

Good Governance and Social Responsibility

Lecture 9: Corporate Social Responsibility

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Lecture Learning Objectives:

At the end of the lecture, you will be able to:

1. Explain the concept of corporate social responsibility.
2. Elucidate the basic premises, arguments for and against CSR.
3. Reason out for the need of a CSR initiative.
4. Enumerate and discuss the ethical decision-making process.
5. Describe the issues considered in social screening of investments.
6. Exhibit understanding of corporate greenwashing.

INTRODUCTION

Corporate social responsibility (CSR) has attained a high profile in the academic domain (de Bakker, Groenewegen, & den Hond, 2005; Lockett, Moon, & Visser, 2006; Margolis & Walsh, 2003; Walsh, Weber, & Margolis, 2003). As well, many consider it an absolute necessity that organizations define their roles in society and apply social, ethical, legal, and responsible standards to their businesses (Lindgreen & Swaen, 2004; Luo & Bhattacharya, 2006). CSR has achieved business prominence due to the activities of pressure groups and also the emergence of the "market for virtues" such as socially responsible investments (Brammer & Millington, 2003; Vogel, 1978) that create further pressures to adopt CSR initiatives (The Economist, 2005; Vogel, 2005). Moreover, CSR has spread geographically from its original US setting (Bowen, 1953) to become a global concept (Matten & Crane, 2005; Scherer & Palazzo, 2007), becoming particularly well established in Europe (Habisch, Jonker, Werner, & Schmidpeter, 2004).

From a CSR perspective, organizations are seen as key drivers in the process of constructing a better world (Friedman & Miles, 2002) and are therefore under increasing pressure to demonstrate good and accountable corporate responsibility (Pinkston & Carroll, 1994). In addition to the prime requirement to deliver profits to shareholders, organizations are frequently subject to wider stakeholder interests and the need to demonstrate a balanced perspective. As a result, organizations are developing and updating their programs and policies, and attempting to measure their social and environmental performance, while at the same time engaging in consultations with stakeholders and, during this process, communicating their values to employees, environmental groups, local communities, and governments.

The pressures are tangible as industry leaders such as Exxon, Nestlé, Nike, and Pfizer have found, encountering severe setbacks to their reputation because of their failure to maintain quality, ethical and other socially responsible standards. By contrast, organizations such as The Body Shop and Ben & Jerry's have based their entire business model explicitly on ethical foundations (Pearce II & Doh, 2005). Global leaders such as Johnson & Johnson, HP and Shell have publicly acknowledged their social and

environmental responsibilities and have developed processes to inform stakeholders using tools including sustainability reports, responsible products, active engagement with NGOs and positive participation in networks to share best practice in the field of CSR (Engardio, Capell, Carey, & Hall, 2007; Kruse, 2005; Norguet, 2005; Schouten & Remmé, 2006).

CSR has moved from ideology to reality and is now acknowledged as an important dimension of contemporary business practices. **Business leaders** give increasing importance to this topic, recognizing that **CSR** is an important component of business survival and success in the 21st century. The management and marketing literature has significantly contributed to defining and characterizing the phenomenon of CSR (de Backer et al., 2005; Garriga & Melé, 2004), as well as developing the discussion concerning best practices (Esty & Winston, 2006; Savitz, 2006).

CONCEPT OF CORPORATE SOCIAL RESPONSIBILITY CSR HISTORY

The nature and scope of corporate social responsibility has changed over time. The concept of CSR is a relatively new one. The phrase has only been in wide use since the 1960s. While the economic, legal, ethical, and discretionary expectations placed on organizations may differ, it is probably accurate to say that all societies at all points in time have had some degree of expectation that organizations should act responsibly.

In the **eighteenth century**, the great economist and philosopher Adam Smith articulated the traditional or classical economic model of business. In essence, this model suggested that the needs and desires of society could best be met by the free-for-all interaction of individuals and organizations in the marketplace. By acting in a self-centered conduct, individuals would produce and deliver the goods and services that would earn them a profit, but also meet the needs of others. The viewpoint expressed by Adam Smith over 200 years ago still forms the basis for **free-market economies** in the twenty-first century. However, even Smith recognized that the free market did not always perform perfectly, and he stated that marketplace participants must act honestly and fairly toward each other if the ideals of the free market are to be achieved.

