

# Public relations and corporate citizenship

Government



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Nowadays, corporate responsibility is turning out to be one of the most prominent issues in the international arena. It has also become a research priority in the field of public relations, considering its importance in the said industry for decades. It is because of this that several studies have been made that looked into the importance of the internet and corporate websites as tools of public relations. In the same manner, these studies investigated the relevance of corporate websites for communicating approaches to corporate responsibility.

For each and every company on the face of the planet, corporate responsibility is becoming more and more important as it is considered as the legitimating activity for the organization in the society, as Degan (2002, p. 92), Holmstrom (2003) and Hooghiemstra (2000, p. 56) mentions. The principle of legitimacy becomes effective on the institutional level, which suggests that the organization justify itself vis-a-vis society; that is, it must not use its power without justified cause.

On the organizational level, the principle of public responsibility implies that organizations are responsible for the outcomes of their actions which impact society directly or indirectly. Lastly, on the individual level, it is critical that managers are continuously aware that they ought to act based on moral viewpoints. Moreover, other studies, suggest that corporate responsibility is also an activity more and more valued and demanded by the public (consumers, investors, employees, communities, journalists, etc. ) which monitor the civic behavior of the different companies and assess them accordingly (Capriotti, 2006).

Public Relations and Corporate Citizenship In the field of public relations, corporate responsibility is undoubtedly one of the most popular themes. In fact, there is a narrow relationship that exists between public relations and corporate responsibility, as suggested by Clark (2000).

According to Holmstrom (2003) and Moreno (2004), this is because public relations itself is considered to be a legitimating practice for the different organizations, as perceived by both the functionalist and poststructuralist perspectives. True enough, according to Capriotti (1999), companies have progressively assumed responsibilities that transcend beyond their own activities within the social sphere. Their perception of what corporate responsibility is has evolved during the past fifty (50) years. Waddock (2004, p. 10) mentions that the concept of corporate citizenship has become more and more relevant as the stakeholder theory has been used to explain corporate social responsibility. For Waddock (2004, p. 9), corporate citizenship usually involve strategies and operations practices a company develops that are essential in operationalizing its relationships with the stakeholders and the natural environment. This is also essential in analyzing how these relationships affect the latter. It is because of this that corporate responsibility has been closely associated with sustainable development (Herrmann, 2004).

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Hence, the perceptions of corporate social responsibility/corporate citizenship/and sustainable development are based on the commitments of a certain organization and their relationship with the general public to be able to fulfill their economic, social and environmental duties. It is in the <https://assignbuster.com/public-relations-and-corporate-citizenship/>

fulfillment of these duties and commitments that these companies, in their management; the development of its products, services, and businesses; and in the evaluation, are devoted to transparency and ethical behavior (Capriotti, 2006). Public Relations and Corporate Websites

In the age where information technology has undergone a lot of advancements, the internet has surely become one of the most vital tools for organizational communication, as Sullivan (1999) clearly mentions. Studies made, such as that of Hill and White (2000) and Kenty and Taylor (1998) show the importance of the World Wide Web, especially corporate websites as tools for public relations. In addition, it has also become an avenue through which communicating organizational responsibilities are transmitted through their patrons (Esrock & Leichty, 1998).

Researches made on public relations and the internet show the relevance of the issue on interactivity between the organization and the public. Interactivity is one of the main characteristics and has been one of the main interests in researches made that concerns the field of communications (Ha & James, 1998). The previous studies which have been conducted presented the two basic approaches in determining the degree of interactivity that certain organizational websites have.

The first of which is the dissemination of information as suggested by Esrock & Leichty (1998). For this first approach, the degree of interactivity is low, the use of the internet is unidirectional and its objective is to diffuse information that could influence the public's image of the company. On the other hand, the second approach, which basically deals with the generation of relationships between the different publics and the organization, the <https://assignbuster.com/public-relations-and-corporate-citizenship/>

interactivity level is high and the internet is used to make bidirectional communication.

