



## **Corporate Social Responsibility – Honest Communication on Business Benefits**



## **Table of Contents**

Introduction	3
Defining corporate social responsibility	5
CSR and ethics	7
The business case for CSR	9
The case for honesty	12
Bibliography	15



## **Introduction**

As the public have become more aware of the environmental, political and social impact of corporations, so companies have taken pains to present their businesses, through their CSR policies, as responsible global citizens.

Whether or not they are responsible for these programmes' formulation, it is typically public relations officers (PROs) whose role it is to communicate a company's CSR policies to the public. In other words, the section of a company's management team responsible for maintaining a positive relationship with its stakeholders and the wider public is responsible for publicising the company's efforts to act in the public interest.

Organisations undertaking a CSR programme need to be aware that the public is becoming increasingly cynical about companies' motives. In the mid-1980s the term "greenwash" was coined to describe the practice of companies misleading the public about their environmental credentials.

The public, especially that part of it which is aware and actively engaged with social issues, has become wise to empty claims by companies that they operate in any interest other than their own. Any claims that a company is acting in the public interest must be backed up by solid evidence, not simply by paying lip service to social responsibility in its corporate communications and cloaking its actual impact on society with empty platitudes.

The dilemma facing public relations officers is to convince a sceptical public of the utility of their CSR policies. The fact that PROs are known to be necessarily partisan on behalf of their employer makes this challenge no easier.

It is clear that for any CSR programme to be credible, it must be backed up by evidence of its efficacy in solving or alleviating the problems at which it is aimed. Yet this does not solve the problem that companies face a credibility gap when they claim to be acting in the public interest, especially when this claim is made by those responsible for maintaining a company's positive reputation. In a recent comment piece for PR Week, Danny Rogers argued that many organisations "...are deliberately keeping comms



people away from CSR policy for fear that any progress made will be ‘seen as just spin’.”

In order for the PR function within a company to convince stakeholders that it operates in the public interest, it must be honest about its motives for CSR. The credibility gap can be overcome by communicating the fact that the interests of a company and the society in which it operates are intertwined.

The globalisation of world politics and economics means that companies operate in a much wider and more complex environment; it also means that their business operations can have an impact on a commensurately greater proportion of the world’s population. This also means that there are a far greater number of potential

stakeholders and publics who can damage a company’s reputation and profitability, through boycotting its goods or services, or by actively campaigning against the company.

The communications challenge that PR must overcome is to be honest about the mutual benefit, both to society and the company, of a commitment to social responsibility.

### **Defining Corporate Social Responsibility**

In the foreword to a 2004 report by the-then Department for Trade and Industry, Stephen Timms MP described a socially responsible organisation as one which “takes account of its economic, social and environmental impacts in the way it operates –

maximising the benefits and minimising the downsides.”

In short, CSR is viewed as “doing the right thing”. Carroll (1991) posits four areas of social responsibility: economic, legal, ethical and philanthropic. The economic aspect consists of a company’s responsibilities to its shareholders, employees and others with a financial stake in the business: to be profitable. Legally, a company must obey all the laws of the countries, states or regions in which it operates. Ethically, a company is obliged to do what is just, right and fair; and to avoid harm. The ethical dimension recognises that corporate integrity and ethical behaviour go beyond mere compliance with laws and regulations and should be oriented to reducing or



avoiding any of the company's harmful effects. Philanthropically, a business should be a good corporate citizen, should contribute its resources to the community and make efforts to improve people's quality of life.

Further to these four areas of societal responsibilities, PR academics have identified three levels of engagement. The basic level sees companies observing the letter of the law, paying their taxes, dealing fairly and so forth. At the second or organisational level, corporations act to minimise or eradicate its negative effects on society and act in the spirit of the law. Examples of organisational responsibility include off-setting carbon emissions, implementing recycling initiatives or granting more generous

maternity leave than that obliged by the law. The societal level sees organisations taking responsibility for a healthier society and helping to remove or alleviate society's ills, even those unconnected with a company's business.

These paradigms can be used to construct a 'stakeholder responsibility matrix', an analytical tool that helps a corporation's management to identify what the company should be doing to mollify or to maintain good relations with their various groups of stakeholders.

From the perspective of maintaining these positive relationships, corporate social responsibility seems merely to be a business rather than a moral imperative, and so weakens the argument that it

operates in the public interest. The question remains: what are the ethical arguments for implementing CSR policies?

