

Corporate Social Responsibility Double Standards of CSR (Two Case Studies)

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Abstract

Corporate Social Responsibility - the concept that some perceive to be a company's duty to be sensitive to the needs of all stakeholders in their business activities, is strongly tied with the principles of sustainable development in proposing that companies should be obliged to make decisions based not only on the financial and economic interests, but also on the social and environmental outcomes of their activities.

Corporations often articulate their commitment to "corporate social responsibility" principles, but their actual fulfillment of these principles, especially in third world countries, is questionable. This deviation between rhetoric and reality, commitment and concrete performance especially in developing parts of the world reveals the fact that many corporations have not wholly incorporated CSR into their business models and represents convincing evidence to double standards of SCR.

Keywords: Corporate Social Responsibility, CSR, sustainable development, global business, sustainability, company, multinational corporation, double standards

Introduction

Despite powerful rhetoric by big business about their genuine motives for ethical business activity, Corporate Social Responsibility is dictated by business interests and serves as "a social license to operate" (Sanders & Wood, 2015, p. 38). In addition multinational corporations operating in developing countries mostly have a reputation of using double standards of CSR. Corporate Social Responsibility in developing countries remains on the paper and is not implemented fully. This article provides an introduction to the debate on CSR, examines two case studies of multinational corporations' activity in developing countries, and will explore the extent to which they are been accomplishing their social and environmental duties to the communities they operate in. For years, the science of sustainability has been evident to people who were concerned and interested in it. The policy of sustainability represents the component of business that requires responsibility, leadership and a certain level of courage from the management.

The most active advocates of sustainability tend to question the motives of business. Businesses are the origin of the problem; hence the problem will be solved by regulating the source of origin. But the irony is that businesses are presumably the best accessible solution to the existing challenges. Big businesses are the ones that are capable

to bring innovation, create better solutions, and be a part of the driving force of development that will eventually bring developing countries out of poverty and hardship that may ultimately have a chance of achieving sustainability.

Some critics are cynical about the level of commitment of corporations to concepts like Corporate Social Responsibility and Sustainable Development, and the authenticity of the motivations for responsible business activity. Corporations that endeavor to create the facade of responsible behavior for Public Relations sake are said to be "greenwashing" (Purple, 2008). The main criticism is that CSR is solely projecting an attractive image; the idea of an "ethical company" represents an oxymoron, given that the corporation by its nature is duty-bound to maximize its own monetary value at any expense. Corporate executives and employees therefore have scrupulous incentives to implement the fundamental obligation of their business - maximize profits, sometimes to the extent that they abandon their moral and ethical principles. "The most common mistake is to put profits first. That opens the door for bad things to happen. Numbers become all-important, and almost any behavior is justified in the name of profit" (Reichard, 2011). The ramifications of this tendency can be seen in the myriad corporate scandals around the world of the late twentieth and early

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twenty-first centuries.

I. The Birth of CSR: a brief overview of the problem history

Globalization has spurred prevailing transformation of the international system. Today non-state institutions function progressively more next to the state ones in ruling the globe. Within new world order, multinational corporations are predominantly influential due to their colossal economic power and the fact that globalization itself is regarded as a business driven phenomenon.

The largest multinational corporations are nowadays wealthier than myriad countries, and owing to their transnational nature, are no longer under regulations of their home governments. This phenomenon has led some to argue that "corporations now govern society, perhaps more than governments themselves do" (Bakan, 2004, p. 25). Achieving appropriate standard of CSR is crucial in developing countries "because in many third world countries governments are either unable or unwilling to implement social and environmental standards" (Brusch & Lehmkuhl, 2007, p. 204). While some view CSR as a "win/win scenario" (Jane, 2011, p. 58), and have "a more idealistic (altruistic) view others see CSR only as something instrumental to the company's business" (Jutterstorm & Norberg, 2013, p. 121).

The first CSR initiatives were a response to public pressure and media exposes of poor company behavior. Corporate Social Responsibility was supposed to show that companies were capable of adapting their activity. Large corporations realized that they could no longer ignore their public image on social and environmental issues. Organizations' and public could damage their reputation by campaigns and refuse buying their products.