This allows building relationships by permitting dialogue and interaction between the public and a certain organization (Capriotti, 2006). Objectives This paper aims to look into the role of the internet, specifically corporate websites in developing long term relationships between the organization and the public and how this affects the former's corporate social responsibility. In the same manner, this study would look into the importance of corporate social responsibility, being a legitimating activity for the organization in the society to their businesses.

Terms of Reference Data Gathering The data to be gathered in this research shall be qualitative in nature. The researcher shall look into the websites of the twenty companies obtained from random sampling. These shall be examined and analyzed. In the same manner, a representative from each company will be asked to accomplish the survey forms that contain questions pertaining to public relations and corporate social responsibility.

Scope of the Research The companies that shall be used for the study will be limited to those that are in the United States of America.

These are the following: (1) Abercrombie & Filch, (2) American Airlines, (3) American Express, (4) Carl's Jr, (5) The Coca-Cola Company, (6) Colgate-Palmolive, (7) The Walt Disney Company, (8) Estee Lauder Companies, (9) FedEx, (10) Hewlett-Packard, (11) Intel, (12) Kraft Foods, (13) McDonald's Corporation, (14) Motorola, (15) Nike, (16) Northwest Airlines, (17) Paramount Pictures, (18) Pizza Hut, (19) Procter & Gamble and (20) Starbucks. Literature Review

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A wide base of studies have lent evidence to the fact that good corporate citizenry does equate - directly or indirectly - to commercial success. Entities such as the Business for Social Responsibility and The Business Enterprise Trust in the United States of the Centre for Tomorrow's Company and Business in the Community in Britain have synthesized empirical data along this area. For instance, the Centre for Tomorrow's Company - whose own special conceptualization of corporate social responsibility initiatives it tagged the 'inclusive approach' has the following to say:

At the very least, the research supports the view that the inclusive approach, while serving shareholders' interests, particularly in the long-term, does lead to business success as a result of improved customer satisfaction, greater commitment on the part of the employees, a more effective supply chain, and an enhanced reputation in the community at large (Centre for Tomorrow's Success, 1998).

On the other hand, in the United States, the Business for Social Responsibility asserts the following: Over the past decade, a growing number of companies have recognized that the business benefits of corporate social responsibility (CSR) policies and practices. Their experiences are bolstered by a growing body of empirical studies which demonstrate that CSR has a positive impact on business economic performance, and is not harmful to shareholder value (www.

bsr.org). A Committee of Inquiry that presented to the British Government, yielded similar conclusions: The evidence stacks up to the point where any reasonable person must begin to ask what more might be required to demonstrate a binding cause and effect relationship between increased

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competitiveness and environmentally and socially responsible behavior (Committee of Inquiry Report to the British Government, 1999).

A Brief History of Corporate Social Responsibility Society's preoccupation with the social responsibility of organizations has existed since at least the early 1930s and probably even before this period. The infamous Dodd-Berle correspondence in the *Harvard Law Review* in 1931-32 is conventionally depicted as launching the academic-CSR debate (Wells, n. d. ). This contention started when Columbia corporate law professor Adolf A. Berle Jr. published an article arguing for the imposition of legal controls on management so that shareholders alone would benefit from their decisions (Berle, 1931). E. M. Dodd, a Harvard professor, addressed this issue with an article countering the perspective that organizations existed for the exclusive reason of yielding shareholder profits and indicated that managers should take into consideration the interests of employees, consumers and the general public - these, in addition to the interest of the organization's stakeholders.

Berle (1931) counter-responded with the charge that one could " not abandon emphasis on the view that business corporations exist for the sole purpose of making profits for their stockholders until such time as [one is] prepared to offer a clear and reasonably enforceable scheme of responsibilities to someone else" (Berle, 1932; p. 1365). Because it has been rooted from the legal community, the CSR debate has been a point of debate in several academic disciplines, with little discussion occurring between and among them (Radin, 1999).

