

The pyramid of csr management essay

[Business](#), [Management](#)



LIZANNA DWARIKA-779-42951 Table of Contents

11. 0 Chapter 1 11. 10
 Introduction 41. 20 BP Global History 61. 2. 1 BP Core Values 81. 2. 2 BP
 Global Organizational Chart 9 Figure 1. 0 BP Global Organization Chart (The
 official Board. com) 91. 30 Purpose of this Study 101. 3. 1 Research Title 101.
 3. 2 Research Questions 101. 3. 3 Objectives 102. 0 Chapter 2 112. 10
 Literature Review 112. 1. 1 Definition of Corporate Social Responsibility 112.
 2. 1 History of CSR 122. 2. 2 Pyramid of CSR 15 Figure 1. 1 - The pyramid of
 CSR. Source: On the basis of Carroll (1991) 152. 2. 3 CSR and Stakeholder
 Theory 172. 2. 4 Drivers of CSR 18 Firms however may get involved in ‘
 Greenwashing’, a term used when firms fool the public by presenting a
 public image of being responsible, in an attempt to maximize profits and
 expand markets. (Johnson, 1958). Should firms behave in such a manner in
 my opinion is unethical and deceitful. 193. 0 Chapter 3 203. 10 Research
 Methodology 20

Table of Figures

Figure 1. 0 BP Global Organization Chart (The official Board. com) 9
 Figure 1. 1
 - The pyramid of CSR. Source: On the basis of Carroll (1991) 15

1. 0 Chapter 1

1. 10 Introduction

Many industrial companies globally have undertaken activities related to a clean environment, human rights and social justice, as part of their core values. Because of increased activities economically and with globalization, this has made multinational enterprises (MNE) more powerful than ever before. Evidence has shown that many MNE often abuse this economic

power and have operated carelessly to the detriment of the society and the environment. As a result there is widespread distrust and anger among the public, as MNE's are seen as evil. Consequently many MNE has seen the need to work on their image to promote environmental and social improvement as part of their business strategy. This increased pressure on corporations has brought about the concept of corporate social responsibility (CSR) as a way of getting corporations to become more responsible.

Corporations in industries that are associated with impacting the environment negatively are especially wary of the image they are projecting. CSR have become ever more important to such corporations. In addition activist for the environment and supporters of CSR has put pressure on corporations as they believe that these corporations should make the world a better place (Suler, S. 2008). Therefore maximizing profits should not only be the main concern of companies but they should also consider the impact and consequences that their operations are having on the environment and society. (Freidman. M. 1970)The oil and gas companies are one of the first companies that play an important role in the economy of the world. With increased globalization, the economy has depended heavily on the products of the oil and gas industry as they rely on cheaper transportation cost to market various products and services. Oil and gas extractions have been known to be associated with pollution of the waters, the environment and society. One such company who is a major player in the oil and gas industry is Beyond Petroleum Global (BP)

1. 20 BP Global History

British Petroleum is one of the largest global companies in the oil and gas sector in the world. The company is presently headquartered in London. They currently employ approximately 83, 400 persons as of 2011 and are active in 30 countries. According to BP their business is about finding, producing and marketing the world's natural energy. They started operations in 1908 when oil was found in a rugged part of Persia. They were then called the Anglo-Persian Oil Company. By 1914 the company had plenty oil but no one to sell it to. Since then discoveries large and small have fueled the company's progress. At that time cars were an expensive commodity to count for mass consumption. Eventually the United Kingdom government became a major shareholder and Anglo-Persian later became known as British Petroleum. By 1960 oil exploration had come a long way. Expeditions were undertaken with countries such as Australia, Papua New Guinea with no success. Then in 1964 the United Nations extended countries rights over territorial waters. The next year BP found natural gas in the English Channel to power a medium size city. In 1970 oil was found in the North Sea, approximately 400, 000 barrels per day. In the late 1990's BP and Amoco joined to form BP Amoco, giving the company increased momentum. According to BP's website the twentieth century has seen an immense reliance on the energy from oil and the 21st century is no different. BP currently has major projects in Russia, Gulf of Mexico, North America and Indonesia. They have also made advancement in technology at their research facilities and have opened up new search for fossil fuels. These development according to Lord Browne the then CEO in 1997 were not taken

lightly he said there is " a balance between the needs of development and the need for environmental protection." Lord Browne was one of the first CEO of BP to acknowledge the view of scientist about the global treat posed by climate change and he said that BP had to share the responsibility of addressing this problem.

1. 2. 1 BP Core Values

BP's core values comprises of safety, respect, excellence and courage.

