

Evaluating case studies of corporate social responsibility



Introduction

The time for corporations to the environment as a free and unlimited resource is ending. For instance, Exxon Valdez oil spill in 1989, and the catastrophic underwater gusher in the Gulf of Mexico had given rise to the current corporate social responsibility movement (Mattera, 2010).

Corporations are increasingly concerned about the environment for several reasons, they realised that the lower consumption of natural resources will save money in the short run, while keeping the resource levels sustainable saves money in the long run (Mattera, 2010)..

According to Hopkins (2007) ' corporate responsibility refers to treating all of a company's stakeholders responsibly, that is in a manner consistent with the society's values.' Moreover, corporate responsibility includes corporate financial responsibility, corporate social responsibility, and corporate environmental responsibility (Hopkins, 2007). Today, many companies use corporate responsibility as a selling point such as Coca-Cola, Chevron, Google, and so on.

Coca-Cola's commitment to environment

The main ingredient of Coca-Cola's products is water, but the global climate change and pollution are making the clean water rarer. Thus, water becomes the main sustainability problems for Coca-Cola (India Resource Center, 2009).

The first goal of Coca-Cola is to make its plants water neutral, which mean returning water to the environment in amounts equal to the amount used in

producing beverages (Diamond, 2010). The second goal is to work on conserving seven of the world's river basins, including the Yangtze river in China (Diamond, 2010).

Coca-cola has three main values that allow its social responsibility principals to be easily incorporated: promote living healthy, focus on the positive side of life, and help in the development of the country where they operate. Besides that, Coca-cola ensures that its products are safe and healthy for the consumer, and products and operations do not negatively affect the environment (India Resource Center, 2009).

The proclamation of Coca-Cola in its website is different from its action. For example, communities who are living around the Coca-Cola' plants in India experienced severe water shortages, due to the extraction of water from the groundwater and pollution by Coca-Cola's plants. Farmers also complain much of the water from Vaitarna river which is situated in India is being purchased by Coca-Cola Company (Fernando, 2009). Therefore, Coca-Cola is said to be less responsible company which furthermore denied the actions it has done. Coca-Cola Company has not fulfilled its task when it intends to involve in the corporate social responsibility successfully.

In 2007, the Coca-Cola Company extended its partnership with the World Wildlife Fund (WWF) to conserve freshwater river basins around the world, except India. (Srivastava, 2008)

Although Coca-Cola has received the Golden Peacock Awards for environmental excellence in India, the Coca-Cola is the main sponsor of the event that gives out the awards. Therefore, Coca-Cola has a good public <https://assignbuster.com/evaluating-case-studies-of-corporate-social-responsibility/>

relation. Coca-Cola does not seem as a suitable recipient of this award, because the water problems in India. . One reason to explain is Coca-Cola does not stick to its principle and commitment to the environment.

PepsiCo's action

Whereas, PepsiCo delivers sustainable growth by investing in a healthier future for people and our planet, focuses on environmental, human and talent sustainability (PEPSICO, 2010) .

Indeed, PepsiCo, has been collaborating for some time now with the China Women's Development Foundation, the architect of the Mother Water Cellars Project, which provides ways for people in the most water-scarce regions of China to have better access to water (Knowledge, 2010).

However, PepsiCo continues to use Genetically-engineered (GE) food ingredients despite there is having the evidence of harm to human consumption, animal consumption as well as biodiversity of the environment (Commondreams. org, 2009).

The best that can be said is that many multinational companies only behave well in some respects but not in others (Mattera, 2010). For example coca cola have a good image in china but bad image in India.

And the main reason for the multinational companies to get plaudits for doing one thing right while sinning badly in others is based on the companies' volition. In other words, the pressure on the multinational company to maximize profits and to capture the markets is simply too strong (Mattera, 2010).

Coca-Cola focuses in China as it considers China can generate more wealth for Coca-Cola after the company has done a lot of corporate social responsibility in China.