In June 2001 the Guardian published an article urging its readers not to buy Exxon products. Under the headline "Join the boycott against Exxon now" (Guardian, 2001), it accused the company of neglecting the threat of global warming. The recommendation from one of the leading newspapers threatened one of the biggest companies not only with billion dollars and reputation, but also with a whole business loss.

If in the late twentieth century the media was the main source of information about corporations, now in the era of globalization and technological revolution the public have the Internet and a world of information at their fingertips. Already over 100 major brands are the subject of "hate sites" or "anti-brand sites" (Wolrich, 2007) on the Internet. "Anti-brand websites are today's new form of boycott and protest; Consumers are able to clearly broadcast their messages and organize with other like-minded consumers, and to start using anti-brand websites as weapons of empowerment to battle the corporate world and on a day-to-day basis." (Kucuk, 2007). That is the reason for large corporations to believe that they are under continuous attention being provided with vast information, customers are more demanding in every sense: apart from expecting companies to provide quality products and services, they anticipate them to meet the increased demands and behave properly in environmental and human rights sense. There were other large corporations that made headlines threatening their reputations. Endless protests and negative media coverage finally led companies promising a new approach to environmental and human rights issues.

A variety of many corporations on both sides of Atlantic found themselves under the public pressure. The acronym CSR became indispensable for every company. Any company that strived for the image of being progressive was accepting CSR. This was the new reality corporations had to face. The balance of power between customers and corporations was changing towards customer. The court of public opinion became the supreme judiciary body.

II. Geography of SCR – the Double Standards

Many companies are not sincere about CSR since their attitude changes with geography, the verification of which is the exploitation of Third World Countries. Corporations found that in poor regions desperate for help they can afford themselves indifferent attitude toward their image, they could pay low wages and avoid tough health and safety regulations that they have in their own countries. They disregard human rights and environmental issues. One of the main charges against global corporations is that they practice reasonable CSR in industrialized countries, while ignoring it in the developing countries. If in wealthy and developed countries there are more means and institutions to regulate companies' corporate social responsibility, in developing countries there is often low level of expectations and demands concerning CSR issues as well as the regulation means. In most cases, national laws of these countries are less tight, and furthermore governments are reluctant to put certain constraints on the corporations who make investments in the country. Attempts by third world countries' governments to attract foreign investments are so extreme that they even agree to limit regulation and without any objections, often allow corporations to play the game with their own rules.

A company with a genuine sense of social responsibility would not consider the highest safety standards at home while exploiting the economic vulnerability of the third world and affording undeviatingly different standards there. In most cases, however the companies do not have a sincere approach and their responsible behavior is totally voluntary in third world countries. This is the situation when the companies' true face is revealed by adopting the double standards. There has been a lot of evidence of the damage the companies can do in poor communities where they adopt purely voluntary approach.

Big business can be compared to the Shrek – grim, green giant who nevertheless of his appearance has a very gentle and affectionate nature. Maybe this is true in developed countries, but in poor countries, this green, gentle giant unmask himself and becomes an absolute monster.

Is CSR a systematic and sincere transformation of the big business? It is more likely that it was no way out for the corporations and they just raise the white flag. It tends to be that the majority are trumpeting to be socially responsible while their "prominent" CSR turns out to be the mechanism of self-defense. Most of the companies become involved in corporate social responsibility for its certain benefits. The motivation behind CSR is self-interest – it is good for business. Companies are predominantly concerned with their own reputation, to secure bigger profit, rather than with communities they work in. In addition, companies have certain legal responsibilities in developed countries. The practice of a corporate social responsibility in most cases is wrongly

motivated because the genuine activity subjects may be used as means of improving the company's image.

Is CSR just a whitewash for the unethical behavior, pure alibi, PR stunt or window dressing for corporations? Is CSR for business the same as spin for the government? If government uses spin to cover its unethical behavior, does business use CSR to cover their shady practices?

