

Corporate Social Responsibility – Why bother?

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Introduction

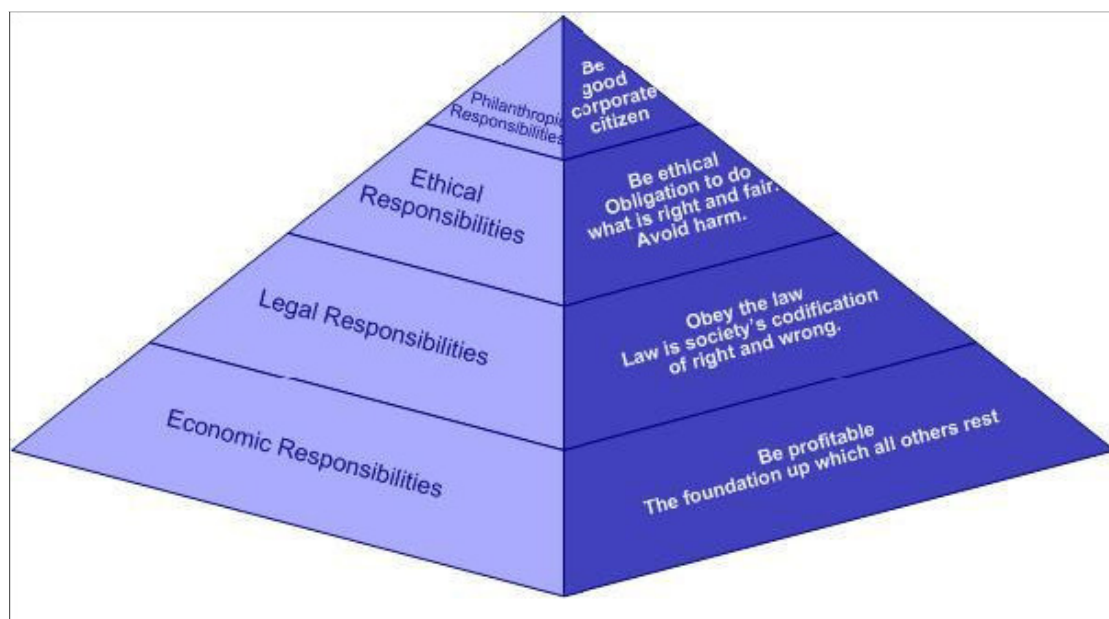
Should businesses bother with Corporate Social Responsibility? In fact is it ethical for them to do so? Clive Crook argues that “Managers, acting in their professional capacity, ought not to concern themselves with the public good”(Crook, 2005). He believes that managers are “not competent to do it, they lack the democratic credentials for it, and their day jobs should leave them no time to even think about it”(Crook, 2005). The aim of this report is demonstrate that these assertions are misguided and to prove the case that there are sound business reasons for businesses investing both time and money in CSR.

1 What is CSR?

Interestingly Crook also states “Managers should think much harder about ethics than they appear to at present”(Crook, 2005). This apparent contradiction is derived from His interpretation of the term Corporate Social Responsibility, or CSR, as one where social welfare is raised but profits are reduced, most typically through the giving of gifts(Crook, 2005). Crook is of the opinion that businesses cannot claim any behaviour that benefits both the business and society as CSR. He states that “[s]ome of the business practices that are often (perhaps misleadingly) labelled as CSR ...raise profits and advance society’s well-being at the same time ... This is the win-win kind of CSR ... Perhaps it would be better to call it simply “good management””(Crook, 2005).

If Crook’s definition of CSR is accurate then the aims of this report are impossible as, as soon as an argument is presented to demonstrate that CSR benefits business, he would argue that this is no longer CSR. So is Crook correct, is CSR just philanthropy or is there evidence that suggests that CSR is more?

A B Carroll suggests that there are four kinds of responsibility, economic, legal, ethical, and philanthropic and that these four categories or components of CSR can be depicted as a pyramid. (Carroll, 1991)



Furthermore Carroll believes that “the total corporate social responsibility of business entails the simultaneous fulfilment of the firm's economic, legal, ethical, and philanthropic responsibilities. Stated in more pragmatic and managerial terms, the

CSR firm should strive to make a profit, obey the law, be ethical, and be a good corporate citizen”(Carroll, 1991)

Therefore, in complete contrast to Crook, Carroll believes that a businesses economic and legal behaviour should be included in its CSR portfolio as well as the ethical and the philanthropic.

