience. Thus, I decided to build one of the pillars of the discussion on this issue. Simply said, finance and accounting students care about the numbers and the profits generated, but we are not really taught much about CSR and the importance of other stakeholders’ perspectives.

Therefore, I decided to put my ideas and opinions on paper and I feel grateful that these can be read by academic committee. It might be that the opinions in this essay represent only my and other few people’s personal experience, but I truly believe that this is not the case.