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ALL BUSINESS: Once lauded, BP no corporate citizen

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NEW YORK — --Milton Friedman once said companies can't be socially responsible because they only exist to make as much money as possible.

The late Nobel laureate economist would appreciate what's going on now: A historic environmental disaster caused by a company that went out of its way to tout itself as the ideal corporate citizen.

BP spent the past decade using splashy ads to promote itself as a green company. It even ditched the name it had for nearly 60 years, British Petroleum, and built an image that it was looking out for a better world.

What those ads glossed over is that the oil business remains dirty, dangerous and carbon-spewing. And it's expensive, making the temptation to cut corners greater every time the price of crude drops a nickel.

BP was the vanguard of the movement known as Corporate Social Responsibility. If an oil company could change, then capitalism itself could be transformed. So we bought it. We even gave BP the benefit of the doubt when a disregard for safety caused an explosion at its Texas City refinery in 2005 that left 15 workers dead.

Then came the explosion of a BP oil rig April 20 in the Gulf of Mexico, killing 11 workers and setting off what is now the largest oil spill in Gulf history.

This time, BP can't hide behind the green and yellow sunburst on the corporate logo, not when the evidence shows the company neglected safety and fought regulation to boost profits. Being socially responsible, it turns out, was just a marketing gimmick.

Google the phrase Corporate Social Responsibility, or CSR, and more than 5.6 million entries pop up, many of them companies talking about all the good they've done. BP has taught us that talk is cheap, and raises questions about whether companies can do the right thing and make money.

"There's often more spin than substance when it comes to social responsibility," says Curt Weeden, an expert on such issues who runs the consulting firm Business & Nonprofit Strategies Inc. in Charleston, S.C. "Companies want to take credit for things that they ought to be doing anyway."

There isn't one way to define CSR. Sometimes it means being more environmentally conscious, or upholding human rights. It could also be eliminating harmful business practices, donating to charities in their local communities or having strong ethics policies.

You've probably come across companies pitching CSR. Maybe you've seen an ad from a soda company saying it's studying healthier ingredients, or a clothing manufacturer promising safe working conditions for employees in its factories abroad.

CSR has become an industry. Consultants help companies map out CSR strategies, and executives with big titles oversee CSR programs. Business schools have incorporated corporate citizenship into their curriculums to teach upcoming leaders how to make positive social, environmental and economic impacts.

Companies use CSR programs to build brand loyalty and make personal connections with customers. There can be a payoff: 70 percent of consumers say they would pay a premium for goods from socially responsible companies, according to a recent poll of 1,001 adults by market research firm Penn Schoen Berland. Of that group, 28 percent said they would pay at least \$10 more for a product because of the social responsibility link.

"It's easier to market that you've invested in wind power or solar power than if you've invested in safety systems because most people wouldn't understand new safety systems," says Trina Hamilton, an assistant professor at The State University of New York at Buffalo.

At BP, executives promoted the idea that they turned British Petroleum into a company that was "Beyond Petroleum." Yet, they fought against stricter regulations and failed to improve its safety practices.

"There was no impact of CSR at BP," says Fabian Pattberg, a consultant who works with companies on implementing social responsibility programs. "It was a house of cards doomed to fail."

BP's stock has been cut in half since the rig exploded, losing about \$85 billion in market value, and BP suspended its quarterly dividend to help pay for the billions it now faces in cleanup costs.

You have to give BP credit - at least forchutzpah. It's still trying to pitch itself as socially responsible, this time for establishing a \$20 billion fund to compensate victims of the oil spill. It also wants credit for paying \$100 million into another fund to help oil workers sidelined by the moratorium on deepwater drilling.

This time, though, nobody's buying the message. Cute logo or not.

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