In the century after Adam Smith, the **Industrial Revolution** contributed to fundamental change, especially in Europe and the United States. Many of the principles advocated by Smith were borne out as the introduction of new technologies allowed for more efficient production of goods and services. Millions of people obtained jobs that paid more than they had ever made before and the standard of living greatly improved. Large organizations developed and acquired great power, and their founders and owners became some of the richest and most powerful men in the world. In the late nineteenth century, many of these individuals believed in and practiced a philosophy that came to be called "**Social Darwinism**," which, in simple form, is the idea that the principles of natural selection and survival of the fittest are applicable to business and social policy. This type of philosophy justified cut-throat, even brutal, competitive strategies and did not allow for much concern about the impact of the successful corporation on employees, the community, or the larger society. Thus, although many of the great tycoons of the late

nineteenth century were among the greatest philanthropists of all time, their giving was done in their individuals' capacities, not as representatives of their companies. Indeed, at the same time that many of them were giving away millions of dollars of their own money, the companies that made them rich were practicing business methods that by today's standards at least, were exploitative of workers.

Around the beginning of the twentieth century a backlash against the large corporations began to gain momentum. Big business was criticized as being too powerful and for practicing anti-social and anti-competitive practices. Laws and regulations, such as the **Sherman Antitrust Act**, were enacted to rein in the large corporations and to protect employees, consumers, and society at large. An associated movement, sometimes called the "**social gospel**," advocated greater attention to the working class and the poor. The labor movement also called for greater social responsiveness on the part of business. Between 1900 and 1960 the business world gradually began to accept additional responsibilities other than making a profit and obeying the law.

In the 1960s and 1970s, the civil rights movement, consumerism, and environmentalism affected society's expectations of business. Based on the general idea that those with great power have great responsibility, many called for the business world to be more proactive in **(1)** ceasing to cause societal problems and **(2)** starting to participate in solving societal problems. Many legal mandates were placed on business related to equal employment opportunity, product safety, worker safety and the environment. Furthermore, society began to expect business to voluntarily participate in solving societal problems whether they had caused the problems or not. This was based on the view that corporations should go beyond their economic and legal responsibilities and accept responsibilities related to the betterment of society. This view of corporate social responsibility is the prevailing view in much of the world today.

Corporate social responsibility is the long-term vow by business to perform within the bounds of ethics and to contribute to economic advancement at the same time improving the quality of life of the workforce and their families as well as of the local community and society at large. **CSR** is a company's positive involvement in society and the environment through its operations, products, or services and through its relations with **key stakeholders** such as employees, customers, investors, communities, and suppliers.

It is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis as they are increasingly aware that responsible behavior leads to sustainable business success. It is about the alignment of business values and behavior with the expectations and needs of stakeholders not only to customers and investors, but also employees, suppliers, public, government, special interest groups and society as a whole. **CSR** depicts a company's commitment to be answerable to its stakeholders.

Descriptively, **CSR** refers to a company linking itself with ethical values, transparency, employee relations, compliance with legal requirements and overall

respect for the communities in which they operate. **Corporate social responsibility (CSR)** upholds a vision of business accountability to a broad range of stakeholders not just to shareholders huge investors of the enterprise. The areas of concern of this practice are environmental protection, employees' welfare, the community, and civil society in general not only for the present but more importantly the future. The idea of CSR is attached to the idea that corporations can no longer act as an economic entity isolated and operating in complete detach from the society.

ARGUMENTS FOR AND AGAINST CORPORATE SOCIAL RESPONSIBILITY

The "**economic**" argument against CSR is perhaps most closely associated with the American economist **Milton Friedman**, who argued that the primary responsibility of business is to make a profit for its owners, albeit while complying with the law. According to this view, the self-interested actions of millions of participants in free markets will, from a utilitarian perspective, lead to positive outcomes for society. If the operation of the free market cannot solve a social problem, it becomes the responsibility of government, not business, to address the issue.

