

W. TIMOTHY COOMBS & SHERRY J. HOLLADAY

MANAGING CORPORATE SOCIAL RESPONSIBILITY

A COMMUNICATION APPROACH

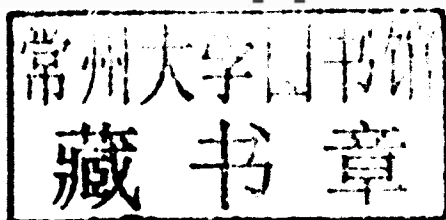


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 **WILEY-BLACKWELL**

A John Wiley & Sons, Ltd., Publication

This edition first published 2012
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Blackwell Publishing was acquired by John Wiley & Sons in February 2007. Blackwell's publishing program has been merged with Wiley's global Scientific, Technical, and Medical business to form Wiley-Blackwell.

Registered Office

John Wiley & Sons Ltd, The Atrium, Southern Gate, Chichester, West Sussex,
PO19 8SQ, UK

Editorial Offices

350 Main Street, Malden, MA 02148-5020, USA
9600 Garsington Road, Oxford, OX4 2DQ, UK
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Library of Congress Cataloging-in-Publication Data

Coombs, W. Timothy.

Managing corporate social responsibility : a communication approach /
W. Timothy Coombs, Sherry J. Holladay.
p. cm.

Includes bibliographical references and index.

ISBN 978-1-4443-3629-0 (hardback) – ISBN 978-1-4443-3645-0 (paperback)

1. Social responsibility of business. 2. Business communication.

I. Holladay, Sherry J. II. Title.

HD60.C6347 2011

658.4'08–dc23

2011017060

A catalogue record for this book is available from the British Library.

This book is published in the following electronic formats: ePDFs 9781118106655;
Wiley Online Library 9781118106686; ePub 9781118106662; Kindle 9781118106679

Set in 10/12 pt Sabon by Toppan Best-set Premedia Limited
Printed and bound in Malaysia by Vivar Printing Sdn Bhd

MANAGING
CORPORATE SOCIAL
RESPONSIBILITY

We dedicate this book to Jeanne, Tom, and Dorothy.

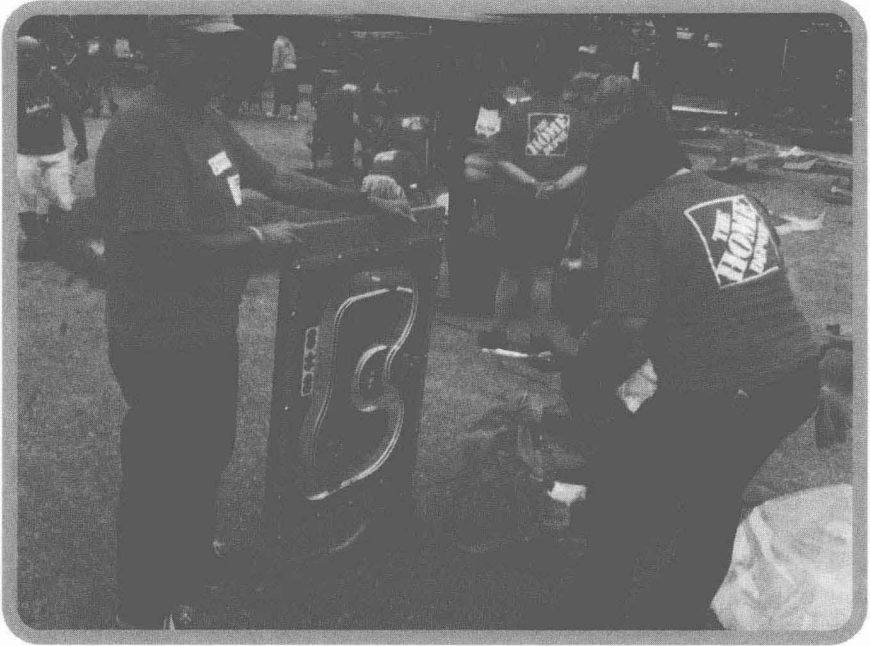
Acknowledgments

Many individuals supported us along the way to make this text a reality, and to all we are very grateful. Most importantly, we thank Elizabeth Swayze, our editor at Wiley-Blackwell, for continuing to be an enthusiastic and responsive advocate for our work. This text, along with our previous publications with Wiley-Blackwell, has benefited from Elizabeth's encouragement and judicious feedback. Elizabeth's guidance has enabled us to pursue projects that are important to our discipline, accessible to our readers, and often enable us to push the boundaries of the status quo.