I would argue that CSR does not include the economic and the legal responsibilities as these are required of all businesses. Businesses are obliged to make profits for the shareholders and they must obey the law. By virtue of the separation of ethical from legal, businesses do not have to behave ethically and there is much evidence to demonstrate that businesses are able to continue to operate in an unethical fashion perfectly legally with no formal repercussions. Take, for example, the case of Child World versus Toys ‘R’ Us. Child World ran an offer where a \$25 gift certificate was handed out when over \$100 was spent in the store. Child World alleged that Toys ‘R’ Us staff were purchasing products that were sold by Child World at only marginally above the wholesale price. They were then using the \$25 voucher to acquire further free merchandise. All these products were then sold on in Toys ‘R’ Us stores at a profit. This practice is legal, despite Child World’s statement that the promotion excluded dealers, wholesalers and retailers, and Toys ‘R’ Us do not deny it, however many would call this foul play.(Alexander, 1991)

So, for the purposes of this report I will be looking for a definition of CSR which includes both ethical and philanthropic responsibilities but not legal and economic.

1.1 Philanthropic Responsibility

Is it ethical for businesses to engage in philanthropy? Carroll is of the belief that “philanthropy is icing on the cake”(Carroll, 1991), Crook, on the other hand, is of the opinion that business philanthropy is tantamount to stealing.(Crook, 2005) How can two such diametrically opposed opinions be held?

Philanthropy can be divided into two categories, win-lose philanthropy, where social welfare is raised and profits are reduced, and win-win philanthropy where both social welfare and profits are raised. I’d like to consider the ethicality of each of these.

1.1.1 Win-Lose Philanthropy

This is giving with no expectation of a return on the investment, for example making donations to charity.

Crook explains that “corporate philanthropy is charity with other people’s money ... When Robin Hood stole from the rich to give to the poor, he was still stealing. He might have been a good corporate citizen, but he was still a bandit - less of one, arguably, than the vicariously chartable CEO, who is spending money taken not from strangers, but from people who have placed him in a position of trust to safeguard their property.”(Crook, 2005)

Is there an argument that suggests businesses should partake in win-lose philanthropy? Well it’s a tough call. Let’s consider the pharmaceutical industry. They spend many billions of pounds on developing new drugs each year. In order to be able to do this they then need to charge a high price for the final drugs produced. This means that many people won’t be able to afford their drugs, it also means that they focus on the illnesses of the rich. The likes of HIV/AIDS and malaria, which are

predominantly African afflictions, are left unresearched (data from personal business involvement)

Is this right? Should pharmaceutical companies divert some of their profits to using their skills to develop drugs for loss making illnesses to the detriment of the shareholders? Conversely, is it ethical to withhold their life saving skills from people who can't afford to pay through no fault of their own? Is this even a matter of philanthropy, or is it business ethics?

My belief is that, if the intention to support diseases of the developing world is clearly stated as one of the companies objectives then the shareholders can have no objection. There is also evidence that this apparently win-lose philanthropy could, in the long term, become win-win philanthropy. This is known as 'enlightened self interest'.

1.1.2 Enlightened Self Interest (where win-lose philanthropy becomes win-win)

Enlightened Self Interest is the practice of acting in a way that is costly and/or inconvenient at present but which is believed to be in one's best long term interests. This is summed up by Anita Roddick, founder of the Body Shop, in the quote "Being good is good for business"(Tutor2u, 2006)

Ethical behaviour has referent power. Socially responsible investors and customers actively select ethical companies and even more businesses are realising that their reputation impacts on their long term sustainability. As the CEO of AstraZeneca (a global pharmaceutical company) states "Our reputation and continued long term success depend on our ability to integrate successfully our financial obligations with our social and environmental responsibilities"(Brennan, 2006). AstraZeneca's main focus is the manufacture of drugs to treat diseases such as cancer, gastro-intestinal diseases and diabetes – all 'rich men's' diseases. However, in acknowledgement of their role as global citizens, in 2003 they opened a research facility in Bangalore dedicated to finding a new treatment for Tuberculosis, one of the biggest developing world killers.