### **CSR and ethics**

If companies are to convince the public that their CSR policies operate in the public interest, they must first consider their own motives for undertaking these policies. It is instructive to compare two perspectives of the moral imperative of operating in a socially responsible manner.

The utilitarian paradigm, expounded most articulately by the philosophers Jeremy Bentham and John Stuart Mill, holds that for an action to be ethical it must aim to provide the greatest benefit to the greatest number of people. Under



this perspective, CSR is ethically correct because it benefits both the business and the environment in which it operates. The utilitarian viewpoint is rooted in the ultimate result of this policy and does not differentiate between an intention to benefit either the corporation or society. In other words, motive is irrelevant.

Compare this with the deontological perspective, which does not regard the consequences of an act as the sole determinant of its moral worth. Emmanuel Kant explored the deontological perspective and wrote about the ‘categorical imperative’, which asks whether an ethical choice is sound enough to become universally accepted as a law that all should follow.

The deontological perspective sees the motivation for acting in a socially responsible manner as of equal importance to the actual outcome. Thus, an organisation should not practice CSR purely for business benefit – there must be a genuine intention to operate in the public interest.

The question of motive lies at the heart of the credibility gap that exists between partisan PROs and wider society. The public is right to be sceptical about an organisation’s motives for engaging in CSR activities; they are also correct to question the worth of such schemes, and to dismiss any unsubstantiated, vague or irrelevant claims as “greenwash”.

Businesses must counter this scepticism in two ways: first, by being honest about

the motives that lie behind their CSR policies; secondly, by providing rigorous empirical evidence of their schemes’ efficacy. In the first case, businesses cannot deny that *one* motive for acting in a socially responsible manner is that it brings real business benefit. Without this admission all other claims, truthful or not, ring hollow.

### **The business case for CSR**

Milton Friedman, one of the 20<sup>th</sup> century’s most famous economists and Nobel laureate, argued that the only social responsibility of business is:

*“...to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game...few trends could so thoroughly undermine the very foundations of our free*



*society as the acceptance by corporate officials of a social responsibility other than to make as much money for their stockholders as possible.”*

Compare this with Henry Ford’s assertion that “A business that makes nothing but money is a poor kind of business”. Who was right?

The consensus among PR academics seems to favour Ford, though perhaps not for the reason he intended. There is an extremely strong case for implementing a CSR programme for business benefit – the so-called “enlightened self-interest” argument. This viewpoint is neatly summed up in a section of British Telecom’s 1996/7 review and summary financial statement, which included a section entitled: ‘Why we are helping the community:

we’re all part of the same team’. It stated that:

*“[I]t is becoming increasingly clear that businesses cannot regard themselves as in some way separate from the communities in which they operate. Besides, research has shown that the decision to purchase from one company rather than another is not a decision about price alone.”*

British Telecom’s honesty should be applauded, as should its realisation that CSR can bring real business benefits. One study by James Burke, the CEO of Johnson & Johnson, demonstrated that between 1959 and 1990 companies with a reputation for ethical and social responsibility grew at almost double the rate for similar companies without the same ethical approach. Burke ascribes

this benefit to the fact that CSR policies made the public more willing to consider businesses’ point of view, strengthened the businesses’ information structure with society, made it easier for the business to motivate and recruit employees and added value to its products and services.

Burke is certainly not a lone voice arguing the business case for CSR. A 1995 survey of 700 business and economic opinion formers found that 81 per cent linked social responsibility to competitive advantage.

Why should this be? One compelling argument, in the United Kingdom at least, is that the majority of the public think that most companies do not listen to the public or respond effectively to their concerns on social and environmental issues. A MORI poll found



that 70 per cent of respondents agreed that “industry and commerce do not pay enough attention to their social responsibilities”. Since systems theory holds that successful corporations understand their relationship with stakeholders, Grunig and Hunt (1984) argue that fulfilling their societal obligation “may bring the organisation closer to its stakeholders and importantly improve the two-way flow of information and subsequently understanding”.

This flow of information is a prerequisite of the two-way symmetrical model of communications, which benefits businesses by building quality, long-term relationships between an organisation and its strategic constituencies.

Managing stakeholders is necessary not only to foster good relationships with potential customers; it is also vital to managing reputation and risk. As Kytle and Ruggie (2005) argue, “Managing stakeholder relationships is important...because if [businesses] do not effectively manage those relationships, stakeholders will likely engage companies in the court of public opinion with little to no say so by companies”.

Another business benefit of behaving in a socially responsible manner is that companies can use their CSR policies to anticipate and prevent litigation that may be enormously harmful, both in terms of potential litigation and the overall impact on their corporate reputation.