We owe thanks to our production team who worked hard to get our manuscript into shape. Matthew Brown ably supervised the process and amazingly kept everyone on a tight schedule. We acknowledge Dave Nash, who worked with permissions and images to secure visual elements we believed would enhance the book. Dave persistently sought permissions from often reluctant (and sometimes completely uncooperative) sources. We also thank Cheryl Adam, our copy-editor. Cheryl's competence undoubtedly makes us look better and adds to our readers' experiences with the material in our book.

We also thank the scholars who reviewed the early version of the manuscript and offered suggestions that enhanced the book.

W. Timothy Coombs
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Home Depot, the world's largest home improvement retailer, operates in the US, Canada, Mexico, and China. Home Depot supports "Team Depot," a volunteer program led by store associates that participates in community programs. Courtesy of Volunteer Canada

Contents

<i>Contents in Detail</i>	ix
<i>Acknowledgments</i>	xiii
1 Conceptualizing Corporate Social Responsibility	1
2 Strategic CSR	29
3 CSR Scanning and Monitoring	51
4 Formative Research	63
5 Create the CSR Initiative	89
6 Communicate the CSR Initiative	109
7 Evaluation and Feedback	137
8 CSR Issues	153
<i>References</i>	165
<i>Index</i>	177

Contents in Detail

Acknowledgments

xiii

1	Conceptualizing Corporate Social Responsibility	1
	Box 1.1: The Sullivan Principles	2
	Corporate Social Responsibility: Seeking Parameters	5
	<i>Defining CSR</i>	6
	Box 1.2: Definition of CSR	8
	Benefits and Costs of CSR	9
	<i>Two Sides of CSR Cost-Benefit Analysis</i>	9
	<i>CSR Costs for Corporations</i>	10
	<i>CSR Costs for Society</i>	12
	<i>CSR Benefits for Corporations</i>	13
	<i>CSR Benefits for Society</i>	14
	Winning and Sustaining Support for CSR	14
	Other Conceptual Questions about CSR	16
	<i>CSR: Modern or Historic?</i>	16
	Box 1.3: Forest Stewardship Council (FSC) Standards	19
	<i>Forms of CSR</i>	20
	<i>Where Is CSR's Home?</i>	22
	<i>Should CSR Standards Be Localized or Globalized?</i>	24
	Conclusion	27
2	Strategic CSR	29
	Characteristics of the Corporation	31
	Stakeholder Expectations and the Importance of Organizational Identification	32
	Reputational Benefits of CSR	35

Perceived Motives for CSR Initiatives	38
General Strategic Guidance: Approaching the CSR Process as Change Management	44
<i>Everyone Loves a Good Story</i>	45
The CSR Process Model: A Brief Preview	47
3 CSR Scanning and Monitoring	51
Issues Management	53
Scanning and CSR	54
<i>Prioritizing CSR Concerns</i>	54
Monitoring and CSR	57
Scanning and Monitoring in Concert	58
Stakeholder Engagement's Role in Scanning and Monitoring	58
Conclusion and Critical Questions	60
4 Formative Research	63
Researching Stakeholder Expectations for CSR	67
Box 4.1: MyStarbucksidea CSR Suggestions	68
<i>The Expectation Gap Approach</i>	69
Box 4.2: IKEA Child Labour Code of Conduct	71
<i>Origins of Expectation Gaps</i>	73
Box 4.3: Pinkwashing Detection	75
<i>Relevance of Operant Conditioning Theory to Stakeholder Challenges</i>	77
<i>The Alignment Approach</i>	80
The Counterbalance: Corporate Concerns	85
Conclusion and Critical Questions	85
5 Create the CSR Initiative	89
Selecting the CSR Initiatives: Appreciating the Contestable Nature of CSR	90
Differing CSR Expectations among Stakeholders	90
<i>Stakeholder Salience</i>	91
Box 5.1: Stakeholder Salience	92
What Constitutes CSR?	92
<i>Stakeholder Participation in Decision Making</i>	94
<i>Organizational Justice in the Engagement Process</i>	96
The "Right Amount" of CSR	98