Specifically, researchers in the field of business ethics have spent substantial effort in the past two decades trying to develop stakeholder theory, a subset of corporate social responsibility, as a separate approach to management. Of interest is the fact that not much interdisciplinary effort on the part of legal and business academics to develop CSR and stakeholder theories and concepts simultaneously. This may be accounted for by the fact that law academics, except for a group of 'progressive' scholars, do not frequently take CSR and stakeholding concepts seriously.

The topic was not academically discussed for some time after the Berle-Dodd debate. However, the discussion of CSR again surfaced with renewed popularity in North America in the 1960s and the 1970s, against the backdrop of the civil rights movement when concerns about the environment, product safety, workplace health and safety, racial and sex discrimination, urban congestion, political corruption, and technological advance rose to the top of the agenda of politicians, public interest groups, individual citizens and corporations.

The increasing influence and power of organizations during this period resulted in a widespread societal belief that large businesses had a duty to take part in the betterment of society (Banner, 1979). The power and influence of corporations, actual or perceived, and the impact of their economic, social, and political actions on society in general, have resulted in a broad societal expansion that corporations be accountable for their actions.

Put in simpler terms, there is a growing public sentiment that organizations have a responsibility to weigh the impact that their decisions have on the

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parties involved – and eliminate, minimize or compensate for the harm they may inflict on society. The justification for this expectation is partly derived from a moral position that corporations are and should behave like any other citizen in society, upholding ethical and moral responsibilities.

The expectation that organizations should be responsible for their impact on society is also justified on the basis that power has corresponding responsibilities. As Dodd (1932) asserts, “ power over the lives of others tends to create on the part of those most worthy to exercise it a sense of responsibility. ” Moreover, the increasing power of organizations has resulted in a societal expectation that corporations act proactively and carry out a leadership role in responding to the problems transpiring in the world (CSR Survey, 2003).

This means that given that organizations frequently have more resources than governments, they should somehow give back to society and allot part of their resources to carrying out good works and helping the less fortunate sectors of society. Overall, this CSR goal is justified as follows. Initially, a societal need is identified. For instance, areas such as education, healthcare, low-income housing or the arts may require certain amounts of funding that cannot be generated privately or that government is unable to provide to enable these institutions to continue making goods or services available or even to exist.

Second, corporations are identified as capable of filling the gap by providing either funds or infrastructure to address the need. In other words, an appeal to organizations is made because they frequently have the capacity, in accordance with their size and reach, to act as agents of “ social progress

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(Kahn, 1997). Corporate Social Responsibility: The Elusiveness of a Definition  
The CSR concept is not simple to grasp or to carry out.

It is hard to define, and when done so, the resultant definition is frequently contentious. In addition, perspectives on CSR are undoubtedly tinged with the normative beliefs that one has about the apt role and purpose of an organization. For instance, classical economists will most probably have differing understandings of what CSR should entail, compared to social activists. The classical economists, for example, do not expect that organizations should be anything other than productive and efficient organizations.

Certain social activists, on the other hand, expect corporations to be leaders in responding to social issues, or at a minimum, to prevent, minimize or compensate for harm that corporations may inflict to society. In addition to the disagreement over CSR's normative foundations and its corresponding definition, is the idea that organizations also often use the CSR concept for strategic, profit making reasons only. Thus, issues ensue also because of the 'proper' motivation behind undertaking CSR.

Some proponents of CSR believe that an organization's actions can only be aptly tagged as CSR if the motivations behind it reflect an authentic desire to engage in CSR for its sake, and not for profit-enhancing reasons. Others opine that the motivations behind CSR do not matter for as long as the resultant behavior by organizations is evaluated as socially responsible. There is no globally accepted definition of CSR, and the currently existing definitions are frequently ambivalent.

For instance, the definition of CSR in The New Balance Sheet states that “ while there is no fixed definition, in our view, the term ‘ corporate social responsibility’ is most effectively used to describe instances in which companies respond to interests in addition to those of their shareholders (The Canadian Democracy and Accountability Commission, 1999). Critics and proponents alike often cite the lack of agreement on the meaning of CSR as a major problem in advocating the CSR agenda. Votaw (1973, p. 11) has stated: The term is brilliant one; it means something, but not always the same thing, to everybody.

