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IS CORPORATE SOCIAL RESPONSIBILITY IS A DEFENCE AGAINST MAKING RADICAL CHANGES?

INTRODUCTION

Corporate Social Responsibility is an integrated part of most large enterprises' strategies, varying in significance and importance; in any case companies do not solely care about profit anymore as much as in the past when the world used to turn around the company and its shareholders. Since R. Edward Freeman introduced Stakeholder Theory (Freeman & Reed, 1983), the focus of companies has gone beyond making profit for shareholders. An important milestone is that the Triple Bottom Line concept became the de facto annual reporting standard, after its introduction in 1994. The Triple Bottom Line is an accounting framework with three parts: social, environmental and financial. A more recent milestone was reached in 2016, when the United Nations set 17 Sustainable Development Goals for its member states as part of Resolution 70/1 of the United Nations General Assembly: "Transforming our World: the 2030 Agenda for Sustainable Development". The Sustainable Development Goals and the accompanying set of measurement indicators are forced upon organisations to adopt and operate accordingly by 2030.

However, there is still a lot of scepticism around the part Corporate Social Responsibility plays in companies. According to Thomas Lyon et al. (Lyon et al., 2018), examples show how some firms take symbolic action that sounds good in an annual report or the newspaper while hiding the fact that they are blocking substantive progress or radical changes. This sort of two-faced strategy makes a mockery of corporate social responsibility and turns it into a public relations gimmick.

In order to test the hypothesis whether Corporate Social Responsibility is actually used as a defence against making radical changes or not, I will discuss the impact of four contextual areas of influence that have an impact on multinational companies: economic, socio-cultural, political and technological areas of influence. Based on my 17 years of international, corporate experience, I not only consider these four areas to constitute a representative set of influencing forces on large organisations, but also have a good understanding of the cross-influencing power among these forces, which will add to the complexity of taking strategic decisions. In my experience, using these four areas creates a very complete lens to look at the contextual dynamics of organisations.

THE ECONOMIC CONTEXT OF A COMPANY

Economic factors greatly affect how businesses operate and make decisions. Milton Friedman (Friedman, 1970) believes that businesses do not have any moral obligations or social responsibilities at all, other than to maximize their own profit. This view is called *Shareholder Theory*. Profitability can be measured easiest at company level. But driven by accounting regulations, data transparency and automated enterprise resource planning systems, companies measure more than just the total enterprise profitability. From my experience, the Triple Bottom Line is applied, however, the focus of a company's reporting framework is mainly financial, as the social and environmental parts of the framework are not considered to reflect the core-business of a company. This is clearly demonstrated in by the frequency and level of detail that lies in financial reporting. Weekly turnover and market share reporting if not daily, is not uncommon and the stock markets expect companies to publish quarterly reports including a detailed financial outlook for the months to come. This level of detail, diligence and frequency is not common for social and environmental reporting.

Whereas financial reporting is considered to reflect the professional standard of a company, the social and environmental reporting relate more to the ethical standard of a company. Bridging the professional and ethical standards would demonstrate that a company seeks alignment between its core-business and social and environmental interests.

The full transparency that comes with the alignment, means that companies expose their decision-making process and the arguments for the decisions they make. This would imply that companies need to redefine their core-business and include social and environmental interests in their business model. Since the decision of the United Nations in 2016, the Sustainable Development Goals are to be integrated in the company's business. In the study of Kremer & Biesheuvel (Kremer & Biesheuvel, 2017), a case company was used to address the possible barriers that obstruct alignment between these standards. The study has identified a handful of requirements for a company to have full reporting alignment. These requirements demand for a full alignment of the measurements set by the United Nations and the company's performance measurements. The company's targets need to be linked specifically to the Sustainable Development Goals. The achievement of these goals needs to be monitored and external reporting needs to be enabled through alignment with the surrounding management systems.

I agree with the proposal of Kremer & Biesheuvel, as the requirements are not alien to a company's financial reporting. I have spent many years in executive and operational roles, which are very much based on around financial reporting and budgeting. The time that is invested by the management, as well as the systems that have been put in place are significant. The costs and resources associated with the implementation of an additional monitoring and reporting system for the ethical standard, may hinder companies to commit to the requirements. It would require more management and systems resources, most probably on the expense of core-business investments. However, I would argue that the decision would be made in favour when non-commitment would harm the financial results coming from the core-business. This happens when customers are not willing to buy the product, or when a company is not an attractive employer anymore, due to its passive or reactive attitude toward ethical standards.