1.1.3 Win-Win Philanthropy

Accountants Public Relations consultants are starting to realise the benefits of 'win-win philanthropy', often in the form of cause marketing. This comment is taken from an accountants newsletter:

"'Cause' marketing that links your company or brand to a non-profit group or charity enables you to promote your business while you give something back to your community"(Josolyne, 2006)

And this from a PR consultants web-site:

"Look at what you sell and understand the targets you're trying to reach. Then align yourself with causes that will bring out the emotions of that audience, from a grassroots, a community and a media standpoint," advises Rodger Roeser [of Justice & Young Public Relations in Cincinnati] (Krotz, 2006)

Many businesses are seizing the opportunity to market themselves by associating with good causes believing that it will result in an increased market share. However according to a recent newspaper article "the motivation for alliances between high fashion and charity is being increasingly questioned by international pressure groups involved in the daily fight against sweatshops"(McDougall, 2006). Gucci have launched an exclusive Christmas gift collection in conjunction with Unicef however

senior Unicef staff in Asia are deeply unhappy with the alliance. They feel their work in the fight against sweatshops is being compromised

Their concern arises from the battles they are still engaged in with the French conglomerate PPR, the owners of Gucci, whose Asian suppliers have, over the past decade, been embroiled in damning links to sweatshops in Mumbai and Karachi. (McDougall, 2006).

What's the difference between this and AstraZeneca researching into drugs for developing countries? It's a subtle difference but I believe that it's in the motivation; supporting the good cause because it's the right thing to do with the bonus of an increased market share, as opposed to supporting a good cause because it increases your market share.

In addition to cause marketing there are other examples of how businesses use philanthropy to their own advantage. For example, when a business is operating in a country where 'gift giving' is the norm, to avoid paying bribes they may make a contribution to a local area of need, for example, The Hope Group (industrial machinery manufacturers) donated textbooks to 17 million students in China to facilitate business relationships (Alhstrom, 2001). This could be seen, however, as just an alternative type of bribe. In, still further cases companies will support a local good cause to 'smooth the way' when they are trying to act in a fashion that they know will be unpopular, for example buying a football strip for a local boys football team immediately before requesting planning permission for building on a local Greenfield site.

Can philanthropy that is expressly intended to help profits be called CSR? Well, once again, possibly, if that motivation is expressed openly then the fact that both parties benefit can't be a bad thing, can it?

1.2 Ethical Responsibility

According to Carroll "Ethical responsibilities embody those standards, norms, or expectations that reflect a concern for what consumers, employees, shareholders, and the community regard as fair, just, or in keeping with the respect or protection of stakeholders' moral rights." (Carroll, 1991)

The key word here is stakeholders, as opposed to just shareholders, employees, consumers or even lawyers. 'Stakeholder' is a broader term which extends to include others such as suppliers, social activists groups and any community groups or individuals, whether local or global, which may be impacted by the business operations.

Fundamentally a company's ethical responsibility is to behave in a way that takes into account the potential impact on all stakeholders before acting, and subsequently acts in a way that has the least negative impact on those stakeholders. It would be good to be able to say that a business should work for the good of all, but that is impossible. Take the example of child labour. It is broadly accepted that children shouldn't be at work and that they have a right to education, however, in the case of many families, if the children don't work, the family doesn't eat, so just banning child labour is not the solution.

Businesses can behave ethically, however, even when dealing with the thorny issue of child labour. Take the example of SABMiller PLC in Honduras. SABMiller is one

of the world's leading brewers with brewing interests or major distribution agreements in over 60 countries. In 2001 SABMiller acquired the Honduran brewer, Cervecería Hondureña, where, in addition to the breweries, they also have a sugar plantation. (SABMiller, 2006) Traditionally whole families, including young children, have worked in the sugar plantations. (Alvarez, 2006) This presented SABMiller with a problem. Roberto Alvarez, the Corporate Affairs Director of Cervecería Hondureña, explains that "they had the idea to start a school for the kids who came with their parents to cut cane. They have an agricultural technical school which helps them learn how to produce different crops but, at the same time, have an education so they learn that there are different alternatives to cane cutting" (Alvarez, 2006)

1.3 Different terms used to describe Corporate Social Responsibility

As well as there being confusion about what is and what isn't CSR there are also a variety of different terms used to describe basically the same thing; terms such as Business Ethics, Corporate Responsibility and Sustainable Development. These terms are often used interchangeably however I do believe there are subtle differences between them.

1.3.1 Business Ethics

Business Ethics describes the principles that the business applies to its decision making processes. There are three main theories applied to the assessment of ethics, these are Utilitarian, Kantian and Virtue ethics.

