Corporate Law and Social Responsibility in American Firms

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Statutory and Case Law

U.S. corporate law permits, but does not require or forbid, corporate social responsibility

- some mild debate on this

- famous case involving automaker Henry Ford endorses a profit maximizing objective, but no legal requirement to do so

- “business judgment rule” affords corporate decisionmakers wide discretion outside the takeover context
Social Norms & Market Forces

❖ Prevalent social norm, supported by market forces, encouraging firms to put shareholder interests and profits first

❖ This is evolving, in part because of the “business case” for CSR
  ❖ Studies increasingly show CSR breaks even or turns a profit
  ❖ E.g., Eccles et al. (2014): sustainable firms “significantly outperform” comparable conventional firms
  ❖ Previously Margolis et al. (2007): 58% no relationship between CSR and financial performance, 27% positive relationship, 2% negative
Dream, Requirement, or Opportunity?

- Efficiency and conservation, especially of energy, a win-win proposition
- McDonough & Braungart: eco-efficient “cradle to cradle” design
- Jensen: stakeholder-sensitive approach best for increasing the long-term value of the firm
- CSR an opportunity to do well by doing good
Questions?