To some it conveys the idea of legal responsibility or liability; to others it means socially responsible in an ethical sense; to still others, the meaning transmitted is that of “ responsible for” in a causal mode; many simply equate it with a charitable contribution; some take it to mean socially conscious; many of those who embrace it most fervently see it as a mere synonym for “ legitimacy”, in the context of belonging” or being proper or valid; a few see it as a sort of fiduciary duty imposing higher standards of behavior on businessmen than on citizens at large. Corporate Governance

Currently, there has been a burgeoning interest in corporate governance, acknowledging it as a crucial component of the CSR concept. Corporate controversies and the need to protect minority shareholders’ interests, for instance, are reasons behind the development of corporate governance codes in several countries and corporations. Majority of corporate governance codes provide recommendations to promote good corporate governance and increase transparency and disclosure (Mallin, 2002). Apart from this, the concepts of sustainable development”, “ corporate

responsibility and “ corporate citizenship” have taken root in the corporate world.

Although comprehensive research treats the fields of corporate governance and sustainable development individually, less attention has been paid to the interaction between these fields. Ricart, Rodriguez and Sanchez (2005) tried to close the gap by studying how corporate governance systems are transforming in order to integrate sustainable development thinking into them. The researchers did so by analyzing the governance systems of the 18 corporations that are market sector leaders considered by the Dow Jones Sustainability World Index (DJSI World).

In general, the objectives of the paper are twofold: to analyze in depth how and to what extent DJSI World leaders are incorporating sustainability into their corporate governance systems; and to develop a model for sustainable corporate governance based upon corporate governance and sustainable development theories, and built upon empirical research of the DJSI leading companies' corporate governance systems (Ricart et al, 2005. In order to integrate the sustainability dimension, the most important insights related to corporate governance systems from stakeholder and sustainable development theories (Freeman, 1984; Gladwin et al.

, 1995; Bansal & Roth, 2000). Corporate Social Responsibility and Financial Performance Socially responsible investments (SRI) are a combination of investors' financial goals and their concerns about the social, environmental, and ethical (SEE) issues (UK Social Investment Forum, 2005). SRI is considered a tedious investment process that takes into consideration the social, environmental, and ethical outcomes that may be borne out for the

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selection, retention and implementation of investments, both positive and negative, within the setting of stringent financial analysis (Mansley, 2000).

The main issue that must be addressed with SRI investments is the return of investment; that is, the profitability of those investment strategies. Is the performance of SRI strategies as effective or as ineffective as conventional investment strategies? One way of assessing this is to evaluate the performance of SRI investment strategies in light of what is called “ socially responsible companies”. These are organizations which incorporate social and environmental considerations into their international strategic decision-making policies and best practices (Mansley, 2000).

A socially responsible company places the interests of third parties or shareholders on equal footing with social, community and environmental interests of third parties or shareholders engaged in its activities. Through the prudent control of its activities with stakeholders, it aims at a three-prong economic, social and environmental performance through which it is able to attain its overall goal of sustainable development. This is precisely the reason why socially responsible companies are also tagged sustainable companies (Mansley, 2000).

As socially responsible investors conventionally invest in these socially responsible companies, the performance of socially responsible companies is a critical element in their performance. In fact, numerous past researches have concentrated on this topic, but have yielded somewhat differing results. Orlitzky, Schmidt, & Reynes, S. L. (2003) have conducted a meta-analysis of 52 studies of corporate financial performance and corporate financial

performance. The results lend support to the idea that socially responsible investing pays off.

The relationship has been found to be strongest for the social dimension within corporate social performance. When isolating the environmental responsibility, the same conclusion is arrived at, although to a lesser degree. Dilitz (1995) and Sauer (1997) assert that there are no statistically significant differences between socially responsible investments and conventional investments. Dilitz investigated the alphas and abnormal returns for 28 socially screened equity portfolios in order to arrive at the conclusion. There was no adjustment for style factors.