1.3.1.1 Utilitarian

According to John Boatright a utilitarian approach "hold[s] that the rightness of actions is determined solely by the amount of good consequences they produce"(Boatright, 2003). Basically, the ends justify the means. As Boatright explains, there can be a conflict between the utilitarian approach and ordinary moral reasoning, "If we promise another person to store some food that belongs to them, for example, it would be wrong to give the food away to hungry beggars merely because doing so would have better consequences"(Boatright, 2003). Another example would be that cited earlier of Robin Hood who stole from the rich to give to the poor, but it was still stealing.

1.3.1.2 Kantian

Conversely, the Kantian approach applies a theory based on rights and justice. Kant believed that consequences are morally irrelevant, in Kant's view moral obligation "arises solely from a moral law that is binding on all rational beings"(Boatright, 2003). The difficulty with the Kantian approach, which is based on a list of absolute moral rules, is that we don't know which rules we should follow. It also doesn't tell us which rule should take precedence over another and which individual's rights are of greater worth? The Kantian approach can be narrow and leaves no place for moral emotions or sentiments.

1.3.1.3 Virtue Ethics

According to Rosa Chun "Virtue ethics looks to motivate aspirational values and seeks to answer the questions, 'what kind of organisation should we be?'"(Chun, 2005). Virtue ethics has been criticised due to the ambiguity of the term 'virtue' and, historically, has been considered to be an 'add-on' to Utilitarian and Kantian ethics. However, Rosa Chun contests that virtue ethics can play an important role in business strategy.

Firstly, it is important to understand that all human virtues cannot be applied to business, for example virtues such as maturity and attractiveness are not relevant to the corporate personality. Chun's research led her to establish 24 items of virtue character that apply to organisations split between 6 dimensions as follows:

Virtue ethical character scale (VECS): 6 dimensions and 24 items

Dimension	Items of the Virtue Character
Integrity	Honest, Sincere, Socially-Responsible, Trustworthy
Empathy	Concerned, Reassuring, Supportive, Sympathetic
Courage	Ambitious, Achievement-oriented, Leading, Competent
Warmth	Reliable, Hardworking, Proud, Secure
Zeal	Friendly, Open, Pleasant, Straightforward
Conscientiousness	Exciting, Innovative, Imaginative, Spirited

(Chun, 2005)

Chun goes on to explain that “[t]he strategic role of organisational virtue ethics emphasises the link between virtue ethical character and business outcomes. Outcomes include not only financial performance but also non-financial outcomes such as employee and customer satisfaction, loyalty, retention and differentiation, which will lead to financial outcomes in the long term.”(Chun, 2005)

The big advantage of virtue ethics is that they fit better with our own moral experience so establishing strategies in terms of the aspirational virtues of the business is less controversial than applying the Kantian or Utilitarian approach. Fundamentally, once a business has decided the character it aspires to achieve, identified in terms of specific virtues, they are then able to put steps in place to achieve that. However, the root of the successful application of virtue ethics is to first establish ‘what kind of organisation should we be?’

1.3.2 Corporate Responsibility

This and Corporate *Social* Responsibility are, in most cases, considered to be identical. The subtlety is around the meaning of the word social “pertaining to life in an organised community” (Chambers Twentieth Century Dictionary) and it’s possible interpretation of being related to just the local community rather than the global community. There is also a perception that environmental issues could be excluded as the use of the word Social relates specifically to people.

1.3.3 Sustainable Development

Dr Alan Knight OBE, Head of Corporate Accountability at SABMiller PLC and co-chair of the round table on Sustainable Consumption defines Sustainable Development as “Aligning the business to one planet living and eradicating global poverty in both developed and developing countries“(Knight, 2006)

According to Mitchell H Hooke of the Minerals Council of Australia, Sustainable Development “is the intersection between corporate responsibility and corporate social responsibility. It is about operating in a manner that is attuned to community expectations and which acknowledges that businesses have a shared responsibility with government, and more broadly society, to help facilitate the development of strong and sustainable communities.”(Hooke, 2004)

The significance of Sustainable Development is that it is looking into the long term. It echoes the message of the Stern Review (Stern, 2006) and the film ‘An Inconvenient Truth’ (Guggenheim, 2006) in emphasising that, if businesses do not change their

behaviour, they will not be able to continue to operate in the long term. It very much focuses on the licence to operate and even the ability to operate. This is a long way from philanthropy, this is about survival.

1.3.4 Corporate Social Responsibility

In this report I have used the term 'Corporate Social Responsibility' or 'CSR' as it is the most widely recognised term to describe this field, however I do believe that the terms Corporate Responsibility or Sustainable Development are more closely in tune with what I believe CSR to be and less open to misinterpretation. For the purposes of this report I will continue to use the term Corporate Social Responsibility or CSR but by using this term I am including everything that is covered by the terms Virtue Ethics, Corporate Responsibility and Sustainable Development.