The "**competitive**" argument recognizes the fact that addressing social issues comes at a cost to business. To the extent that businesses internalize the costs of socially responsible actions, they hurt their competitive position relative to other businesses. This argument is particularly relevant in a globally competitive environment if businesses in one country expend assets to address social issues, but those in another country do not. According to Carroll and Buchholtz, since **CSR** is increasingly becoming a global concern, the differences in societal expectations around the world can be expected to lessen in the coming years.

Finally, some argue that those in business are ill-equipped to address social problems. This "**capability**" argument suggests that business executives and managers are typically well trained in the ways of finance, marketing, and operations management, but not well versed in dealing with complex societal problems. Thus, they do not have the knowledge or skills needed to deal with social issues. This view suggests that corporate involvement in social issues may actually make the situation worse. Part of the capability argument also suggests that corporations can best serve societal interests by sticking to what they do best, which is providing quality goods and services and selling them at an affordable price to people who desire them.

There are several arguments in favor of corporate social responsibility. One view, held by critics of the corporate world, is that since large corporations create many social problems, they should attempt to address and solve them. Those holding this view criticize the production, marketing, accounting, and environmental practices of corporations. They suggest that corporations can do a better job of producing quality, safe products and in conducting their operations in an open and honest manner.

A very different argument in favor of corporate social responsibility is the "**self-interest**" argument. This is a long-term perspective that suggests corporations should

conduct themselves in such a way in the present as to assure themselves of a favorable operating environment in the future. This view holds that companies must look beyond the short-term, bottom-line perspective and realize that investments in society today will reap them benefits in the future. Furthermore, it may be in the corporate world's best interests to engage in socially responsive activities because, by doing so, the corporate world may forestall governmental intervention in the form of new legislation and regulation, according to Carroll and Buchholtz.

Finally, some suggest that businesses should assume social responsibilities because they are among the few private entities that have the resources to do so. The corporate world has some of the brightest minds in the world, and it possesses tremendous financial resources. Thus, businesses should utilize some of their human and financial capital in order to “make the world a better place for all the stakeholders.”

BASIC PREMISES OF CSR

Business Leaders understand that long-term company value is based on the capability of the enterprise to respond to society's changing needs.

Consumers search for products and services of companies they believe are doing the 'right thing' in terms of consumer protection, human rights, and the environment.

Employees have a preference to work for companies with whom they share similar mission and values, and where they can make a contribution to society.

Investors look for companies that recognize and manage their risks and are entrepreneurial in terms of attitude in identifying emerging and promising business opportunities.

Local Communities want to know that businesses are being good citizens.

Media expose some examples of best or worst practices to spotlight, in this way companies with good practices are given incentive in the form of free mileage, companies performing worst practices are given disincentive through exposure.

NGOs expose these examples of irresponsible corporate conduct and campaign for greater corporate accountability and transparency.

Regulators want to make certain that business activities not only generate business opportunities, jobs and economic growth but also help solve serious problems such as climate change and the environment.

SPECIFIC RELEVANCE OF CSR

CSR as an approach is becoming progressively more relevant for businesses today because of following identifiable trends:

Changing Social Expectations

Consumers and the public in general expect more from the companies who produce the products and services they buy. These expectations resulted from the corporate scandals, which partially eroded the public trust of corporations and reduced public confidence in the ability of regulatory agencies and organizations to control the corporations' unrestrained behavior.

Competitive Labor Markets

Employees nowadays are gradually more concerned not only on other benefits and take-home pays but also business philosophy that match their principles. For the company to hire and retain these employees with promising potential, the company's working environment must be competitive. Failure will cause the company some concerns about its human capital.

Disclosure Demands by Stakeholders

Stakeholders now know their roles and rights, which includes the right to be informed on how the corporation does its business. There is an increasing insistence for corporate disclosures now from stakeholders than in the past. The public, employees, customers, suppliers, and activist organizations can now demand information about corporate conduct with more pressure than before.

