

## **Socially Responsible Business - Just Good for Business?**

Prepared by

Thomas Murray

For XYZ Consultancy

November 13th, 2014

Word Count: 2,071

## **Towards a justification - Friedman and beyond**

L'Etang (2008), in discussing business ethics, quotes Milton Friedman's famous assertion, in a 1970 *New York Times Magazine* article, that the "social responsibility of business is to increase its profits" and notes Friedman's free market view that "business was intrinsically ethical since it promoted free enterprise" (p. 89).

McMillan (2007) feels that corporate social responsibility (CSR) exists because corporations have assumed the role of caring, but goes on to point out that they are ill-suited to the task, "lacking both the credibility and the voice of moral authority." (p. 26). Theaker & Yaxley (2013) quote Friedman's declaration that CSR is a "fundamentally subversive doctrine" but note the concept of a company "earning its license to operate" (p. 194). In citing Cannon's Enlightenment Matrix, which places social responsibility at the intersection of philanthropy and self-interest, they see CSR as having benefits for both organisation and recipient. Somerville & Wood (2012) offer a robust rebuttal of Friedman's 'doctrine' and note that from the stakeholder theory perspective CSR "is not an optional extra" and that "the company must pay as much attention to its social duties as it does to maximising its profits." (p. 179).

Fallon (2014) believes that businesses cannot exist in a bubble and that modern consumers expect the companies they buy from to make a positive impact on the world. Fallon (2014) defines CSR as business participating in initiatives that benefit society, notes that people "want to work for companies who are making a difference" and mentions a "people, planet and revenue" variation of the triple bottom-line. Fallon states that CSR is a "win-win", as in addition to making a real difference businesses will appeal to increasingly socially conscious consumers.

Franklin (2008) notes that CSR is now seen as mainstream and, despite scepticism, states that few big companies can now afford to ignore it. Companies are working harder to protect their reputation and, by extension, the environment in which they conduct business, and CSR has become part of the competition for attracting and retaining talent. In addition to the traditional philanthropic and the risk management aspects Franklin highlights the notion that CSR can help create value by becoming part of a company's competitive advantage, and states that, done well, it is good business.

Baden, Harwood & Woodward (2009) note that with globalisation companies are now expected to be responsible not just to their shareholders but to the larger society, which is reflected in CSR's increased importance in the business world. They note that the focus has tended to be on large and multinational corporations (MNCs), who now reference CSR, or related concepts, in their organisational media. But, they

point out, SMEs account for the majority of European enterprises and employment, and have a greater environmental impact than large firms.

### **More on nature and scope**

Visser (2006) notes that a European survey found 40 labels and a multitude of synonyms for CSR including business ethics, corporate citizenship, sustainability, and business & society. Visser proposes CSR as an umbrella concept to cover all variations and then explains Carroll's 1991 pyramid model of CSR - a corporation's economic responsibilities (being profitable) forms the base, followed by legal, then ethical and finally philanthropic (being a good citizen) at the top.

Swann (2014) notes that CSR can cover sustainability, environmental stewardship, business ethics, corporate philanthropy, community investment, human rights, worker welfare, corporate governance and animal rights.

Kotler & Lee (2005) note that CSR initiatives can be further distinguished as follows:

**Cause Promotion** - supporting causes through promotional sponsorship, typically benefiting the communities in which the company is located or operates.

**Cause-Related Marketing** - donating a percentage of revenues to a specific cause based on product sales, typically for a specified period, a specified product and in partnership with a specified charity, and resulting in increased product sales and financial support for the non-profit.

**Corporate Social Marketing** - supporting 'behaviour change' campaigns, generally intended to improve public safety, health or the environment with the focus being on the behavioural aspect.

**Corporate Philanthropy** - making traditional direct contributions to a charity or cause, either by donation, cash grant and/or provision of services.

**Community Volunteering** - whereby employees are encouraged to volunteer their time to local community organisations and may receive company support such as paid time off.

**Socially Responsible Business Practices** - adopting discretionary business practices that support social causes, typically with the intent of improving community well-being or protecting the environment, with activities ranging from choosing environmentally friendly packaging materials to providing day care for employees, from reducing waste through recycling to establishing guidelines for marketing to children.

## **Additional benefits and some concerns**

L'Etang (1994) notes that CSR delivers target publics to the company thus bringing marketing benefits to the business. L'Etang further suggests that CSR might be seen as an investment if a future crisis requires the company to draw on its reservoir of goodwill, and that a company that establishes a meaningful relationship with its stakeholders "is less likely to be regarded as simply indulging in 'the hypocrisy of public relations'." (p. 116).

Theaker & Yaxley (2013) note that the benefits of operating ethically "can include goodwill, customer and staff loyalty and strong stakeholder relationships which can result in a competitive edge." (p.194). Kotler & Lee (2005) detail the range of bottom-line benefits that can result from participation in corporate social initiatives. Reduced operating costs, an enhanced corporate image, an increased ability to attract, motivate and retain employees, increased sales and market share, and strengthened brand positioning are cited, as is the increased appeal to investors and financial analysts.

L'Etang (1994), points to the moral problem at the centre of CSR, specifically that if a programme is chosen to "to appeal in the first instance to some public other than the recipient then both the motivation of the company with regard to its stated intention and its commitment to the project must be questioned." (p. 116). L'Etang goes on to note that "motivation in corporate social responsibility is identified as paramount in determining the worthiness of such programmes" and warns that the "decision to develop and publicize programmes of corporate social responsibility ... must be accompanied by a substantial and real change in reality or it will be seen as mere window-dressing or even an attempt to deceive." (1994, p. 121).