2 What are the business benefits of CSR

Arguments for socially-responsible behaviour include:

2.1 It protects the reputation of the brand

Companies are finding that the level of transparency required by the public these days is very high, it is assumed that, if they are not declaring their position on CSR related issues, that the business has something to hide. (Anonymous, 2006). Conversely Businesses are finding that, if they are open and honest about, not only the good things they are doing, but also the areas where improvement is needed and the mistakes that they've made, then they will be 'forgiven' by the public. (Howley, 2006) It is becoming apparent that a good reputation is as much about transparency as it is about behaving ethically and that, by being transparent, businesses can build up a reservoir of goodwill.

2.2 It differentiates the firm from its competitor and can be a source of competitive advantage

There are many well known examples of businesses trading on their ethical reputation, the Co-Op and Body Shop to name but two. However, in recent years there has been a significant shift in thinking. "Back in the 1970s and 1980s ethical trading was unusual. Today it is increasingly the norm. Ethical trading is now big business, and big business does not want to miss out." (Fletcher and Drillsma-Milgrom, 2006). For example "L'Oréal, the French cosmetics group, bought Body Shop International for about £650m. L'Oréal, which plans to keep Body Shop as a standalone business, openly admitted that the deal would give the group access to younger, more ethically aware consumers who were shunning its more mainstream brands."(Fletcher and Drillsma-Milgrom, 2006)

Examples from the clothing industry include Marks & Spencer who is now selling its own fair trade-certified cotton line (look behind the label) the PPR-owned catalogue retailer La Redoute is following up an initial run fair trade cotton T-shirts in 2005 with an eight-unit collection of activewear this year. Both La Redoute and Marks & Spencer aim to make fair trade as profitable as regular apparel. ""We are not a charity," [La Redoute's] Cazorla said. "We need to make profits. The ambition is to arrive at the same profit margins, and that the consumer accepts a price which corresponds to that.""(Sweatshops, 2006)

2.3 It is necessary in order to avoid excessive regulation

It is widely believed by many that if it's legal it must be alright and that businesses only need to take into consideration their economic and legal responsibilities (the first two layers of Carroll's pyramid). Albert Carr believes that business is a game, in which the aim is to make as much profit as possible while staying within the rules of the game which are set mainly by government (Carr, 1968). Similarly Clive Crook believes that governments are the proper guardians of the public interest. It is their responsibility to ensure that businesses behave ethically and that "businesses should not try to do the work of governments"(Crook, 2005).

The risk of this approach is excessive and irrelevant regulation, "the law is a rather inefficient instrument, and an exclusive reliance on law alone invites legislation and litigation where it is not necessary... Although business leaders lament the explosion of product liability suits by consumers injured by defective products, for example, consumers are left little choice but to use the legal system when manufacturers themselves hide behind "If it's legal, it's morally okay." Adopting this motto, then, is often short sighted, and businesses may often advance their self-interest more effectively by considering ethics in making decisions."(Boatright, 2003)

2.4 It aids the attraction and retention of staff

The Guardian's Grad Facts 2006 survey revealed that "the ethical record of a prospective employer is apparently more important to graduates than the size of their wages. Only 26% of those surveyed deemed an "excellent salary" extremely important in a prospective job. Most students rated "being challenged" and "putting something back into society" more important career objectives."(Jozefkowicz, 2006)

Similarly, Starbucks, which advertises that 'High ideals don't have to conflict with a bottom line', has found that its staff turnover is less than half that of competitor companies as a result of its policy of providing medical and dental benefits to all employees and its recent introduction of the first-ever paper cup containing post-consumer fibre. In 2006 alone, the company estimates the new cup will reduce its need for five million pounds of virgin tree fibre—saving 60,000 trees. (BusinessEthics, 2006)

2.5 It attracts ethically conscious customers and investors

In 1996 Steven McMillan wanted to try and establish whether "investment in ...social "goods" generate economic value for the companies involved? And, if value is created, ... are the returns greater now than previously?"(McMillan, 1996). He compared the market response to two different events. The first of these was the announcement in 1977 by twelve large U.S. companies of their adoption of the Sullivan Principles. ("The Sullivan principles are a code of conduct regarding treatment of non-white workers by companies doing business in South Africa."(McMillan, 1996)). The second event centres on newspaper articles released in 1990 announcing that "the McDonald's Corporation intended to reduce its waste (particularly styrene), in an effort to respond to environmental concerns"(McMillan, 1996).