According to BP's website:" Safety is good business. Everything we do relies upon the safety of our workforce and the communities around us. We care about the safe management of the environment. We are committed to safely delivering energy to the world. We respect the world in which we operate. It begins with compliance with laws and regulations. We hold ourselves to the highest ethical standards and behave in ways that earn the trust of others. We depend on the relationships we have and respect each other and those we work with. We value diversity of people and thought. We care about the consequences of our decisions, large and small, on those around us." The information provided through the website continues, as BP claims that: " We are in a hazardous business, and are committed to excellence through the systematic and disciplined management of our operations. We follow and uphold the rules and standards we set for our company. We commit to quality outcomes, have a thirst to learn, and to improve. If something is not right, we correct it." .([http://www. bp. com](http://www.bp.com))

1. 2. 2 BP Global Organizational Chart

Figure 1. 0 BP Global Organization Chart (The official Board. com)

1. 30 Purpose of this Study

The intent of this research is to examine issues related to Corporate Social Responsibility and the environment and the impact to society at Beyond Petroleum Global.

1. 3. 1 Research Title

Research title: " A critical analysis of Corporate Social Responsibility (CSR) at Beyond Petroleum Global(BP)

1. 3. 2 Research Questions

Has the concept of CSR gained importance over the years at BP Global? Does CSR strategy at BP Global impacts its reputation and the environment? Does increased CSR reflect increased profits for BP Global?

1. 3. 3 Objectives

To ascertain whether CSR improves corporate image
To examine CSR and its relation to the growth and survival of Beyond Petroleum Global
To analyze CSR and legal requirements.

2. 0 Chapter 2

2. 10 Literature Review

2. 1. 1 Definition of Corporate Social Responsibility

Hopkins(1998) states that : " Corporate social responsibility is concerned with treating the stakeholders of the firm Stakeholder ethically or in a socially

responsible Social manner. Stakeholders exist both within a firm and outside. Consequently, behaving socially responsibly will increase the human development of stakeholders both within and outside the corporation."

(Hopkins M. 1998) Another definition by Marsden(2001) is: " Corporate social responsibility (CSR) is about the core behaviour of companies and Environmental the responsibility for their total impact on Economic the societies in which they operate. CSR is not an optional add-on nor is it an act of philanthropy. A socially responsible corporation is one that runs a profitable business that takes account of all the positive and negative environmental, social and economic effects it has on society."(Marsden. C. 2001) According to the Commission of the European (2003): " CSR is the concept that an enterprise is accountable for its impact on all relevant Stakeholder. It is the continuing commitment by business to behave fairly and responsibly and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large." (quoted in Commission of the European Communities. 2003. What is Corporate Social Responsibility (CSR)?)

2. 2. 1 History of CSR

Corporate Social Responsibility(CSR) is a prominent term widely used within the business community. According to Nexen (2009) CSR is an obligation to behave ethically however it may also derive economic development as well as an improved quality of life for the workforce, their families and communities. Since businesses operate in society, they cannot excuse themselves from social issues. The society supply both customers and much needed resources to execute business objectives.(Hawkins, 2006, p. 2) How

companies interrelate with both internal and external stakeholders, customers, employees, non - governmental organizations and public authorities(Enterprise and Industry, n. d) is important. According to Benn. S and Bolton,(2011) questions regarding responsibilities to society by businesses is often raised Many debate whether businesses should engage in CSR or focus only on making profits for their shareholders . In the 1950's the introduction and legality of corporate philanthropy was questioned giving rise to whether and how can corporations benefit from doing good. .(Benn. S and Bolton, 2011) . In 1951 Frank Abrams -chairman of Board of Standard Oil (now Exxon) in an article in the Business Harvard Review, called for top management to become ' good citizens' and to inspire to a higher duty of professional management' and to contribute to the ' solution of the many complex social problems of our times'.(Abram. F., 1951)By the 1990's the term ' triple bottom line' (TBL) assisted in popularizing an understanding for businesses to engage in activities that would benefit not only shareholders but society at large... .(Benn. S and Bolton, 2011)Later CSR was endorsed by the political regimes and governance. Since then, interest has been building with regards to the nature on accountability and corporate responsibility which is being driven by increased social awareness regarding the impact of practices, services and the environment. Pressures have increased currently with political debates at both global and national levels thus creating complexity for businesses to engage in both sustainable and global practices with possible negative impact on shareholders and stakeholders. (Benn. S and Bolton, 2011)Large Corporations may well be liberal to charitable and even educational institutions and then argue that they have done a huge

humanitarian deed. However is CSR a means of buying goodwill. Is the "enlightened self interest the driving force behind increased CSR". (Banerjee, 2007) Although many corporations see the need to engage in CSR, during economic crises this is seems has become even more important. The challenge however lies in integrating CSR onto the firm's competitive strategy. (Werther and Chandler, 2011) According to economist Milton Friedman who declared that the responsibilities of business is to use their resources to engage in activities to maximize profits. (Friedman, 1970, p. 126) It is assumed that maximization of profits is the most important function of firms. The firms foremost responsibility is to create wealth whilst social problems should be left for governments to address. (Branco and Rodrigues, 2007) One modern critic David Henderson argues that the performance of firms is negatively affected by CSR, since it impairs performance in respect of their primary role. He continues that CSR would make firms poorer thus leading to ineffective markets with reduced wealth and poverty increasing (Henderson, 2005) It does not mean however that anything goes. The law and morality should be taken into consideration. Suchman (1995) defines the theory of legitimacy as " a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs and definitions." As a result of this legitimacy it gives rise to Corporate Social behavior and then to use this activity to promote publicity and or influence. (Lindblom cited in Gray et al, 1996 and in Clark. 1998) The concept of CSR with corporations is that there is an obligation to work to the

betterment socially. This obligation should be the driving force behind its operations (Frederick, 1994) . The author agrees with this thought.

