

# Instrumentalizing CSR

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## Abstract

*From philanthropy to Strategic CSR the journey has been very interesting, picking up glitter and glamour- to add to the repute of companies - as it found its way to the table of Strategic Planning and decision making. Although firms are looking up to CSR and creating space for the same, its meaning and essence has withstood a paradigm shift. The essence of ethics being an integral element of CSR has now shrunk to the extent that it remains embedded only as a minor concept as ethical csr - one among various concepts of csr. The paper discusses the solidarity of this issue and debates the question as to how csr has just descended to become the justification for financial success.*

## Introduction

From philanthropy to CSR - the journey of the concept of giving back to the society, doing good to the society and being responsible to the stakeholders has seen immense changes. A concept that was born from the core of ethical conduct and feeling of responsibility has transformed into a glamorous diktat of the boardrooms. No matter what, this paradigm shift has also affected the manner and magnitude in which the concept is now instrumental in bringing rewards for the corporates practising it. The question is has the core concept remained as ethical as ever? Or has it been adulterated? When on one hand we can refer to companies like Kenneth Cole Productions, General Motors and Hewlett Packard to name a few who have contributed towards the social causes we have on the other hand an increasing number of companies that are being listed for instrumentalizing CSR for their ulterior motives. Be it the call of the changing global scenario or the zest of the power hungry corporations, it is ultimately that we find the ethical base of CSR taking a back seat. The fact that customers have an inclination towards companies that contribute towards a social cause has given a thrust to the companies to use CSR as an alternative and economical resource to advertising and gathering patronage especially in the emerging markets of the world.

'Emerging markets' the present corporate jargon for developing countries is a terminology that hides the fact that these countries are perceived as opportune markets purely in terms of economics. Corporate partnerships with governments of developing countries provide an opportunity for both policy influence and market penetration, with companies that lead in CSR gaining preferential access to developing country markets as the latter seeking to reap social benefits from the setup. The term 'corporate social innovation' an offshoot of CSR has been thus coined to describe business practices aimed at 'supporting' sustainable development.

It is a bit of a surprise that government and business attitude towards 'development' originates from the same ideological stance that poverty can be tackled by increasing economic growth and attracting foreign investment that will eventually have a trickledown effect; whereas the undesirable impacts of corporate activity can be controlled, or conveniently ignored through a public commitment to corporate social responsibility.

## Benefits of CSR assimilated by firms

Like the iceberg, most CSR activities are imperceptible. It is most often an enthusiastic attempt to increase corporate domination or else in a milder way, a defensive 'image management' operation. CSR is supposed to be a win-win phenomenon for the corporates. The companies generate profits and society benefits. But do we actually know who really wins? Even if there is a benefit to society, which in many cases is doubtful, is it outweighed by social cost in other areas of the company's operation and by profits that the corporation makes as a result of CSR?

The so called strategic CSR has ulterior motives. A cluster study showed that over 80% of corporate CSR decision-makers were very confident in the ability of good CSR practice to deliver branding and employee benefits. To take the example of simple corporate philanthropy, when corporations make donations to charity they are actually giving away their shareholders money, which they can do only if they see potential profit in it. This may be because they want to improve their image by associating themselves with a social cause, to deploy a cheaper vehicle for advertising, or to counter the claims of pressure groups, but on and above, there is always an underlying financial motive. Hence the company benefits more than it gives away in charity.

This section explores how CSR diverts attention from real issues, helping corporations to avoid regulation, gain legitimacy and access to markets and decision makers, and shift the ground towards privatisation of public functions- thereby somewhat polluting the essence of philanthropy in CSR.

Firms that are focused on pursuing a socially responsible agenda are more likely than other businesses to behave in a socially *irresponsible* ways. This tendency is even more pronounced when bosses are vocal about their inclinations to do the right thing. The study, by Elaine Wong of the UC-Riverside School of Business Administration and Margaret Orniston of the London Business School, essentially merges two subjects that have been heavily examined in recent years: CSR- that is when a profit making company willingly acts in a way that benefits interests beyond those of the firm and its owners; and secondly moral licensing, or the non-conscious way in which behaving and/or thinking morally frees people to worry less about the consequences of being immoral in the future. In other words, being good or simply talking about being good leads many individuals to subsequently be bad. The duo's conclusion is that CSR is measurably related to subsequent corporate social irresponsibility (CSiR). Their rough assessment, in fact, is that for every five CSR actions a firm takes, you can expect it to commit one-act of CSiR. Moreover, the researchers reveal that there is a secondary connection worth noting between the verdicts and speeches of bosses and their firms subsequent record. That is, CEOs who behave or speak publicly in a way that enhances their reputation for moral behaviour are even more likely than the average head honcho to oversee a company whose actions turn out to be at least in part socially irresponsible.