McMillan discovered that the Sullivan Principles in 1977 produced no significant positive response from investors and, in fact, over a longer period there appears to have been a negative response. However, "[f]rom the McDonald's data, a very significant positive relationship surfaced"(McMillan, 1996). McMillan concludes that one possible explanation is that "environmental issues [are] perceived by the stock

market to be more important than civil rights”(McMillan, 1996). However, he believes that the difference actually results from a rise in the importance of CSR in the eyes of investors over time and that “this increased corporate social investing can then create value for the company and its stakeholders”(McMillan, 1996)

A significant point of note here is that the positive impact for McDonalds resulted from the *announcement* of their good intentions. Businesses will only reap the benefits of their ethical behaviour if they don't ‘Hide their light under a bushel’.

2.6 It can lead to a reduction in costs through re-cycling

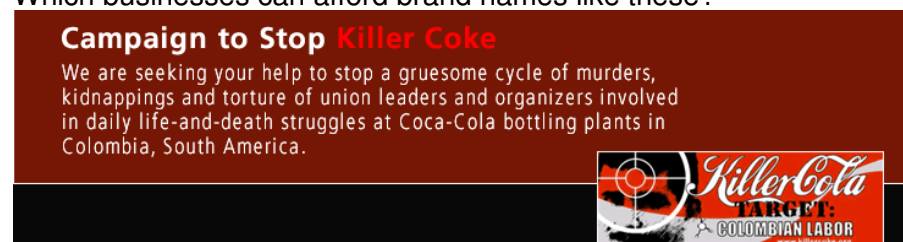
Take the example of SABMiller PLC in Honduras who have found that operating “beyond compliance” has actually saved the company money. They have introduced an effluent treatment plant from which they collect the methane which has helped reduce the fuel oil consumption at the brewery by 18 to 20%. They comply with the law but at the same time they are getting a benefit. (Pinovar, 2006)

This is just one of many examples which demonstrate the financial benefit of recycling.

3 What are the costs of bad CSR?

When I asked Dr Alan Knight OBE “what are the financial benefits of CSR?” he told me I was asking the wrong question. The question I should be asking is “How expensive is bad CSR? What is the cost of getting it wrong?”(Knight, 2006). He went on to say “If you asked the CEO of Coca Cola how big a cheque he would be prepared to write to avoid the crap that he's had over the last few years you'd be amazed at his answer, and that's not to cover the cost of lost business or the cost of employing people to travel around the US trying to persuade students to stop boycotting their products, it would just be to not have the battle of keeping his managers engaged and focused and to not have to constantly give explanations to the press”(Knight, 2006)

Which businesses can afford brand names like these?



(killercoke, 2006)



(Walmartmovie, 2005)

Or Headlines like these?

“Greenpeace pulls plug on dirty electronics companies

Activists return e-waste to Hewlett-Packard's European HQ”
(Greenpeace, 2005)

“Apple Answers "Sweatshop" Claims

The computer maker has published the results of an investigation of the Chinese factory where iPods are made and promises to put reforms in place”
(Hesseldahl, 2006)

The benefit of good CSR is that it enables you to protect your reputation. It is a risk management tool in the same way as a health and safety policy. There is an argument that says if you've never had an accident why bother with health and safety and yet the cost to a business of staff accidents is recognized as being prohibitive in lost working time, let alone litigations.

CSR should be seen in the same light, being caught getting it wrong can be very costly. In 1997 McDonalds were accused of a variety of charges including rainforest destruction, packaging, food poisoning, starvation in the Third World, heart disease & cancer and bad working conditions. None of these charges were, in the end, upheld, however defendants did show that “McDonald's "exploit children" with their advertising, falsely advertise their food as nutritious, risk the health of their long-term regular customers, are "culpably responsible" for cruelty to animals reared for their products, are "strongly antipathetic" to unions and pay their workers low wages”
(McSpotlight, 1997b)

According to the Marketing Week “McDonald's may have won the McLibel case, but what a lot it lost besides. The criticisms of a small and insignificant group of anarchists - an irritating pinprick on McDonald's big toe - became a weeping sore all over the body corporate as McDonald's found itself having to fight a labyrinthine legal case estimated to have cost £10m”(McSpotlight, 1997a)