When Employees Challenge CSR: Considering Internal Stakeholders	99
Preparing for Negative Stakeholder Reactions: Message Mapping	101
Developing CSR Objectives	101
Box 5.2: Message-Mapping Template	102
<i>Process versus Outcome Objectives</i>	103
Conclusion and Critical Questions	105
6 Communicate the CSR Initiative	109
CSR Promotional Communication Dilemma	110
Box 6.1: Overview of Corporate-Activist Partnerships	116
Communication Channels for CSR Messaging	116
<i>Overview of Communication Channels for CSR</i>	117
Box 6.2: Social Media Overview	118
<i>Employees as a Communication Channel</i>	122
<i>External Stakeholders as a Communication Channel</i>	123
<i>Strategic Application of Social Media to CSR Communication</i>	124
The Overall CSR Promotional Communication Strategy	128
<i>Annual Reports and CSR Communication</i>	128
Conclusion and Critical Questions	133
7 Evaluation and Feedback	137
Evaluation	138
<i>Assurance and CSR Evaluation</i>	141
Stakeholder Engagement in the Evaluation Process	142
Box 7.1: Musgrave Group Assurance Statement 2006	143
Box 7.2: Basic ROI Formula	145
<i>Considering Return on Investment</i>	145
Feedback	146
<i>Feedback from Stakeholders on the CSR Process</i>	147
<i>The Communication Audit</i>	148
Conclusion and Critical Questions	148
8 CSR Issues	153
Overarching Concerns for CSR Initiatives	154
Responsibility for CSR Initiatives	155
Limitations from Industry, Culture, and Law	157

<i>Industry Standards</i>	157
<i>The Culture and Socioeconomic Context</i>	158
Box 8.1: Culture and Activism	160
<i>The Legal Context</i>	161
<i>Beyond Limitations</i>	161
Parting Thoughts	162
References	165
Index	177

1

Conceptualizing Corporate Social Responsibility

Apartheid is an historical artifact for many people reading this book rather than a current issue or reality. Apartheid was a severe, state-sanctioned racial segregation practiced in South Africa and what was then called Rhodesia (now Zimbabwe). A white minority used apartheid to oppress the indigenous black populations. In the 1970s, Dr. Leon Howard Sullivan, a US minister, plotted a corrective course of action that became known as the Sullivan Principles. The Sullivan Principles were designed to help end apartheid in South Africa by placing requirements on US corporations wanting to conduct business in South Africa. Box 1.1 lists the final seven points to the Sullivan Principles (Leon H. Sullivan Foundation, n.d.). The Sullivan Principles, along with the divestment campaign of the 1980s, did exert some pressure on the South African government. The divestment campaign worked in tandem with the Sullivan Principles. Investors were asked to divest (remove investments) from any US companies that did not adopt the Sullivan Principles. College campuses were a hotbed of activity for divestment pressures in the 1980s. Campus protests brought attention to the issue and pressured universities to cease investing in corporations doing business in South Africa. While the Sullivan Principles alone precipitated very little change, the divestment campaign is credited with having a significant effect on eradicating apartheid in South Africa.