Dwindling Government Role

Governments in the past rely on strict legislations and regulations to deliver social and environmental services and objectives in tandem with the business sector, unfortunately this not how things are done at present, there is now what we can call as "the government disconnection" or failure of regulations. Due to limited government resources, corporations though subjected with so many regulatory filings still have the upper-hand when ranged against the regulators. We must understand, in an ideal environment, the government can only do so much, how much less in a deteriorating, corrupt one.

Globalization

Borderless transactions and the increasing influence of the media from a global perspective is a serious thing to be considered. When informed consumers see wrongdoings by companies, they can immediately bring this to the attention of the public by capitalizing on the use of technology. For example, social media can fuel instant communications among compatible groups and consumers and empower them to spread their "concerns". There is power in numbers. A "concern" may spread like a wildfire which may cause damage to the company. **Consumers** can easily initiate collective action like a product boycott campaign via cyber space.

Pressure From Investors

Ethical conduct is part of the system in assessing a company's performance. Reports showed that about \$2 trillion worth of assets in 1999 were invested in companies that screens and has links to social responsibility and environment, and more than 25% of shareholding businessmen buy and sell stocks by taking into account ethical aspects of companies whom they deal stocks with. To cite, Al Gore's millions are in stocks of companies that deal on "green technology." The foregoing facts set new directions for companies into the future.

Supplier Relations

As **stakeholders** are becoming more and more concerned in business dealings, many companies are taking steps to make certain that their partners do things in a socially

responsible approach possible. Some customers, consumer groups, and treaties are even setting conducts and standards that their supplier has to meet as requisites of business relations. An example to this not buying products who used child labor, boycott campaign on products from manufacturers that did not follow International Labor Organization (ILO) standards, and the growing patronage on products produced from facilities that are certified by international standards setting body like the ISO.

Wealth and Vulnerabilities

In developing and developed countries, consumers can afford to be choosy and picky on the products they buy, corporation therefore has to operationally align itself with this consumer tendencies. On the other hand, we can expect less strict enforcement and regulation when a country or a society is in need of jobs which can be answered by inward investments. These companies which operate here are good for the people in terms of economy and employment, but we have to understand that they go home better with profit. This is the kind of phenomenon is the one that is propelling the unity of stakeholder groups in crying on a more holistic and responsible corporate operation and philosophies.

ETHICAL LEADERSHIP

Ethical leadership is a leadership that is concerned in leading in a manner that respects the rights, dignity, and stake of others. In business and political context, ethical leadership focuses on how leaders employ their business and political power in the decisions they make and actions they engage into. **Leaders** who are ethical demonstrate a level of integrity that is essential for stimulating a culture of honesty and accountability. The character and integrity of the leader provide the basis for personal characteristics that direct a leader's ethical beliefs, values, and decisions. Individual values and beliefs impact the ethical decisions of leaders.

Leaders who are ethical are stakeholder-oriented, and also conscious of how their decisions affect others. They use their power to serve the greater good instead of self-serving interests. In ethical leadership it is important for the leaders, more specifically for corporate leaders in the business arena to consider how their decisions impact the internal stakeholders, the industry, customer and ultimately to the public.

ETHICAL DECISION-MAKING PROCESS IN ORGANIZATIONS

"Right now, we know there are misdeeds going on somewhere in our company. We just hope it is small and we find it."

Warren Buffet, Chairman, Berkshire Hathaway Business Nightly interview, May 2005

Ethics in an organization refers to systems, values, philosophies, and principles that govern the behavior of organizational members which are the consequences of organizational pronouncement. Ethical decision making is the process of trying to establish organizational values from which ethical decisions will be based from. Part of the requisite of ethical decision-making process in organization is answering the following questions whenever confronted with any instance that requires decision. On the

managerial side, did the leader provide leadership and oversight? On the human side, did the leader nurture individuals by providing responsibility and accountability? In the operational corporate context, will it facilitate improvements more especially on compliance requirement?