Somerville & Wood (2012) suggest a need to engage with stakeholders about a CSR initiative rather than "exploiting the process for the reputational benefits of the corporation" (p.182). The Baden, Harwood & Woodward (2009) study, while focused on supplier SMEs, does point to some issues: it repeats a criticism that CSR has become "the province of the marketing department and treated as a marketing gimmick" (p. 431) and it notes the term 'greenwash' which describes how more money can be spent "promoting a company's or product's green credentials than is spent on actually being green" (p. 431). Swann (2014) warns that organisations that don't make good on their promises or over-promise can risk boycotts or social media 'shaming' campaigns. Fallon (2014) notes that in CSR transparency and honesty are paramount to earning trust, and that people might wonder if there are strings

attached if decisions are made behind closed doors. Kotler & Lee (2005) outline specific concerns associated with adoption of responsible business practices, namely that a) people will be sceptical of motives, b) they will look for action, not just promises, c) they will want to know if there is a long-term commitment, d) they will expect that new practices will have a real impact, e) they will ask to know what was done in the past and f) they will expect to see goals and results published.

### **Case studies and next steps**

In considering CSR strategies, examining what others, specifically Irish firms, have successfully executed on is instructive and can highlight options not considered.

These case studies and others are readily available on the PRCA website.

In the multi-faceted PRCA award-winning 2006 campaign 'Bewley's - Communicating Corporate Social Responsibility' the objective was to re-establish Bewley's as a good corporate citizen that had always practiced CSR, "not simply because it looks good to do so." The decision was made to increase awareness of three of Bewley's existing activities, namely a) the mentoring of a Ugandan coffee company in its business development, the concept being "trade not aid", b) the sponsorship of "Ireland's Biggest Coffee Morning" in aid of the Irish hospice movement, with the day's coffee provided free of charge (**cause-related marketing**), and a cash donation by Bewley's to the Hospice Foundation (**corporate philanthropy**), and c) ethical trading, including Fairtrade coffee sourcing, with specific emphasis on Bewley's involvement in improving working and living conditions in Nicaragua (**socially responsible business practices**). It is pointed out that care was taken to avoid any self-congratulatory stance. Bewley's was cited positively in the media for its various local and overseas initiatives, significant funds were raised for hospice care and fair trade practices received significant press.

The 'CCBI (Coca-Cola Bottlers Ireland) Designated Drivers Campaign', winner of a 2007 PRCA award for corporate social responsibility, is an example of a **corporate social marketing** campaign. The frequent level of cynicism about CSR initiatives by large companies, particularly with recognized consumer brands such as Coca-Cola, is noted. While one of the objectives was ensuring that CCBI were identified as the driving force behind the campaign i.e. that it was giving back, the focus was also on increased awareness of the link between driver alcohol consumption and road deaths, gaining positive national and regional media coverage, obtaining the support of the Garda, Road Safety Authority (RSA), the Vintners Federation of Ireland (CFI) and other stakeholders, and driving traffic to the designated driver section of the

CCBI website. Designated drivers were incentivised through the provision of free soft drinks at participating licensed premises. Success was measured in terms of positive TV and radio airtime, column inches secured, website hits, number of participating premises, and positive reference to the campaign on message boards, by the Garda and others.

In contrast **cause promotion** is to the fore in the 'Calor Community Champion' project which won a 2013 PRCA award. Objectives included highlighting Calor's support for local communities and strengthening their Facebook presence by attracting additional fans. A Community Champion competition, run through a Facebook app, was launched to spotlight and reward those individuals who contributed to their community. A prize fund was offered to incentivise nominators, nominees and their chosen charities. Sporting and community-based organisations, local politicians etc. were used to spread awareness and a national, regional and local media campaign was developed to drive interest. Over 400 nominations were received and a variety of organisations obtained funding including scouting groups, a community hospital and an animal sanctuary. There was a positive media response and Calor grew their Facebook fans by 400% by the end of the two-month campaign.

It is understood that CSR activity should not distract from the core business, especially for SMEs, and that keeping costs under control is critical. For those reasons a low impact approach is suggested, at least initially, which chooses from among those initiatives previously outlined.

Corporate Philanthropy: this need not involve a cash outlay. An I.T. company, for example, might consider donating outdated but functional computer equipment to local community groups.

Community Volunteering: a software development firm, for example, might consider offering their services, and employee time and talent, to schools or adult education groups in the area, perhaps by teaching introductory programming classes.

Socially Responsible Business Practices: the company can determine ways by which waste can be eliminated, and their carbon footprint reduced, by recycling, decreased paper usage etc. The latter should have the added appeal of reducing operating costs.

While CSR remains voluntary, there is an expectation that companies will engage in programmes which give back to society, and as previously noted, a commitment to CSR is increasingly likely to influence both where people shop and where they work. Should your company choose to formally endorse CSR, do so for the right reasons. CSR cannot be pursued with the goal of generating a profit. Choose an

issue that meets both a business and a social need (Kotler & Lee, 2005), make sure it's the right cause and fit, make a long-term commitment, develop the necessary infrastructure to support any promises you make, discuss the options with your employees and encourage their participation, and, above all, be frank in communicating your company's motivations and goals.

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