The Sullivan Principles and related divestment efforts are indicators of corporate social responsibility (CSR) making a difference on a global scale. Fair treatment of workers and socially responsible investing are recognized today as CSR. The Sullivan Principles provide a foundation for socially

Box 1.1 The Sullivan Principles

1. Non-segregation of the races in all eating, comfort, and work facilities.
2. Equal and fair employment practices for all employees.
3. Equal pay for all employees doing equal or comparable work for the same period of time.
4. Initiation of and development of training programs that will prepare, in substantial numbers, blacks and other nonwhites for supervisory, administrative, clerical, and technical jobs.
5. Increasing the number of blacks and other nonwhites in management and supervisory positions.
6. Improving the quality of life for blacks and other nonwhites outside the work environment in such areas as housing, transportation, school, recreation, and health facilities.
7. Working to eliminate laws and customs that impede social, economic, and political justice. (*added in 1984*)

Source: Leon H. Sullivan Foundation (n.d.).

responsible investing and, therefore, comprise a form of CSR as well. The focus of the Sullivan Principles was social improvement through the elimination of apartheid. The Sullivan Principles were not the first CSR effort or the first socially responsible investing guidelines to appear in the business world. However, the anti-apartheid efforts illustrated the potential power of CSR. Corporations were pressured to change their behavior not because their actions were illegal but because their actions failed to meet expectations for responsible behavior.

On December 3, 1984, the Union Carbide India Limited facility in Bhopal, India, leaked tons of deadly methyl isocyanate (MIC) gas. Bhopal quickly became the worst industrial accident in the history of the world. Estimates place the death toll at between 3,000 and 10,000 people in the first 72 hours. One estimate places the number of those who have died since being exposed at around 15,000. Between 120,000 to 500,000 people suffered permanent medical conditions from the exposure (Amnesty, 2009). Investigative reports since the accident all noted lax safety as the cause. Union Carbide's own investigation identified procedural violations and operating errors (Diamond, 1985). Many safety systems did not function, and overall the facility was in disrepair. This created a very unsafe operating

environment that led to tragic consequences for employees and those living near the facility (Bedford, 2009).

People in the United States were concerned because Union Carbide was using the same chemical at a US facility. Union Carbide reassured US citizens that the facility in the United States was safer. That led some people to question the original safety commitment in Bhopal (Diamond, 1984). Here is one description of the safety discrepancies between Bhopal and the United States.

Carbide had dropped the safety standards at the Bhopal plant well below those it maintained at a nearly identical facility in West Virginia. It is also important to note here that Carbide was able to operate its deteriorating plant because industrial safety and environmental laws and regulations were lacking or were not strictly enforced by the state of Madhya Pradesh or the Indian government making them indirectly responsible for the tragedy at Bhopal. (Trade Environmental Database, 1997)

The US facility was slightly different as it had fewer control systems and relied more on manual rather than automatic systems (Shabecoff, 1984). In fact, Union Carbide documents released during litigation indicated the Bhopal facility was built using some untested technologies (Trade Environmental Database, 1997).

Bhopal should not be forgotten so that it is never repeated. Bhopal stands as an appalling example of the exploitation of developing countries. The same deadly chemical was present in Bhopal, India, and in the United States. In Bhopal, the safety standards were lax from the start and were allowed to deteriorate. In the United States, the safety standards were maintained to a higher standard. Why the neglect in Bhopal? The answer is financial gain. Union Carbide saved money by requiring less rigorous safety standards in India and by not investing in preventative maintenance (Bedford, 2009). We cannot assume corporations will naturally act in a responsible or even a humane manner. This is not to say that all corporations are inherently evil and callous toward constituent safety. Bhopal reminds us that CSR may not be naturally occurring within the corporate environment. The allure of profit sometimes can be deadly for constituents.

Nike remains the leader in the athletic shoe and garment market globally. The brand is widely recognized around the world and associated with winning. In the 1990s, Nike became associated with sweatshops and exploitation of workers. Many nongovernment organizations (NGOs), such as Global Exchange and Sweatshop Watch, began to complain about the treatment of workers in facilities that supplied Nike with products and materials. This mix of religious, student, and labor groups noted problems with corporal punishment, low wages, forced overtime, inhumane working

conditions, and child labor (Team Sweat, 2008). An awareness campaign used public relations to inform constituents about the origin of Nike products. Combining the Internet with traditional news exposés, the NGOs were able to exercise a significant amount of pressure on Nike to reform its practices. Constituents increased public awareness of supplier practices, and this created negative publicity and pressure for Nike to change (Carty, 2002). We should note that the sweatshop issue was (and continues to be) endemic to the entire garment and shoe industry, not just Nike. Nike was targeted because activists know that confronting the market leader maximizes the attention that activists attract for their efforts.