Decision making is an essential process for organizational effectiveness. Decision making is nearly universally defined as choosing between choices. It is closely related to all the traditional management functions. In the context of ethical decision-making process, the following may help decision makers of organizations lay down decisions aligned with their **CSR principles**:

1. Withdraw.

Before you look at it objectively, step back first. Have a calibrated response for thrilling, rushed and demanding scenarios whether self-imposed or outside sourced. It is not popularity and power nor winning on high drama, its fairness. As much as possible it should not be a "winner takes all" ending. Solutions should spring instead of imposing decisions which might make some parties and stakeholders unhappy.

2. Be An Archivist.

Organizational history may have much to learn from. Review how previous situations were handled; this would reduce the risks of making horrendous mistakes. Some of the fundamentals in this world are not really new despite how distinctive you believe your situation to be. History is also a good warehouse of already invented wheels, which can often save you the time and pain of trying to ineffectively invent a new one.

3. The Option of Doing Nothing.

Gather the facts from all available standpoints. More often a tough issue offers *three main alternatives*: **first**, personal view; **second**, the main alternative option; and the **third**, the normally underestimated, ever-available option of doing nothing. Doing nothing in times of real emergency can be catastrophic, but for an incredibly large number of circumstances doing nothing is the only truly wise way.

4. Be Conscious of Long-Term Effects.

Realize the long-term consequences. Do some base-case modeling and tweaking, think of the "what-if scenarios". History can again be a good source for models for any given situation.

5. Consider Legalities and Ethics.

There might be parties or stakeholders inside and outside of the firm that might be affected by your decision, it is basic to check the law first. Once you are cleared on the legal bar, check its ethical issue. In a sincere CSR practice, what is legal can just be the minimum and not all legal are ethical.

6. Ask Around.

Consult with people, more importantly to the ones you consider crucial. Get out from your close circle; be conscious, you are not looking for friendly advice that is most

situation, when you do some examination and assessment analysis, make sure your of the time bias and comforting. Consulting with people or party most affected by the instruments is balanced and objective.

7. Be Comprehensively Sensitive.

Be concerned about the effect as deeply as possible. Any business decision big or small will have an effect in one way or another directly or indirectly to stakeholders. Some may affect a lot of people and on the environment now and far into the future.

8. Do Not Be A Dangerous "Alpha Male".

Decision-makers should defy the illusion and arrogance that power and authority tend to be associated with. This is particularly essential to safeguard against if you live and work in a protected, insulated, or isolated situation. Being a leader for a long time, or for any duration in a culture of arrogance, comfort, and privilege, nourishes personal delusion. A good number of unethical decisions are products of arrogance and delusion.

9. Find a Win-Win Solution.

Decision-makers should detach themselves from the different partialities of the issue for them to arrive at an objective decision. Never be carried by the pressure of swelling expectations from any group or party who believe they are at the finer end of the issue and thus, they should be favored. Find a Solomonic decision, if possible.

MYTHS ABOUT ORGANIZATIONAL ETHICS

Being Ethical Is Easy

From the business standpoint, being ethical is not easy considering that to be ethical means that business conduct most of the time has to be beyond the minimum legal requirement. **Second**, there is no such thing as cost-free compliance effort. **Third**, being ethical could mean being a bee flying towards a huge web of unethical entities that can easily overwhelm the company.

It is hard to withstand the pressure when almost everybody deviates, and their deviation is already part of the system. The tendency of being carried into this bandwagon mentality may entice the decision makers of corporation to cross the line and start to find justifications for some acts deemed unethical; it is like a quicksand, the next thing you know, you cannot get off from it anymore. Just like in politics, some of them are clean prior to getting involved then stories change when they are already part of the system.

Being Ethical Is Not Part of Doing Business

Being ethical is part and parcel of doing business. It should be something that comes with the existence of the enterprise. When the state grants the business the authority to operate, it is implied that along with the mandate comes the responsibility to comply with ethical standards.

Being Ethical Brings No Benefit

It is not true that being ethical has no reward. Arguably, the only investment without any loss is being ethical. Ethical companies are standouts. They have the confidence of the investors, the support of the community and other stakeholders, and most importantly, the trust of their members. These along with a great vision can definitely bring success and stability.

WHAT ETHICS IS NOT

Ethics Is Not The Same As Feelings

Feelings provide important information for our ethical choices. Some people have highly developed habits that make them feel bad when they do something wrong, but many people feel good even though they are doing something wrong. And often our feelings will tell us it is uncomfortable to do the right thing if it is hard.