In addition to the direct financial implications, as stated by Dr Alan Knight OBE, the disruption to business of a bad reputation can be very significant. Take the example of Barclays Bank. In the 1970s and 80s many students boycotted Barclays Bank because of their dealings in South Africa. Barclay's share of new student accounts fell from 48% in 1969 to just 13% in 1985 with a loss of accounts with an annual turnover of £6000m between 1980 and 1985.(John, 2000). These 'students' are now the business people and big spenders, and yet they are unlikely to have Barclay's accounts today as students tend to remain with the same bank for life.(Merlin, 2006)

Also once a business has acquired a bad reputation it can be extremely difficult, if not impossible to get rid of it. For example, Nestle products are still the most boycotted in the UK despite the steps Nestle have put in place to rectify the errors they made in the sales of baby milk in the developing world.(Tran, 2005)

4 How to reap the benefits of good CSR

It's no good just doing the right thing, in order for businesses to reap the benefits of good CSR they need to make sure their employees and the outside world know what they are doing. However, there are a series of preparatory steps that businesses need to take before they can publicise their good deeds.

4.1 Know their CSR status

Many businesses don't know whether they are good or bad. For example, Adidas were keen to improve their corporate image in the eyes of potential employees so they employed consultants to assist with this. The consultants discovered that Adidas had received an industry award as a top performer for working ethically with suppliers in Asia. However, when they suggested to the HR Director that they use this information in their promotional material the HR Director knew nothing about it. (Data from personal business involvement).

Still other businesses know of the good work that they're doing yet are afraid to make it public for fear of being 'found out' in another area. An example is B&Q who, in the 1990s, were pioneers in the field of ethical supply chains. They spent millions ensuring all the timber they used was produced sustainably and on improving the working conditions of factory workers in the developing world. However, when asked why they didn't promote this fact, the response was, that, as they don't manufacture all their own products, they are unable to guarantee their 'history' and the feeling was that to claim to be ethical invited people to prove you wrong resulting in publicity which would be more detrimental than beneficial. (Data from personal business involvement).

Businesses need to know where they stand on issues such as Supply Chains, Human Rights, their carbon emissions and their water usage across the whole business. They need to know where they are performing well, where they are performing badly and the steps that are being taken, if any, to deal with any issues.

In short they need to carry out a complete CSR health check on the business. This is just an information gathering process, although SABMiller PLC have found that the mere act of collecting the data can often lead to behavioural change as individual's attention is drawn to potential areas of risk. (Data from personal business involvement).

4.2 Respond to their CSR status

Once a business has a complete picture of its CSR status it can start to promote the good and deal with the bad.

4.2.1 Promoting the Good

In addition to the benefit of creating a good public image for the business externally, promoting the good work of the business internally will bring a range of benefits.

4.2.1.1 Rewards good performance

If the business promotes the work that is being carried out in a particular area the employees involved will be flattered, encouraged and motivated. In fact, conversely, if the work isn't promoted, or even recognised, they may start to think 'why bother?' The best way to do this is to let them tell their own story, it comes across as genuine and believable when the individuals who have been involved tell the stories themselves. For example, the earlier quotes from Roberto Alvarez and Fernando Pinovar of Cervecería Hondureña are taken from a low budget video which they made to share their experiences with other SABMiller experiences. Since the making of the video they have been motivated to get more involved in the development of the Sustainable Development strategies within SABMiller. (Data from personal business involvement).

4.2.1.2 Shares best practice

If businesses share their good practices within the business then others can learn from their example, and, once again, if this is delivered by the individuals concerned then it will be more 'believable', employees in other areas will see what has been done by their peers and believe that they can achieve similar things. In addition, the shared best practice has expert power and can be used by employees to leverage management into changing its behaviour. Employees who, taking the SABMiller example, want to introduce a water treatment plant will be able to demonstrate the benefits achieved by their peers and can demonstrate that the company supports this type of investment. It gives 'permission' for other employees to change their behaviour and to try to persuade others to do the same.

4.2.1.3 Enhances employee commitment

A business's employees are its best ambassadors and, even when they have left the company, ex employees will continue to be ambassadors for the company, whether good or bad. Good ethical behaviour will generate employee pride in their business. According to Vicky Kemp of Loop Environmental Networks Ltd "Several studies have demonstrated a positive correlation between employee satisfaction, attitudes and certain dimensions of ethical, environmental and social performance. A recent study by Fleishman-Hilliard, for example, found that 87% of European employees would increase their loyalty to a company, if it were seen to be involved in activities that help improve society. Other studies reveal similar patterns in the USA"(Kemp, 2001)

4.2.2 Deal with the Bad

There is a risk in finding out 'the bad' as once issues have been highlighted some action has to be taken. To have an unethical situation but not know about it is bad, to know about the situation and do nothing about it is, I believe, in the eyes of the public, far worse. Logic would suggest, therefore, that it's better not to 'go digging'. There are however flaws in this thinking.