China views Coca-Cola

In the past, Chinese government has imposed tight control over the soft drink industry to protect domestic brands; however nowadays, Coca-cola has been one of the biggest foreign investors in water risk management (Mok et al, 2002). In order to catch up with the world, the Chinese government has made a major effort to attract foreign investments which are able to commit in long term (Hung, 2003). China was successful in attracting Foreign Direct Investment (FDI) since the implementation of economic reform in 1979 (Mok et al, 2002). MNCs have significantly contributed to domestic capital, created job opportunities, upgraded the skill of workforce, increase the people income, raised the factor productivity and increased technological infrastructure as well as the overall industrial performance (Tseng and Zebregs, 2002; Weisert, 2001).

Weiss (2010) stressed that multinational companies also create opportunities that host countries would not have access to without these companies. The benefits gained by MNCs include international currency fluctuations, available labour with cheaper costs, trade and tax incentives, and the use of resources (Latham, 2009). Besides that, Coca-Cola has been earning a gross profit in china each year since 1990. Coca-Cola's sustainable strategies is building infrastructure and localizing partnerships with Chinese government and domestic companies. Moreover, this has made it to establish nationwide operations and generate a strong market presence (Weisert, 2001).
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MNCs influence and change a country's traditions by providing higher wages and better working conditions (Weiss, 2010). However, MNCs can create 'brain-drains' by attracting talents and expertises from the China. They disturb local government economic planning and business practices by exerting control over the development and capitalization of a country's infrastructure (Weiss, 2010). " Cultural imperialism' can be imported through business practices. They can destroy, pollute, and endanger host country environments and the health of citizens. For example, Coca-Cola plants had caused the water shortage in India (India Resource Centre, 2009).

Coca-Cola views China

The case suggests that Coca-Cola has the hunger for the China market. Apparently, China's most essential advantages are still the possibly cheapest human resource. However, as economic reform continues to take place, the wealth in China has still been unevenly distributed throughout the country (Na and Lightfoot, 2006). Therefore, the ethics of care philosophy began to emerge during the 1980s and 1990s (Rodgers and Gago, 2004). This image of corporate philanthropy is precious to Coca-Cola, which often assume responsibility not only for their home bases but also for overseas business (Raman, 2007). Coca-Cola realised that they could earn more profits by assuring to the public that they are good citizens of the community and therefore consumers might support reputable company (Raman, 2007).

Rodgers and Gago (2004) asserted that companies could also avoid the regulations and laws that due to public outrage if the companies were responsible members of the community. Nonetheless, Latham (2009) stated that CSR has come under attack from the opposite end of the ideological <https://assignbuster.com/evaluating-case-studies-of-corporate-social-responsibility/>

spectrum. The environmentalist Jonathon Porritt attacked what he termed the “ fig leaf of corporate social responsibility”, which allows companies to pay lip service to their responsibilities (Latham, 2009). Therefore, it suggests that psychological egotism might be hidden behind the contributing actions. However, the outcomes have not only restricted to the corporation itself, but also benefited the other parties as well. Therefore, it is not appropriate to completely discard the righteousness and the efforts that the company put in.

Ethical Perspective

In Deontology, it stressed the importance of individual’s rights (Rodgers and Gago, 2004). Shaw and Barry (2007) assert that in order to give respect to the integrity of the natural world, it is essential to recognize “ a right to a liveable environment”. Therefore those individuals and organizations which ‘ are responsible for the problem’ and ‘ would benefit from the protection’ should bear the costs of environmental protection and restoration (Shaw and Barry, 2007). Thus, it is also the obligation of Coca-Cola to perform the green practises.

According to Utilitarianism, it is correct to bring in MNCs such as Coca-Cola as the cooperation among the China government, NGOs and other MNCs has brought a general “ social improvement” (Shaw and Barry, 2007). As the theory views interests of community are the sum of the interests of its members, utilitarianism concerns itself with the sum total of happiness produced (Shaw, 2010). In its efforts to locate supplies in China, Coca-Cola provided domestic companies with financial assistance and technical advice to develop equipment and improve quality standards. Coca-Cola provided <https://assignbuster.com/evaluating-case-studies-of-corporate-social-responsibility/>

technical assistance, for example, to several state-owned glass factories in the early 1980s to improve the quality of their bottles (Weisert, 2001).