Ethics Is Not Religion

Many people are not religious, but ethics apply to everyone. Most religions do advocate high ethical standards but sometimes do not address all the types of problems we face.

Ethics Is Not Just Following The Laws

A good system of laws does incorporate many ethical standards, but law can deviate from what is ethical. **Law** can become ethically corrupt, as some totalitarian regimes have made it. **Law** can be a function of power alone and designed to serve the interests of narrow groups. **Law** may have a difficult time designing or enforcing standards in some important areas and may be slow to address new problems.

Ethics Is Not Following Culturally Accepted Norms

Some cultures are quite ethical, but others become corrupt or blind to certain ethical concerns (as the US was to slavery before the Civil War). "When in Rome, do as the Romans do" is not a satisfactory ethical standard.

Ethics Is Not Science

Social and natural science can provide important data to help us make better ethical choices. But science alone does not tell us what we ought to do. Science may provide an explanation for what humans are like. But ethics provides reasons for how humans ought to act. And just because something is scientifically or technologically possible, it may not be ethical to do it.

CORPORATE CITIZENSHIP

Corporate citizenship refers to the acceptance by business of a conscious effort in focusing and in satisfying the economic, legal, ethical, philanthropic, and social responsibilities and other acts expected from the corporation to do to its stakeholders. This focus covers the areas of business ethics, social responsibility, corporate volunteerism, religious compliance, and reputation management.

Corporate citizenship recognizes that a company or organization is not and should not act in separation of the community or communities within which it operates. Companies and organizations worldwide are recognizing the extensive benefits of a more determined move of attaining balance between their organizational goals and important social, cultural, and environmental responsibilities.

This explains why some model organizations are trying to win multiple stakeholders to make certain that their corporate success goes side by side with improving broader stakeholders, which in turn become an undeniable factor for their long-term success and stability. Striving to become a good corporate citizen is now considered a responsible and legitimate business objective, a trend most now considered and proudly declared as one of their best practices. Corporate citizenship has the following **key elements**:

- Commitment to Quality
- Ethical Legal Compliance
- Stewardship and Governance
- Superior Employee Relation.
- Social Advocacy
- Environmental Advocacy
- Community Involvement

PHILANTHROPY AND SOCIAL INITIATIVES

Philanthropy is the practice of giving money and time to help make life better for other people. It is a manifestation of love for mankind. **Corporate philanthropy** refers to the giving of the company's profit directly to charitable organizations or to individuals in need with the intention of helping and improving the quality of life of the different corporate stakeholders. **Corporate philanthropy** is a key component of a corporation's broader social responsibilities. It can be in the form of cash, product donations or employee volunteerism. **Corporate philanthropy** serves as a major link between the corporation and the communities it serves.

BENEFITS OF CORPORATE PHILANTHROPY

Corporate philanthropy can benefit the companies in a number of ways:

Benefits to Business

- Enhances corporate reputation.
- Improves relations with the government, the community, and the key stakeholders.
- Supports a company's strategic business goals.

Benefits to Stakeholders

- Build employee morale and engagements.
- Enlarges sense of community and social obligations
- Develops future workforce contributing to a sustainable company.

Benefits to the Community

- Improves quality of life of the community members
- Provides human and capital resources to non-profit organizations.

SOCIAL SCREENING OF INVESTMENTS

While we cannot define or describe ethical business in an absolute sense and terms, it is possible to give some modern examples in order for us outline ethical considerations based on scenarios that are generally acceptable as reference in trying to screen investments. For social screening of investments, the following strategies might corporate decision makers. They differ in the extent of their intricacies and thus vary also as far as to the degree of difficulty of implementation. It is not necessary that they individually are exclusive because some can be combined in various ways.

"SCARE-OFF FROM" STRATEGY

This is considered as the most rigid way screening of investments. It can be characterized by hard policies such as no investments to those companies with questionable environmental records, those engaged in child labor, discrimination (sex, racial, religious, cultural, etc.), those who use animals in product testing and many other anti-earth or anti-green policies.