2. 2. 2 Pyramid of CSR

According to Carroll.(1991) who classified CSR into four sections: economic, ethical, philanthropic obligations and legal, often referred to as the CSR Pyramid (fig 1. 1)

Figure 1. 1 – The pyramid of CSR. Source: On the basis of Carroll(1991)

The firms main purpose or basic responsibility is an economic one (base of the pyramid) it is about providing services and products to the society with the sole intention of making a profit. Legal requirements are the next level however both are equally important (Carroll, 1979, p. 500). The next level is legal which refers to regulations and laws imposed by local government of the country the company is operating in, federal and state government. These establishment forms the main framework of rules that the firm must obey in their activities. Ethical is the next level, and encompasses all practices and activities that the firm is required and expected from the firm. Therefore the firm is expected to operate within a standard that reflect concern for stakeholders, shareholders, employees and consumers. (Carroll, 1991, p. 229)The top of the pyramid is philanthropy this is where firms are expected to operate as good corporate citizen, looking after human welfare and the society. Carroll(1991) explained it is like " icing on the cake". This pyramid shows the different components of CSR.

2. 2. 3 CSR and Stakeholder Theory

The debate continues as stakeholders in general are affected both positively and negatively by the firm's decisions. Stakeholders are defined as according to Freeman,(1998) as " groups and individuals who benefit from or are harmed by, and whose rights are violated or respected by, corporate actions." (Freeman, R. 1998, p. 174) They include local communities, customers, employees, suppliers, non government organization and activist. (Branco and Rodriguez, 2007)According to the stakeholder theory, companies are obligated and socially responsible to consider all parties affected by the firms' actions. Capron, 2003, argues that since the ' Mute' stakeholder namely the natural environment and potential victims that is, future generations, cannot be consulted then, environmental or sustainability efforts and concerns by legitimate stakeholder should be given consideration.

2. 2. 4 Drivers of CSR

Many companies have been engaging in CSR throughout history. It is not clear why these firms behave in this manner. It is probable that there may be multiple motives why multinational engage in CSR activities. According to Milton Friedman (1970) companies' sole purpose is to maximize and generate profits. CSR was largely seen as an additional cost that does not add any value to final products and hence do not contribute to the firms' profits. However Johnson (1971, p154) challenged this view by stating that business engage in social activities to maximize profits to their firms. Therefore according to his argument it is perceived that engaging in CSR has long term profit maximization and not as an activity that demonstrates

ethical behavior by the firm. Should firms choose to engage in CSR practices or not in an effort to reduce cost and risks to the firm, the argument is that by increasing CSR for managerial purposes this incur unnecessary cost and also reduce profitability (Kedia and K. 1981; Lerner and Fryxell, 1988)

However since demands by stakeholders present potential treats to the firms' financial goals, firms do well to perform a level of social performance. (Kurucz, 2008, p. 88) In general it seems though that firms can use CSR to gain competitive advantage within their respective industry rivals. Adding value to the firm by adapting to meet external issues can be used to optimize competitive advantage. The firm's main objective according to Kurucz,(2008) is to build competitive advantage by strategically focusing on directing resources to meet demands from stakeholders. Environmental regulation and control especially in the energy and heavy polluting sector have given firms the opportunity to perform above the current requirements. Should this be done Porter (1991, 1995) argues that such strict regulations can give firms competitive advantage by adopting higher standards and so outcompete those corporations that only comply with minimum current regulations. Such firms that maintain higher internal CSR standards will have achieved a superior market value.(Dowell, et al, 2002). As mentioned above (Suchman, 1995) the theory of legitimacy plays an important role in the business entity. Having a license to operate conveys to businesses that they must operate responsibly in their operations or endure the risk of having their license revoked.(Davis, K. 1973). Also any negative publicity and reputation can affect firms and can have a detrimental effect, on the other hand positive reputation can enhance the firms image (Brown and Dacin,

1997) . Brown and Dacin (1997) discovered that the higher firms engage in CSR, the better the attitude towards the corporation.

Firms however may get involved in ‘ Greenwashing’, a term used when firms fool the public by presenting a public image of being responsible, in an attempt to maximize profits and expand markets.(Johnson , 1958). Should firms behave in such a manner in my opinion is unethical and deceitful.

3. 0 Chapter 3

3. 10 Research Methodology

The objective of this study is to determine what strategic role CSR plays and does it affect the reputation and profitability at BP Global. Also what are the legal implications and requirements involved and have CSR improve BP Global image.