In the context of maximizing happiness for the majority, Coca-Cola has put in substantial effort to improve the environmental standard in China. The main reason of the green practises may still be the profit-oriented motive, nonetheless, it still bring benefits to each other. It is because China still needs the help from these MNCs to tackle these environmental crises as these foreign corporations have the required resources such as the human capital, technology and big pool of fund. In order to implement the green practise, collaboration between the China government, NGOs and Corporation is essential, says PepsiCo's Bena (Knowledge, 2010). For China to develop a sustainable, nationally competitive advantage, it will have to move from being a country which attracts foreign investment based on growing middle class and low costs, to one which has strategically located agglomerations (Na and Lightfoot, 2006).

For corporations to sustain, the need for social responsibility is demanded (Barry, 2000). Therefore, the capitalism of big MNCs like Coca-Cola might continue to bring on a fierce competition in the local market of China and continue to exploit the human resources. Nonetheless, without the competence and flexibility of capitalism, it is doubtful that market economies could have created sufficient wealth to sustain such benevolent practises (Barry, 2000).

Cross-Cultural Ethical Decision Making

As multinational enterprises expand their operations around the world, there is an increasing demand for understanding of the cultural values of different cultures (Robertson and Fadil, 1999). Cross-cultural differences can emerge between different cultures, for instance there is a narrative of differences between the U. S. and Sweden with regard to legal systems, how social control exercised, cultural values and ethics (Helin and Sandstrom, 2008). Cross-cultural ethical differences involve in ethical principles, reasoning processes, and behaviors between two parties which can be MNCs, industries or nations (Hamilton and Knouse, 2001). Moreover, differences in standards over environmental degradation, employment rights and benefits, product and service quality can vary hugely from region to region (Morrison, 2001).

American MNCs, for instance, as the global reach of these companies grew and less of their business was conducted in the U. S., so the constraints such as national law and ethical standard have become less effective in governing the corporate conducts (Hamilton and Knouse, 2001).

Coca-Cola has been generally successful in terms of cross-cultural ethical decision making by enhancing the sustainability development and establishing a reputable image. For example, Coca-Cola has joined a group called the Beverage Industry Environment Roundtable (BIER) in order to explore a collective industry voice. In addition to the environmental development, Wei and Cacho (2001) stated that the Coca-Cola has worked with the China government to develop the soft drink market. Coca-Cola recognized the critical importance of localizing marketing expertise in China.

In turn, the Company has trained tens of thousands of Chinese in its world-renowned marketing methods (Wei and Cacho, 2001).

Partnerships like the Coke and WWF relationship are good for business because they help guarantee sustainable supplies of water and other resources (Knowledge, 2010). However, joint relationship between Coca-Cola and the WWF don't come without any challenge. One of the challenges is the cultural variation (Robertson and Fadil, 1999). Eastern Asian cultures appear to be higher in collectivism, and China, in particular, is based on a collectivist political system; In contrast to collectivism, individualism is associated with self-reliance and work towards the fulfilment of individual needs and interests (Chung and Mallery, 1999). The Chinese are expected to exhibit a relatively strong tendency to subordinate their individual interests in pursuit of group interests compared to their Western counterparts as far as the preservation of ecological well-being is concern (Chan, 2001).

In China, multinational companies would socialize with local government agencies in cultivating relationships but on the other hand they would be conscious of the organizations' bottom line (Hung, 2003). In contrast, Coca-Cola and WWF in China have broken through the barrier and successfully build up a strong force in the community. The main objective of the multinational corporations in China to maintain the system that creates a large underclass of precarious workers with no rights. Thus, Chinese locals are fighting against the very aspects of the proposed legislation that might improve some of the China labour exploitation problem. For example, in practice, corporations often lay off the employees at their own discretion; but under the new legislation, corporations should lay off the employees based <https://assignbuster.com/evaluating-case-studies-of-corporate-social-responsibility/>

on the ground of seniority (Smith et al., 2006). Therefore, the motive of the multinational corporations is very obvious which opposes the law protecting Chinese workers is their fear that it may eliminate the cheap labor costs they are enjoying now.