4.2.2.1 Being found out

The most obvious risk is that someone, probably a journalist, will find out about a business's unethical behaviour and publicise it. It will still be bad for business even if they weren't previously aware of it and, as stated earlier, a bad name is very difficult to lose. The original motivator of the CEO of B&Q to move to ethical supply chains was a telephone call from a journalist asking "where does your wood come from?". He didn't know but realised the massive potential risk to the business. Within days he had employed Dr Alan Knight (at that stage not OBE, he received his OBE later for services to the environment resulting from his work with B&Q) to find out and to put steps in place to right any wrongs that he found.(Knight, 2006)

4.2.2.2 Prohibits publication of the Good

As described in the earlier B&Q example, if a business does not know its complete CSR status then it can't risk promoting the good it is doing as they may be opening themselves up for scrutiny and may find themselves exposed in other areas.

4.2.2.3 Potential of lost opportunity

Take the example of the school built on the sugar plantation by SABMiller in Honduras. That resulted from an investigation into allegations of child labour at the company's plantation in El Salvador. Having been exposed in one area the company did a thorough investigation and found instances of child labour in Honduras. The

result was the establishment of the school which is now one of SABMiller's biggest success stories.

Businesses need to know what are their areas of risk and put steps in place to mitigate those risks. The public do not expect everything to be perfect, in fact they will be suspicious if that is claimed to be the case (Anonymous, 2006) but they do want to have the full story.

4.3 Publicise their Status

Once a business knows its CSR status, has generated the stories that will celebrate their successes and has put steps in place to deal with the issues then the business can publicise what it is doing without running the risk of 'being found out'. More significantly, in order to reap a business benefit the business *must* publicise what it is doing. In the research carried out by Steven McMillan the benefit to McDonalds was not realised until their environmental proclamation in 1990. They had, in fact, started a styrene recycling programme as early as 1986 but this went unannounced so generated no benefit.(McMillan, 1996)

The publication, however, must be transparent. The public will no longer be convinced by a veneer of good behaviour.(Anonymous, 2006). If all they see are good stories they will believe that something is being hidden, however if a business gives the complete picture, emphasising the steps that are being taken to rectify the issues, they will gain the confidence and the commitment of the public.(Howley, 2006)

Conclusion

In this report it has been demonstrated that, taking a definition of CSR which includes both philanthropic and ethical responsibilities, good CSR is good for business and, perhaps more significantly, bad CSR is very bad for business. However, good CSR in isolation is not sufficient, businesses need to promote what they are doing and be completely transparent about their total business practices – the good, the bad and the ugly. Business can no longer hide behind ignorance or a few good stories, they need to give the public the complete picture. They will then gain their trust and will find that, to some extent, their mistakes will be forgiven.

Businesses need to decide what kind of organisation they want to be. The promotion of those virtues in their strategic planning will result in a complete approach to CSR and an increased market share through the alignment of customers and investors who are committed to similar virtues.

Further Study

A large proportion of the focus of this study has been on businesses who interface directly with the public and are product related. An area of further study would be to investigate more business to business organisations, service industries and, in particular, businesses who are in a supply chain that ultimately does not lead to the general public, for example the arms or aircraft industry.

Also, in Steven MacMillan's research he investigated just two instances of businesses announcing their intention to behave ethically and the impact it had on the stock market. It would be interesting to extend his research to include other instances across a range of business types, behaviour types and periods in history.

It would also be valuable to investigate other possible causes of impact on the stock market, for example Abigail McWilliams and Donald Siegel believe that, when considering the profitability resulting from CSR, researchers often do not take into consideration the positive impact of R&D.(McWilliams and Siegel, 2000)

Finally, McMillan's research revolved around the announcement of socially responsible behaviour. Interestingly, in the case of McDonalds, research they had carried out had shown that the use of "styrene in packaging was (and is) in many ways environmentally superior to paper"(McMillan, 1996). They were under significant pressure to change so, despite their own findings, they decided to change to paper, and it was the announcement of this that generated an increase in their stock market value. The implication here is that saying you're doing the right thing is more important than actually doing the right thing. It would be interesting to carry out further studies into the relationship between perceived and actual ethical acts.

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