

The pyramid of corporate social responsibility



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According to Archie B. Carroll, The Pyramid of Corporate Social Responsibility focuses on 4 aspects- Economic Responsibilities, Legal Responsibilities, Ethical Responsibilities and Philanthropic Responsibilities. When one thinks of the business model of The Body Shop, one would usually arrive at the notion that The Body Shop is at the forefront in the advancement for Corporate Social Responsibility (CSR) in the Business circle. After all, they are strong advocates of Fair Trade, Environmental Conservation, Fair Practices, among many others. Also, they are able to keep the momentum for expansion and profit maximisation amidst all these social activities. Anita Roddick, the founder of The Body Shop, was credited for the advancement of ethical consumerism, a concept that retailers of other major brands soon followed suit.

It may seem like The Body Shop fitting the bill of a Model CSR firm, but through careful analysis and evaluation, it can be seen that The Body Shop is yet to be a true representation of the Pyramid.

Firstly, the very foundation of which the model is built on is Economic Responsibility. In the words of Archie Carroll and Ann Bucholtz, it is “ the business concepts focused on maximizing the long-term financial performance of the organisation.” It is the most crucial part of the pyramid, whether the company is able to sustain itself and expand its performance. Despite entering into a drastic overhaul of its processes in the early 1990s, ‘ restructuring the company, changing the top management team by bringing in other professional managers, installing tighter inventory and control systems, and streamlining processes’, the company reported less than stellar growth in the late 1990s. Share prices dropped 65%, from \$6. 55 in

1992 to around \$2.29 in April 1996. Similarly, sales in the United States fell by 6 percent in 1997.

Also, they failed to engage key stakeholders like franchisee owners, when there were accusations that the company was restricting the growth of franchisee outlets. It was reported that in December 2000, eight U. S. Body Shop franchisees who owned 13 locations, were accusing the parent company of impeding their business through the withholding of stocks to franchisee-owned businesses. This was seen as poor reflection of The Body Shop that negatively affected its reputation, aggravating the less than satisfactory business performance already observed in the United States during the 1990s.

In the early 1990s, The Body Shop management was more concerned with advancing their eco-friendly projects rather than making changes to their range of products. They were unable to meet the new market demands as their competitors like Boots, Superdrug and Lush were able to do, drastically reducing the market share. Other competitors like Bath & Body Works started to expand its chain of outlets nationwide, leaving The Body Shop struggling to do 'catch-up'. The fine balance of emphasizing on business continuity and social activism is a crucial factor which companies have to juggle. The Body Shop seems to be tilted towards the latter.

When the company was portrayed in a bad light by the Media, the Crisis Management solution undertaken was less to be desired. When the article criticizing The Body Shop by Jon Entine was published in the Business Ethics magazine in 1994, Gordon Roddick committed a grave mistake when he sent

out a 10 page letter refuting the claims by Jon Entine to the subscribers of the Business Ethics magazine, whose contact details he obtained through a third party. Such an action from a top-management executive was detrimental to the reputation of The Body Shop, as people began to question the business ethos of the company. It did not help the situation when the Body Shop had been in the press for the wrong reasons- criticisms against the company and its founders, reports on poor earnings and the speculation that things were not going well for The Body Shop.

Despite the fact that there were many misgivings in the way The Body Shop fulfilled its economic responsibility, it did however undertake several measures which were geared towards profit maximisation and business expansion. In the US market, The Body Shop started advertisement placements in the Media from 1995- 1996, especially during the Christmas Season to cash in on the gift-giving culture of the US Consumer market. They took up ads to compete against the discounts and gift-with-purchase promotions offered by Bath & Body Works. Also, The Body Shop reverted back to the ' more profitable franchising strategy'. Originally, close to half of the stores in the US were owned directly by the company, the rest being franchisee-owned. By 1996, all but 12 of its 841 shops outside the US and Britain were franchises. However, because of the inability to solidify their foothold in the market earlier, this resulted in lost in opportunity for expansion as competitors started to take a bigger share of the market.

The next layer of the pyramid is Legal Responsibility. It is without a doubt that the products of The Body Shop has consistently kept to the Health and Safety Rules of the U. K and other countries. There have been no reports of

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adverse skin reactions towards The Body Shop products, due mainly to the fact that most of its recipes are centuries old concoctions from native peoples from different parts of the World. Yet, we cannot ignore the fact that The Body Shop failed to provide a level playing field for the Franchisees in the US. This resulted in the whole episode of 8 franchisees filing a lawsuit in 1998 against the company for under cutting the terms for buyback, for “ fraud, fraudulent inducement, and inequitable treatment of franchisees.” This situation continued to be an issue till 2001. This brings the Business Ethics of the company into question. The fact that franchisee-owned businesses was a driving force for the performance of the company meant that maintaining a good relationship with its franchisee partners was essential and necessary. Effective stakeholder management, like the use of “ The Clarkson Principles”, would have been good to maintain a healthy relationship with the franchisee firms. They could have had “ implemented a stakeholder performance measurement system”, as suggested by Archie Carroll and Ann Buchholtz in their book Business & Society- Ethics and Stakeholder Management.