China has been filled with political and business corruption. Prior to that, American corporations have been urged to impose the common code of conduct. But they tend to reject such approach because business is lost due to side-stepping bribery and corruption (Steidlmeir, 1999). According to the Mill's utilitarianism, it suggests that ethical behavior should be concerned with the good of all people and equal value. And any behavior that pursues the interests of a person at the expense of others would be unethical (Shaw, 2010). Moreover, several China U. S.-based multinational corporations are contradicting with the justifications that they have raised the human and labour rights issues. For instance, American business plays an important role as a catalyst for positive social change by setting positive examples for their remuneration, treatment, and promoting human welfare and guaranteeing to uphold the dignity of the worker (Smith et al., 2006)..

Coco-Cola employed a huge pool of employees in the region of China, especially after the acquisitions and the consolidation of certain bottling operations. Their management strategy has integrated the corporate culture with the regional culture. Thus, it proves that cross-cultural business practices and ethical standards will undoubtedly become more important for understanding and facilitating business outcomes (Helin and Sandstrom, 2008). In order to formulate a “ core of ethical norms for business that can

be applied worldwide”, there has to be room for the receiving culture (Helin and Sandstrom, 2008).

The best way to make profit

According to Freeman (1984), the famous management scholar contended that healthy corporations must establish a good relationship with external stakeholders in order to make the “win-win” achievement (Wong, 2010).

Since then, many corporations realised that in order to grow, survive, and develop, must pay attention and respect to the stakeholders (Wang, 2010; Latham, 2009).

Sustainability means operating a business in a way that acknowledges the needs and interests of other parties, and that does not fray but rather reinforces the network of relationships that ties them together (Weiss, 2009).

Besides that, the sustainability ‘sweet spot’ and benefit of engaging corporate social responsibility can increase profits and market shares, and reduce the negative impact of environment and public health, these intersect indicate where a corporation’s profits can be made (Mattera, 2010; Latham, 2009).

Hence, corporations should engage in corporate social responsibility in order to bolster the corporation public image, provide motivation for employees, meet expectations from key external stakeholders, avoid environmental disasters, be in alignment with industry or community expectations, protect corporation from legal threats, achieve marketing advantages or other direct

economic impacts, reduce criticism from government, consumers or employees (Milliman, et al., 2008; Diamond, 2010)

Nowadays, customers demand social responsibility from each corporation. Hence, corporations are being judged on how they threat the environment increasingly. (Mattera, 2010). For example, Lowe's and Home Depot have stopped buying wood from counties with endangered forests, because they are growing more transparent in their operations and more accountable for their misdeeds (Weiss 2009). Hence, business activities should be measured in economic, environmental and social costs and benefits (Mattera, 2010)

Although corporate social responsibility movements and practices are not new trends, and becoming more popular of doing business, and this practices have in common a theme that serving society and the environment is also profitable (Diamond, 2010). And those evil, greedy, environmentally destructive, driven by short-term profits corporations won't be successful in the long run (Diamond, 2010).

Furthermore, there is a lot of empirical evidence to suggest poor management of corporate social responsibility can erode shareholder value such as the UK oil giant BP, and Chinese solar company Suntech Power (McWilliams & Siegel, 2010) . For example, the mismanagement of Suntech Power's impact on the environment also created significant long term business risks. Suntech Power dumped toxic waste in the environment surrounding its plant via third-party supplier, thus eroded the shareholder wealth.