It is worthy to note that while the above strategy is hard to implement from the investor's point of view, some companies (investees) do find some ways to appear as appealing to the investors by employing some mitigating features on the way they do business. For example, some industries such as pharmaceuticals are inherently environmentally polluting, and an absolute screen would bar some investment opportunities into these companies. Some drug companies, for example, have made a serious effort to drastically reduce the number of animals used in the testing of products but they are still using animals for drug testing purposes. Some companies are even willing to share the technological advances that could have been to their favor in exchange for a good image to the eyes of the investors.

IMPACT MITIGATION

Some socially concerned investors deal with the problems inherent in absolute screening by using the strategy of balance with benefit. This approach is founded upon the idea that for everything the company does there is always an impact on the stakeholders. For example, fisher folks are given alternative livelihood by companies doing some seismic testing and eventually drilling for oil exploration in their fishing area. Other companies give priority in terms of employment to those who are immediately affected by the company's operation.

WHOEVER IS THE BEST

This strategy involves a kind of free market model where companies within the same industries compete with one another for the best records on a variety of social issues. For example, environmental awareness and best social practices like best records for the recruitment, training and promotion of women and family-friendly practices.

Awards such as employer of the year, best in community extension program, most disable-friendly company. In the last several years, books have been published that describe the most family-friendly companies and the best companies for women, the best companies to work for, the best companies for African Americans and other minorities. Business magazines frequently carry features on such companies as well.

In the Philippines, for example, Lamoian Corporation (manufacturer of Hapee toothpaste) has garnered the following awards:

- Most Outstanding Toothpaste Manufacturer of the Year (1990, 1993, 1995, 1996, 1997, 2001 and 2002) given by the Consumer's Union of the Philippines
- Agora Award's Marketing Company of the Year (1992) given by the Philippine Marketing Association
- Apolinario Mabini Rehabilitation Award for the Employer of the Year (1993)
- A Special citation for Best Outdoor Advertising for Hapee Singing Christmas Tree given by the Catholic Mass Media Council (1993)
- Apolinario Mabini Rehabilitation Award for the Employer of the Year (1993)
- Outstanding Program for Equal Employment Opportunities for the Disabled (1993) given by the Personnel Management Association of the Philippines
- Outstanding Program for Equal Employment Opportunities for the Disabled (1993) given by the Personnel Management Association of the Philippines
- Big Bird Award, Asian Licensee of the Year award (April 2007)

Another example is **Human Nature**, the first Filipino company to receive prestigious cruelty-free recognition from PETA (People for the Ethical Treatment of Animals).

MAIN OR DERIVATIVE CONNECTIONS

This strategy requires investors to decide whether or not they are concerned if an investment has a secondary involvement with a social problem. It involves asking how far back in the industrial process one wants a particular social screen to go. For example, is it acceptable if a coal utility purchases coal from a mining company with a bad environmental record? The hamburger connection is an example of this strategy. Fast-food companies, such as Burger King, have been criticized for purchasing beef from around the world. The problem is that vast amounts of rainforest land are being cleared to provide range land for cattle. The clearing not only destroys thousands of potentially valuable plants and animals, but it also contributes to the greenhouse effect. In addition, slash-and-burn clearing adds pollutants to the air. In contrast to the usual pattern, McDonalds outlets in the U.S. use only beef purchased from the American Southwest ranches.

Another is the **sweatshop** issue of Nike, will it be just alright to purchase a pair of shoes that is allegedly made out of child labor? Are you going to eat in a restaurant with the best beef in town as their signature dish, even if it means clearing forest to give way to soya plantations for cattle feeds?

CORPORATE GREENWASHING

Greenwashing refers to the practice of companies characterized by deceptively making it appear that their products, services, and policies are environmentally friendly by projecting cost cuts as reduction in use of resources or investments in "green concerns" like in areas of ecology and environment. It is the business of telling the whole world that they are for "mother earth". Descriptively, it is "green marketing tactics" which refer to the deceiving use of green PR to win the hearts of consumers for purposes of improving image, building up goodwill and eventually, drawing more revenue. These are companies who are trying to have a commercial love affair with the environmentally concerned consumers. Consider the following facts:

1970 - Due to public interest in the environment, the first Earth Day was held on Apr. 22, 1970. This caused the industry in general to use more environmentally friendly advertising to improve their image. Public utilities spent \$300 million in advertising to promote that they were a clean green company while they only spent \$37.5 million on pollution reduction research.