Back to the point of Gordon Roddick obtaining contact information of a magazine’s list of subscribers to send his letter with regards to allegations by Jon Entine. The ethicality of such a practice comes to question when the information was gathered from a third party, and not from the magazine editors themselves.

This comes to the next layer of the pyramid – Ethical Responsibility. A point of contention is the whole idea of Consumer Exploitation. The Body Shop markets its products as products that support Fair Trade, Against Animal
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Testing and ultimately more superior in terms of its far reaching impacts on the country of origin. Their products are priced at a higher premium because of these claims. However, from the report by Jon Entine in the Business Ethics magazine in 1994, the marketed 'benefits to society' is highly questionable. Other allegations of The Body Shop's failure to deliver what they promised also started to surface in other newspapers. This brings us to the point of whether consumers are truly paying for the desired products and outcomes which were communicated to them at the point of purchase. This threatened the very basis that made The Body Shop famous in the first place- Ethical Consumerism.

The pinnacle of the pyramid is the Philanthropic Responsibilities. As defined by Archie Carroll and Ann Bucholtz, they are 'activities that are voluntary, guided only by business's desire to engage in social activities that are not mandated, not required by the law, and not generally expected in an ethical sense. Credit should be accorded to the Body Shop for putting quite a heavy emphasis on this responsibility in its operations. 'The introduction of its Social Auditing Programme (Values Report) in 1994, helped in keeping tab of their advancement in the various "environmental, social, and animal protection initiatives." (Archie Carroll, Ann Buchholtz). This ensured that the company placed all its social goals and expectations, initiatives and campaigns through a vigorous analysis to stock take on whether the company was able to reach its targets as promised. The comprehensiveness of the report was a fresh approach that brought Corporate Social Responsibility to new frontiers. Something to laud about was that the report depended heavily on stakeholder interviews- international franchisees,

employees, customers, suppliers, shareholders and local community and campaigning groups. Such an all-encompassing approach showed that The Body Shop valued its stakeholders and involved them in its main business of “only one way of to be beautiful, nature’s way.” Also, the formation of The Body Shop Foundation in 1990 is a testament of the company’s commitment to channel a portion of their profits to the different causes that fit the company’s emphasis of the preservation of human and animal rights and the environment.

The Body Shop continues to embrace the ethos of its founder of using The Body Shop to effect change in society. Yet, more could be done to publicise its involvement in such philanthropic causes and maybe even taking a more active role in rallying other companies to join in the initiative. The Body Shop could possibly engage in more sponsorship activities for environmental causes that have a close link with the products they carry. For example, they could screen advertisements on the benefits of the company’s Trade Not Aid scheme on Ghana and its people, where they source their soap products from. Alternatively, they could increase their branding exposure by taking it upon themselves to push for better pay compensations for workers in third-World Countries in the business arena or even in governments. This could be in the form of lobbying for change by gathering signatures from the public, and subsequently raising it up to the Member of Parliament or Country’s leaders. The Body Shop could effectively endorse certain environmental groups and their causes and its top management could serve in these groups as leaders of their steering community. In some sense, embarking in a different form of advertising- not of their products, but of their commitment

to effect change to society and following the ideals laid out by Anita when she first opened her stores in 1975.

Another point that was of hot debate was the sale to L'Oréal in Mid 2006. Some supporters of The Body Shop felt that the sale could derail the original ideals of going against animal testing, environmental concerns and the use of fair trade practices. Simply put it that the philanthropic responsibilities that are the strength of The Body Shop may be compromised. Their concerns were not distant as L'Oréal was indeed involved in animal testing in the early 1980s. Some people saw the sale has an indication that Anita Roddick was going against her principles. As of today, L'Oréal has maintained that The Body Shop runs as a separate entity within the same company and hence The Body Shop continues to uphold its values and beliefs. However, we are unable to safely say that such a position will be maintained in the future.

It may seem that because of it's early entrance into the whole concept of ethical consumerism and corporate citizenry, and the pioneering of a very comprehensive Values Report, done yearly, pulls us to that paradigm that The Body Shop is the model CSR company.

However, as evidently displayed, The Body Shop has had many challenges even trying to establish the very first level of the pyramid- Economic Responsibility. Interesting as it may seem, The Body Shop is in a very unique situation of being able to achieve the top level of the pyramid quite efficiently, but not the first few levels. The reverse is true for many other companies. As the post-Anita Roddick leadership team under L'Oréal works at building this base, of charting new direction and performance targets of

The Body Shop, only time will tell if the company can eventually be a role model for other companies to emulate- a model company with strong focus on CSR and yet not compromising on the bottom line.