Sauer studied the Domini Social Index performance by risk-adjusted, and has yielded a similar conclusion. Bauer, Koedjik & Otten (2002) investigated the performance of global ethical mutual funds, corrected for investment style. The results suggest no significant difference in risk-adjusted returns between ethical and conventional funds for the period 1990-2001. Kneader, Gray, Power, & Sinclair (2001) studies the financial performance of 40 worldwide ethical funds and 40 international non-ethical funds against their benchmark.

The results suggest that there are no statistically significant differences between their performances. They found that ethical funds have lower risk in comparison with their non-ethical counterparts. The cross-sectional analysis suggests that the risk-adjusted returns are not significantly related to the size, age or ethical status of the fund. Other studies have attempted to isolate the impact of separate social factors on financial performance. For instance, Derwall, Gunster, Bauer, & Koedjik, K. (2003) have included the <https://assignbuster.com/public-relations-and-corporate-citizenship/>

invest eco-efficiency scores of US companies, and have looked at the environmental factor.

After controlling the risk and investment style, they concluded that the high-ranked portfolio outperforms the low-ranked portfolio. The results become significant when adjusted for industry effects. Becker & Huselid (1998) have concentrated on the relationship between human resources management and firm performance. An analysis of over 500 multi-industry US companies present that a high performance HRM system has an economically and statistically positive effect on organizational performance. Gompers, Ishi, & Metrick, A.

(2003) have emphasized the corporate governance aspect. They have drafted a governance index using 24 governance rules on 1, 500 large US firms. An investment strategy that purchased shares of well-governed firms and sold shares in badly-governed firms earned an abnormal return during the 1990s. The research has applied style-adjustments. Bauer, Gunster, & Otten (2003) have analyzed the effect of corporate governance on stock returns and firm value. They have utilized the Deminor Corporate Governance ratings to build a portfolio of organizations with bad corporate governance.

They find positive results for style-adjusted returns, with weaker positive results after adjustment for country differences. In summary, majority of the studies have presented an out-performance for SRI portfolios compares with more traditional investment approaches, even if such differences do not always present as statistically significant. When particular dimensions of sustainability are investigated, more significant and positive results are

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brought forth, suggesting that some facets of corporate social responsibility may also contribute shareholder value.

#### METHODOLOGICAL METHOD

**Hypothesis** This research will look into the efficiency of the internet, especially the corporate websites in transmitting messages with regard to one's corporate social responsibility. In the same way, it would determine the role of corporate responsibility in increasing profits and revenues of a certain organization. It would look at how US companies incorporate their corporate social responsibility into their websites and how they link the most present and relevant issues into the general characteristics of the company (corporate profile) and of their products and services.

In the same manner, this study aims to look at how these issues have been presented in their websites. Are they using the descriptive or informative approach and are they more commercial in perspective instead of allowing an ethical valuation or an appraisal of the company's compromises in its production. This would also look into the issue of corporate governance.

**Research Design** This research shall be qualitative in nature. According to Fay (1996), qualitative researchers attempt to accurately describe, decode and interpret the precise meanings of a certain phenomenon to a person or group of people.

The research will also be based on the interpretative paradigm. According to Saunders et al. (2003) interpretive research is a broader term than qualitative research and it encompasses all other approaches based on participant observations such as ethnographic, qualitative, phenomenological,



constructivist, and case studies. Second, interpretive research does not carry with it the false connotation of excluding the use of quantitative measures. The focus lies at the different constructions and meanings people place upon their own experiences and the reasons for those differences.

The researcher shall use three tests focused in one group. These shall include surveys, focus group discussions and interviews that are essential in gaining necessary data. The focus group discussion of qualitative analysis was utilized, offering the proponent the opportunity to follow up and clarify certain facets of the research to the researchers and to the peers of the research group. It also permitted the members of the focus group to express his/her feelings, opinions and concerns. Following this, the focus group discussions created were documented and thematically analyzed.