1990 - A study published in the journal of Public Policy and Marketing found that 58% of environmental ads had at least one deceptive claim. Another study found that 77% of people said the environmental reputation of a company affected whether they would buy their products. One fourth of all household products marketed around Earth Day advertised themselves as being green and environmentally friendly. In 1998, the Federal Trade Commission created the "**Green Guidelines**", which defined terms used in environmental marketing. The following year the FTC found that the Nuclear Energy Institute claims of being environmentally clean were not true. The FTC did nothing about the ads because they were out of their jurisdiction. This caused the FTC to realize they needed new clear enforceable standards. In 1999, Greenwashing officially became part of the English language. Term like green sheen is also used similarly to describe organizations that endeavor just to let the public see that they are espousing practices advantageous to the environment.

GREENWASHING SINS

An environmental marketing firm TerraChoice released the following in December 2007:

- 99% of 1,018 common consumer products surveyed were guilty of greenwashing.
- 1,753 products with at least one environmental claim; some have more than one claim.
- Out of 1,018 products, only one product was found not guilty of false or misleading "green marketing claim."

The following are the greenwashing sins:

1. Sin of the Hidden Trade-Off

- "Energy-efficient" electronics that contain hazardous materials; 998 products and 57% of all environmental claims committed this sin
- Candies, drinks, beverages, and other sweets with "no sugar" label
- Electric cars are appreciated for zero emission but forget that these need recharging

2. Sin of No Proof

- Shampoos claiming to be "certified organic" but with no verifiable certification; 454 products and 26% of environmental claims committed this sin.
- Shampoos with aloe Vera extract added claim coupled with huge aloe vera picture on its label with little or no actual extracts added
- Paints, sprays and aerosols claiming to be fresheners or sanitizers

3. Sin of Vagueness

- Products claiming to be 100% natural when many naturally occurring substances are hazardous like arsenic and formaldehyde; seen in 196 products or 11% of environmental claims
- The use of paper bags, cups and other packaging and capitalized the term "biodegradable" to improve company image; indeed, it is biodegradable, but it may mean clearing more trees.

4. Sin of Irrelevance

- Products claiming to be CFC-free even though CFCs were banned 20 years ago. This sin was seen in 78 products and 4% of environmental claims.

5. Sin of fibbing

- Products falsely claim to be certified by an internationally recognized environmental standard like EcoLogo, Energy Star or Green Seal. Found in 10 products or less than 1% of environmental claims.

6. Sin of Lesser of Two Evils

- Organic cigarettes or "environmentally friendly" pesticides, this occurred in 17 products or 1% of environmental claims.

In April 2009, TerraChoice published a second report in April of 2009 and the seventh sin surfaced termed as the Sin of Worshipping False Labels.

7. The Sin of Worshipping False Labels

- This is perpetrated by a product wherein by either words or images, gives the impression of third-party endorsement while in fact and in reality, no such endorsement actually happened.

WAYS ON HOW TO SPOT GREENWASHING

There are a good number of ways to spot a company that may be greenwashing. The following are the things one should consider when buying a product to determine whether it is just an advertisement of or really a green:

- Poor use of scientific facts or the lack of any common scientific knowledge and facts.
- The use of buzz words like "carbon intensity", "sustainable development", "carbon offsets" and "clean technology." These terms may be used to distract consumers

from researching further into the product. Sounding too technical makes the consumers depart from probing.

- Look at the environmental label on the product. Save those that are backed by a strict independent certification. Some of the eco-labels of the product are not regulated and are just marketing cosmetics and can be used even if the products are not green.
- Never abandon common sense.
- Look out for negligible green claims, mainly when a company focuses on one small green attribute when the rest

Textbook:

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