III. Shell in Nigeria

"Our core values of honesty, integrity and respect for people define who we are and how we work. These values have been embodied for more than 25 years in our business principles, which since 1997 include a commitment to support human rights and to contribute to sustainable development" (The Shell Global Homepage).

Sounds beautiful, but what is the reality behind these words? In the past decades Nigeria's oil production provided more than 95 percent of the country's hard-currency earnings. While it could bring prosperity to the country, it has brought nothing but misery, human rights violation and great damage to environment especially in the Niger Delta, the area rich with oil. For those people who live in that area, Shell is associated with all the evils' brought in their community.

Shell produced 800 000 barrels of oil per day in Nigeria. That is hundreds of millions of dollars in revenue into Shell International every year. It is a huge profit for the company, but at what cost? In 1995, nine people who were opposing oil exploitation on their land were killed by the government's military forces, among them Ken Saro-Wiwa (Suzuki, 2013). A charismatic leader who had led people in this opposition, and who was hanged by his government. It is believed that much more could be killed before 1995 by Nigerian military.

Shell has failed to use its influence to make changes in Niger Delta. Furthermore Shell's negligent attitude to clean up the oil spills and to repair old pipelines, causes great pollution to the area. This would never be done by Shell in developed countries, and it would never be tolerated. Shell failed to fulfil any projects and any promises it made. The water supply system has never started functioning, there have never been lessons in the regions secondary schools, and no patient has ever been treated in the local hospital.

During last two decades hundreds of spills from Shell's pipelines occurred every year. The communities in the Niger Delta have been protesting for almost twenty years against the chronic pollution, which in turn have been met with continual series of violence against protestors.

"Oil pollution in the Niger Delta is one of the biggest corporate scandals of our time. Shell needs to provide proper compensation, clear up the mess and make the pipelines safer, rather than fighting a slick PR campaign to dodge all responsibility" (Audrey, 2015).

The company was trying to use spin, "greenwash" and denial in order to hide its unethical behavior. Its ability to get away with double standards and poor corporate behavior underlines the fact that for twenty years, it has failed to learn a very simple lesson: at the end of the day actions speak louder than empty words.

After a very long battle held by Amnesty International (Amnesty International) and CEHRD (Center for Environment Human Rights and Development), oil giant Shell early this year agreed to pay court settlement for pollution caused by two oil spills in years 2008- 2009. While this is a substantial sum it will not reverse the devastation of the environment which was caused by Shell during far longer period.

IV. British American Tobacco in Kenya

"The farmers we work with are valued business partners. We want them to feel confident about their future and to be self-sufficient and prosperous. This is not philanthropy; it's a pragmatic, commercial approach to securing our supply chain and ensuring the integrity and quality of our products to satisfy our consumers. We work as partners with over 100,000 farmers worldwide. Our leaf managers and technicians worldwide provide these farmers with agronomy support and engage with farming communities in all our tobacco growing locations. Our Extension Service field technicians are local experts. They work in the field with farmers, agreeing contracts, supplying seed and offering advice on propagation, the safe use of agrochemicals and integrated pest management" (British American Tobacco).

Cultivating tobacco is not as safe as it seems at first glance. British American Tobacco (BAT) contracts farmers to cultivate tobacco in Kenya in accordance with the company's instructions, which involves spraying pesticides that is extremely threatening for health. According to the facts obtained by Christian Aid (Christian Aid) for the nine month hard work the average profit the local farmer can make equals US\$150. But the damage to health, cultivating of tobacco can cause to farmers should be of the main concern. In response to the interest of NGOs', BAT replied that all farmers are provided with protecting clothes and instructions how to use them, and that the responsibility of wearing these clothes lies with the farmer. In reality however, the vast majority of the farmers have never had the protecting clothes, if they were given one, money was deducted from their salary. Never have farmers been told about the damage to health using some of the pesticides can do, nor does the majority know how the tobacco leaf they sell is valued by BAT. According to BAT there has to be an independent checker elected by farmers, since there is no such, it seems BAT jumps on this opportunity.