NGOs included universities in the United States as their targets for the Nike effort. Students used various public relations tactics to pressure administrations into changing contracts if Nike did not alter its business practices. US universities have lucrative athletic shoe contracts with major shoe manufacturers such as Nike, Adidas, and Reebok. The Nike labor case illustrates how public relations becomes translated into political pressure via financial threats. Negative attention on the supply chain created policy changes (Bullert, 2000). O'Rourke (2005) notes that the NGOs used public relations and marketing campaigns to alter global production and consumption. The public relations efforts shifted demand from "problematic to improved products" (O'Rourke, 2005, p. 116). In essence, socially responsible consumption was creating more socially responsible corporate behavior – consumers were pushing for CSR.

These three vignettes are all pieces of the mosaic that comprise corporate social responsibility. They offer different insights into CSR and its transformative potential while reminding us that CSR transpires within a business landscape, not some abstract utopia. In these three cases, corporations engaged in "bad behavior" while experiencing economic success. But the public scrutiny of their actions contributed to outrage and pressure for change. As we shall see, pressure for "responsible behavior" may originate from inside the organization (e.g., it is seen as central to its mission), or they may emanate from pressures outside the organization as we saw in the three cases at the beginning of this chapter.

The challenge in discussing CSR is that it is not reducible to one simple concept. Our examples illustrate how irresponsible corporate behavior may take many forms. Similarly, *responsible behavior* is not easily defined. Nor can concerns surrounding CSR be traced to one common history. CSR is a composite of activities drawn from different academic and professional disciplines. Moreover, what constitutes CSR actions will differ from country to country. The complex nature of CSR results in a challenging first chapter that explains the conceptualization of CSR we have developed for this book, identifies costs and benefits for the corporation and society, and demonstrates the value of a communication-centered approach to CSR.

Throughout this book, we refer to stakeholders, their relationship to CSR and the corporation, and their role in the CSR process. Edward Freeman (1984) provides the classic definition of a *stakeholder* as “any group or individual who can affect or is affected by the achievement of organizational objectives” (p. 46). How the group or individual affects or is affected by the organization is the *stake* that binds them to the organization. We acknowledge that this is a broad definition and can even include nonhuman entities such as the environment. Our communication approach to CSR focuses on the importance of stakeholders and the stakeholder engagement process in conceptualizing, implementing, and evaluating CSR initiatives.

Thinking in terms of stakeholders represents a way of classifying or segmenting people – dividing people into similar groups. That is why writers often refer to types or categories of stakeholders. The *stake* is used to create the categories for segmentation. Typical stakeholder categories include employees (for whom employment is the stake), members of the community (for whom living near the organization is the stake), customers (for whom the product or service is the stake), and investors (for whom financial interest is the stake). Stakeholders also can be conceptualized in terms of CSR concerns or interests. For example, some stakeholders are especially concerned about and segmented according to environmental issues like air and water pollution, depletion of natural resources, or organizational impacts on endangered species. Their interest in environmental concerns is the stake that binds them to the organization. Other stakeholders are concerned with human rights and labor issues. They may focus on issues like child labor, the rights of workers to unionize, or workplace safety. The concerns of stakeholders can change and lead them to redefine their memberships. For example, those living near or working at Union Carbide’s Bhopal facility may have thought of themselves as having an economic stake in its success. But that stake may have shifted dramatically following the Bhopal industrial accident and be broadened to include health and life-and-death concerns. Stakes also can shift when people are made aware of the relevance of the corporation to their interests. For instance, campaigns have helped to inform consumers of the conditions under which their apparel is manufactured and have led them to demand change. Stakeholders, their relationships with corporations, and communication’s role in this relationship and the CSR process comprise the major theme woven throughout this book.

Corporate Social Responsibility: Seeking Parameters

When introducing a concept, it is important to define that concept and to articulate its parameters. We cannot assume everyone is working from the