This will not surprise anyone familiar with Enron, the once-high-flying energy company whose bosses were not only responsible for one of the great acts of corporate fraud in history but also an almost unprecedented level of corporate philanthropy in the years leading up to their unmasking. Likewise, just two years before the Deepwater Horizon fiasco knocked the stuffing out of British Petroleum in 2010; CEO Tony Hayward announced that the firm's safety record was among the industry's best, reflecting a culture of conscientiousness meant to satisfy internal and external stakeholders. Alas, not everyone was listening, especially those tasked with preventing deep-water rigs in the Gulf of Mexico from blowing up.

In 2008, the CEO of British Petroleum (BP), Tony Hayward, announced that BP's safety record, which was one of his key foci as head of BP, was "now among the best in our industry" (BP, 2008). Under his leadership, BP ran operational safety training sessions for its employees and encouraged a culture of safety in an effort to attend to key stake-holders such as employees, the community, and the environment. However, in 2010, the Deepwater Horizon explosion shattered BP's positive safety record when managers missed key safety warning signs, resulting in the loss of 11 lives and creating the worst off shore oil spill in United States history.

My recent reading of Dan Pink book- Drive, has initiated some interesting thought about the purpose, benefits and inadvertent consequences of goal setting. Traditionally, managers set goals and employees are expected to work towards them. Classically the purpose of goals is to provide focus for employees and stimulate progress. However, this act of goal setting can have a darker side leading to stress, irrational thoughts and potentially unethical behaviour. For instance, a ranking of brands on 19 different categories done by Dan Welch, editor of the Ethical Consumer magazine, reveals that Starbucks is the worst due to its stance on workers' rights and its political activities. According to the magazine, Starbucks covers up everything from serving up GM growth hormone in milk in the US and a relentless union-busting campaign. They have also attempted to block Ethiopia's attempts to improve the livelihoods of coffee growers.

In its attempt to serve the society and contribute towards the Millennium Development Goals in their areas of their operation, an Indian company UMIL, came up with its CSR initiative called the 'Krishi Gram Vikas Kendra' commonly known as the KGVK, at an outskirts of Ranchi. The mission is to promote among the people of Jharkhand sustainable integrated development through partnership and Total Village Management (TVM) that makes a real difference in their lives, creating ownership and igniting initiative and innovation as well as encompasses social activities in all areas of Natural Resource management, Capacity Building, Market linkages, Health, Education, Livelihood and Renewable Energy. Strikes and lockouts were last in the year 1972. After

that, small disputes between management and workers are hardly recorded as they are seen to be positive and healthy conflicts from the HR perspective. The application of TPM (Total Productivity Management) has brought in a sense of ownership among the workers and employees. Earlier, when asked, who pays the workers, their answer used to be – ‘JhawarSahab’. But now the answer is – ‘hum khudapna paisa kamatehai’ (we earn our own wages), ‘hum is factory kochalatehai’ (we run this factory). The cleanliness and tidiness around the campus states how much ownership feeling has developed and it is majorly because the firm returns their loyalty through the CSR efforts.

The funding and other operational aspects of KGVK are included in the annual budgets and plans of the firm just as those of any other department of the firm. This highlights the fact that CSR, though controlled from a separate wing, is part of the firm’s basic strategies at the corporate level. A synergistic approach is found when spoken to the HR managers of Usha martin. According to them, CSR starts at home (i.e. the firm’s campus and employees as well). Each and every HR plan focuses on CSR for the workers and their families first.

There are a number of events that can be quoted here – the regular eye check up camp, polio and other vaccination camps, mobile medical van for the local areas, night classes and farming tools and equipment training to contractual and daily wages workers for the extra they can earn through corn and crops in their limited fields (if any). This ensures full and dedicated participation of the workers in return. It can be concluded that CSR has indeed enhanced the performance and productivity of the working staff at all levels of the firm. At higher levels of management, employees take pride in associating themselves with the firm’s CSR activities from time to time. On the financial front too, CSR ensures a more or less balanced and consistent Profit for sales ratio.