So, it is very important for multinational companies balance between the profits and contributes to the improvement of environment. According to research compiled by Société Générale, the average holding period for stocks on London and New York exchanges has fallen from eight years to eight months over the last 20 years. Since SRI funds maintain a much longer time horizon through lower stock turnover, corporations are able to use corporate social responsibility strategy to shape their investment universe and play a more effective significant role in stock selection (Latham¹/₄©2009).

Therefore, in the long term, a company that acts as a responsible corporate citizen, generating considerable benefits to society and shareholders are more likely to be able to sustain its profits growth. All in all, corporate responsibility approach should therefore play a key role in the investment decisions taken by any rational long-term multinational corporations. (Latham¹/₄©2009).

According to Perter Drunker, he contended that only if corporations learn how to convert the major social challenges facing developed societies today into novel and profitable business opportunities, they just can hope to surmount these challenges in the future (Druckerinactive, 2007).

Similarly, Konosuke Matsushita expressed in the1920s the idea that corporations are a " public entity" and that they can exist only if they receive the support of society and therefore must contribute to the society. He also argued that, business should make the service to the society as its

objectives, and while serving the environment and society well, profits will automatically be obtained (Jin & Drozdenko, 2009).

Furthermore, Verschoor (1999) found that there was a significant link between corporate ethical commitment and corporate financial and non-financial performance (Jin & Drozdenko, 2009). . For instance, Heinze et al. (1999), using data from Fortune magazine on CSR, did find a relationship of CSR with investment value and financial soundness (Jin & Drozdenko, 2009).

Other than that, the relativism theories focus on a variety of principle that indicate that there is no absolute ethical standard for having a happy life (Parhizgar & Parhizgar, 2006). Hence, having a happy life depends on variable perceptions within multicultural value systems. Now, the globalised culture believes business should do corporate responsibility (Jin & Drozdenko, 2009). While, the deontologicalists focus on application of ethical principles during decision-making processes and actions, they believe in standardization of prevailing moral principles ((Parhizgar & Parhizgar, 2006). For example, people believe that making profit and contribute to the improvement of the environment is important, and then nobody should interpret it differently.

And it is quite clear that, many corporations are agreed on the broader view of corporate social responsibility (which making profits and protecting the society's welfare) in order to sustain in today complete business environment (Shaw, 2010).

From another perspective, the teleological ethical theories focus upon the net consequences of ethical means and ends. Proponents of teleological
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theories believe that business ethics needs to be concern only with the net profit (Parhizgar & Parhizgar, 2006). And this view is similar to the narrow view of corporate social responsibility, which argued that business should focus on making profits (Shaw, 2010). However this view is infeasible in today business environment.

And according to utilitarianism, balance between increasing the profits and actually contributing to the gradual improvement in the environment can maximize the majority pleasure, happiness, and good (Shaw, 2010) in addition according to general utilitarian principle, MNCs should produce more good than bad for the host country (Shaw, 2010).

According to Shaw (2008), multinational companies can balance between increasing the profits and actually contributing to the gradual improvement in the environment due to management's fiduciary responsibility, the elusive goal of profit maximization, and public expectations.

First, given that managers are already assumed by Friedman to be moral agents, they are capable of acting for reasons other than self-interest, thus manager will be taking a broader view of their social responsibilities.

Second, the goal of profit is elusive, A will prove profitable can be hard, especially to determine whether it is the single most profitable course of action that the firm could have undertaken. Here again there is an analogy with utilitarianism. Thus, from a corporate point of view, and managers should choose the one that best fulfills social and moral obligations and consistent with their duty to shareholders (Shaw, 2008).

Thirdly, is to meet the public expectation, customers want to buy from the companies that run ethically, do business with good companies, and work for the companies that they are proud of.

Conclusion

In short, corporations must run their business ethically, consistent with their company's objectives, acknowledge other obligations beyond only pursuing profits in order to sustain in the future.

Although many corporations appear to be socially responsible out of the company's self-interest, the best way to appear to be socially responsible is to act in socially responsible ways. In doing so, profits will automatically be obtained after serving the society and environment honestly.