A study indicates that most of the farmers contracted might in fact lose money on tobacco cultivation, rather than gaining a profit for their hard work and risk to health. According to the evidence obtained by Christian Aid (Christian Aid) there is a possibility that BAT has influenced Kenyan legislation in company's favor. The new bill passed by the government was in favor of BAT and imposed serious constraints on farmers. It is not just Kenya where environmental, health and safety issues are "high priority" for "responsible" companies like British American Tobacco, and similar situation is in Brazil where BAT also operates (British American Tobacco's deathly lobbying agenda in the EU, 2009).

V. Conclusion

Corporate social responsibility is a useful tool of an efficient business PR strategy. CSR can improve a corporate image and reputation, and can be used as a constituent of a com-

pany's risk management strategy. CSR helps to reformulate a company's brand in order to differentiate and assist it to stand out from others. Corporate Social Responsibility appears as a company's relief from public and governmental interference. So is there something serious about corporate personality - the way that companies naturally tend to act in response to circumstances, even against their own short-term interest, or is it simply about compliance, as considered cases might be taken to suggest?

Socially and environmentally responsible business practices can raise the competitiveness of companies. However, can such practices positively impact the competitiveness of the entire industry? It could, if corporate responsibility does not simply become excess baggage disposed in the third world countries by many corporations.

Considerable inconsistency that exists between written Corporate Social Responsibility strategy and actions the organizations perform in the interest of their short-term economic goals jeopardize the community and environment especially in the developing world.

Milton Friedman, the Nobel Prize – winner economist: "When I hear businessmen speak eloquently about the social responsibility of business in a free enterprise system... that business is not concerned merely with profit... that business has a social conscience, and takes seriously its responsibilities for providing employment, eliminating discrimination, avoiding pollution, and whatever else may be the catch words of the contemporary crop of reformers, I say they are unwitting puppets of the intellectual forces that have been undermining the bases of free society" (Jenings, 2015, pp. 110-125).

He argued against the idea that business has a social responsibility. He wrote that "there is one and only social responsibility of business – to use its resources and engage in activities designed to increase its profits" (Mulleral, 2010, pp. 443-446). Friedman insists that it is wrong to suggest that corporations can have social responsibilities, since for him, only individuals have responsibilities.

Governments' and NGO's are crucial in promoting and encouraging business to adopt CSR values, vision and strategies. Strategic corporate social responsibility can help companies to meet or exceed legal and societal demands and expectations, can benefit governments, employees, citizens, businesses and can become a win-win situation for both business and society. But when CSR programs are inadequately executed, they can be little more than public relations exercises. Effective CSR activity cannot be a result of episodic PR event management, but should be founded on systematic strategic planning.

Governmental action to regulate multinational corporations is critical in weak and developing countries, to prevent multinationals temptation from adopting double standards of CSR in such parts of the world. "Outright corruption can make the situation even worse. What's more, all the problems of government failure are exacerbated in developing countries with weak and often corrupt governments. Still, with all their faults, governments are a far more effective protector of the public good than any campaign for corporate social responsibility" (Karnan, 2010, p. 48).

Analysis of corporate practices throughout the world helps highlight sectors of transnational economic activities that have come short of non-profit components (including

social responsible actions). This is exactly where corporations start exercising the double standard policy, forgetting their undertaken social obligations and previous CSR commitments and while seeking to minimize costs of production despite potential dangerous consequences.

Finally, one can conclude that typically CSR is not purely goodwill and altruistic behavior of corporations but is dictated by the new reality. Good CSR contributes to the reputation and hence to the profit of companies, since CSR enhances corporate image, builds brands, generates PR and increases sales. Where public opinion matters, corporations realize that they will be rewarded for being seen to do good, but in the third world countries this reward is insufficient to inspire responsible behavior. Unfortunately, multinational corporations deal with the public in different parts of the world in fragmented manner, and forget the fact how small the world really is, and sooner or later, they will observe the result of their Corporate Social Irresponsibility.

The cases presented in this work present clear examples of the weaknesses and double standards of CSR.

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