For example, Kytle and Ruggie (2005) point out that the number of shareholder resolutions demanding climate change risk management policies from US companies tripled between 2001 and 2005, with some corporate insurance companies demanding, as a prerequisite of providing directors’ liability coverage, information from companies on whether they have carbon accounting or reporting systems in place.

Similarly, a far-sighted approach to corporate responsibility can pre-empt, comply with and exceed government legislation. Sarbutts (2003) argues that CSR operates within a triangle bounded by concerns about the avoidance of cost, regulation and litigation, and that these three concerns are what is



actually meant by the term ‘enlightened self-interest’.

Certainly, a sense of corporate responsibility can be extremely helpful in defusing a potential crisis. For example, shortly after the Exxon Valdez disaster in 1989, the oil company BP responded to an oil spill in California by assuming corporate responsibility for the accident. The CEO of BP was asked on TV whether the spill was BP’s fault. Although a contractor was to blame, the CEO said: “Our lawyers tell us it’s not our fault. But we feel like it’s our fault and we are going to act like it’s our fault.” This assumption of corporate responsibility was instrumental in minimising the impact of the spill on BP’s reputation.

### **The case for honesty**

We have seen that the

majority of the public complains that companies do not pay enough attention to their social responsibilities.

There are two issues here, and both concern trust: trust in a company’s honesty when it explains its motives for implementing CSR programmes; and trust that the results claimed for the various programmes are genuine and verifiable.

Some companies seem coy of publicly admitting that their CSR programmes benefit themselves. One example of such a company is the communications services provider Telewest. In its ‘community information pack’ – available to the public between 1996 and 1997 – Telewest drew attention to its educational initiative, ‘Cable in the Classroom’. In the pack, Telewest

promoted the fact that it was working with local authorities to provide multi-channel cable television services and Internet access to all schools within the Telewest franchise area.

Although the words “social responsibility” did not feature in the pack, the implicit message was that the company was fulfilling a duty or responsibility to local communities, and indeed that it was going beyond any legal obligation – an example of the highest, or societal, level of social responsibility.

Yet in its 1997 Annual Report to shareholders, the project was discussed in a section entitled ‘Building stronger relationships with customers’, and utilitarian language was used to explain the business benefits of the policy. The Annual Report noted: “The



decision...will further enhance awareness of our product with future customers.”

Telewest’s CSR policy brought real benefit to schoolchildren, as well as having a positive impact on the company’s bottom line. Why, then, should there be separate messages for different stakeholders? The statements in the Annual Report and in the community information pack are fine in isolation; if one reads them together, however, it gives an appearance of duplicity and undermines the very real benefits that the policy brought to local children. Compare this coyness with BT’s upfront admission that CSR is good for business (see above).

This report concludes that there is nothing wrong with a business taking a

utilitarian viewpoint of CSR, as long as a business is honest about its motives. A company may implement CSR policies for any number of excellent reasons, and may choose to fund particular initiatives because they match its brands’ values; but there are few corporations, if any, whose motives will not include benefiting their business. Friedman was right: the social responsibility of business is to “use its resources and engage in activities designed to increase its profits”; he only failed to mention that CSR could count as one of these resources.

While PR is necessarily partisan to its clients, this does not mean that it cannot rebut the argument that its reporting of successful CSR initiatives should be treated with suspicion.

To convince the public of the real benefits of its CSR policies, corporations must provide evidence for the impact of their corporate responsibility programmes. As Dawkins (2004) advises, CSR reporting should be treated with the same degree of rigorousness as, say, financial reporting. Such reports should include detailed indicators, benchmarks, targets and trends, as well as case studies.

A company can incur further credibility by including external voices within their reporting, including stakeholder criticism: Dawkins (2004) argues that this is vital in fostering stakeholder trust. She further recommends that companies take an integrated and cross-functional approach to corporate responsibility and adhere to recognised



reporting structures, such as the Global reporting Initiative (GRI) and AccountAbility's reporting standard, AA1000.

It is easy to assume that the public is sceptical about PR's claim that businesses' CSR policies operate in the public interest. In fact, a

recent poll seems entirely to contradict this assumption: a survey found that eight out of ten respondents considered it important for companies to spend money publicly communicating their [CSR] activities, even if that means that they have less to invest in the programmes themselves.

The lessons are clear: to bridge the credibility gap between PR and the public, companies must strive for honesty in the communication of their motives and rigorously empirical in their reporting.



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