Today, more and more companies are developing and publically sharing annual CSR reports. Included in these reports are goals such as “we will reduce our packaging by X% by year 20xx” or “we will eliminate the use of X product over the next year.” In the first glance these goals sound promising. They provide focus and give stakeholders something to look forward. However, these goals might also hinder progress. Such goals in fact may put pressure on executives and managers to deliver promised results to stakeholders as the company wants to publish in next year’s CSR report that the company accomplished the stated X% reduction in packaging. However, this pressure may lead some executives to unethical behaviour and green-washing practices. Executives may get “creative” with the numbers, giving stakeholders the illusion that stated goals were met. It is easy for companies to become overly focused on short-term progress and ignore the long-term practices that they should be implementing (similar to profit reporting traps). The second issue is that stating a goal in terms of “reducing by x%” may put up an unintentional wall. For example, managers and employees might become so focused on reducing packaging by 15% that they become blind to creative solutions that could actually reduce packaging by 25%. They feel they have won the race when they meet the 15% reduction when they potentially could have won a race for 25% reduction. Thus, instrumentalizing CSR for competitive advantage. I am not suggesting that CSR reports should not include the development and tracking of goals. I believe that when appropriately stated and incentivized, goals can be powerful in leveraging success. But that is a separate issue.

### **Reaping the CSR benefits**

Different firms internalise CSR activities in different capacities so as to reap the maximum benefits from them. In a way, CSR showcasing and execution has become the watchword of the era as firms are increasingly participating in CSR. Broadly speaking, several factors are identified as major reasons for using CSR as an instrument for economic success.

- (i) **Creating good will**- companies attach good work for social causes important for creating good will and long term strengthening of image, building a brand and enhancing their repute in the market and among stakeholders.
- (ii) **Increasing credibility**- it is a common belief that companies that do CSR actively are the dependable and credible ones. This heightens financial and market credibility too.
- (iii) **Customer attraction**- customers are attracted to companies who have a more humane image. Moreover, customers like to be associated with companies involved in CSR as they feel that a part of their price paid on the product is being used for good causes, thus giving them a feeling of nobility and dignified charity.
- (iv) **Evation of taxes**- contribution to CSR is a convenient way of up scaling the costs and evading taxes.
- (v) **Patronage**- CSR is also being showcased as an ethical conduct of companies to ease themselves of government, NGOs and stakeholders’ pressures.

Most firms believe in 'starting CSR at home' i.e. initiating CSR within internal premises and then outreaching the other margins of the society (i.e. CSR activities within comprising of several multifold programs for the staff and workers and even for the families of the workers) and of course the benefits are multidimensional.

CSR today has become an essential strategy of the firm, which finds a very significant place in the corporate plans, budget as well as the annual reports of the firm. This reflects the company culture of thinking about the society as much they think about their production. If visualized the other way round, CSR has proven a beneficial factor for the firm and this starts a snowball effect.

### **Conclusion**

CSR empowers business to pose ineffective market-based solutions to social and environmental crises, ricocheting blame on issues caused by corporate operations onto the consumer and protecting the firms' interests while hindering efforts to find just and sustainable solutions. In other words, firms conveniently shift the burden of wrong doing by showcasing right doing in the form of CSR. Even the inferences of researchers suggests that non-conscious self-licensing comes into play on group and individual levels to such an extent that the reaction to corporate do-gooding ought to be the opposite of what it generally is, e.g., much cheering, praise and awards-giving. Instead, all of us—the media, the public, corporate boards and CEOs themselves—should react to socially responsible behaviour and posturing by raising our threat-level awareness in regards to future instances of CSR.

The essence of CSR is somewhere getting disrupted in the war of going over the board for attaining competitive advantage. The truth is, eventually the number of customers decrease, especially in this era of innovative social networks, where all customers are able to quickly find negative information about a company's activities and the companies fail in the long term goals. Thus what was supposed to be a complete package in itself is now being just a part of the publicity and marketing stance of the companies this shrunken role of CSR implies a compromise on the basic values of CSR and this needs immediate attention and thought. What started its journey with the essence of righteousness and philanthropy, has now been misconstrued and convoluted into a concept of strategic importance for firms to retain their grip on the market and financial gainfulness.

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