THE SOCIO-CULTURAL CONTEXT OF A COMPANY

In contrary to the financial objections, I do not see any resistance, when it comes to the moral support among the company employees. This view is supported by the results of a study by Daraneekorn Supantia and Ken Butcher (Supanti & Butcher, 2018), which reveals that Corporate Social Responsibility participation has a strong influence over work-related outcomes. The strongest effect of Corporate Social Responsibility participation on helping behaviour is in Generation Y whereas Corporate Social Responsibility perception has a strong indirect effect on helping behaviour through meaningful work in Generation X. I therefore arrive at a conclusion by reasoning, that when the constellation of the workforce of a company and the socio-demographic profile of its customers has reached a critical mass of Generation X and Y members, the company has left no choice than to bridge professional and ethical standards in the most transparent way.

This demonstrates the cross-influence of the socio-cultural context on the economic context. High trends in social factors affect the demand for a company's products and how that company operates. Companies may change various management strategies to adapt to social trends. Given the rise of the Purpose Economy, driven by millennials who want to have more meaning in their lives through relationships, impact and growth, companies are expected to mirror the values of the purpose economy. Companies are expected to be a good corporate citizen by contributing resources to the community and improve quality of life.

In the last 20 years, I have witnessed a shift in organisational cultures in the companies I worked with across the globe. In the early days of my career, Corporate Social Responsibility did not play a role at all, the management style was very hierarchical and the product focus greatly overshadowed a customer focus. Over the years, Corporate Social Responsibility became more important, from a tick-the-box exercise to a meaningful part of the organisation, however not prominent. Management has become more open to new organisational designs and behaviour, and customer focus gained traction driven by a globalising market, lower entry barriers and product customisation possibilities. When I extrapolate these trends and relate to the rise of the Purpose Economy, then I envisage that consumers and employees from Generation X and Y, as well as the Millennials will force companies to fully embrace Corporate Social Responsibility and become a good corporate citizen.

During the last years, after I left the corporate world, I have realised how strongly embedded these values are within the younger generations. I have spent a great deal of my time talking to individuals and groups in the age of 20 till 30, and I had to change my point of view on the world. My view was very much a traditional corporate one and after many deep discussions with and observing this age group, I have changed my point of view. Not only because I understand their concerns and interest, but they have also become my concerns and interests.

My understanding and current views are supported by the work of Marin, Cuestas and Roman (Marín, Cuestas, & Román, 2016), who studied the determinants and consequences of employee attributions of Corporate Social Responsibility as substantive or symbolic. Two fundamental findings of micro-level research on Corporate Social Responsibility are that individuals will reward organizations who engage in Corporate Social Responsibility, and more recently, that the attributions made of the motives underlying these Corporate Social Responsibility initiatives, play a key role in these responses. In other words, when (potential) employees believe and trust that a company's Corporate Social Responsibility intentions and actions are substantive and not symbolic, the company will score high on employee-attractiveness, as it has demonstrated its clear intention in becoming a good corporate citizen.

THE POLITICAL CONTEXT OF A COMPANY

Part of the becoming a good corporate citizen is embracing responsibility in the political context. In the light of the increasing importance of Corporate Social Responsibility and the laws and regulations around it, companies are in many ways in a continuous relationship with governments and other stakeholders, either actively or passively. The question is to which extent companies should interfere with politics in the most ethical way, without compromising their competitiveness and core business.

Metrics used to evaluate Corporate Social Responsibility today by most ratings systems almost completely ignore the role of business in shaping public policy. A call for more transparency is becoming increasingly louder, and signs of change are emerging. Current disclosure rules do not require firms to be transparent about what types of policies they support, merely how much money they spent lobbying on a particular issue. Since July 1st, 2018, the Global Reporting Initiative's Sustainability Reporting Standards – the most widely adopted global standards for sustainability reporting – urges companies to report on the organization's participation in the development of public policy, through activities such as lobbying and making financial or in-kind contributions to political parties, politicians, or causes.

According to Lyon et al. (Lyon et al., 2018), there is evidence that some companies use their corporate sustainability initiatives as cover for their political efforts to block meaningful change. Examples of the tobacco lobby delaying regulation change, donations of the National Rifle Association to political parties, and the fact that many industry associations that have their office in Brussels and Washington are familiar to the public. To a certain extent there is a good explanation in some circumstances; it is unrealistic to expect firms to support public policies that financially disadvantage them in any significant way. We would not expect a coal company to support policies that would stop coal mining or an oil company to support policies that would stop drilling for oil.

Rules and regulations have a strong impact on the company's business, and it shows that even when a company has embraced the economic and socio-cultural context in which it operates, it may run a great existential risk when the political context harms their core-business. Therefore, I draw as a logical conclusion that the further away a company operates in alignment with current and future Corporate Social Responsibility related rules and regulations, and the closer it is to being locked into its paradigm, the more radical the business model changes will be and the higher the benefit is to influence the political context for its own good to prevent itself from making these radical changes.

I have spent most of my career in the cement industry, which is notorious for the pollution it causes. I have witnessed how rules and regulations have impacted the operations and strategy of a company. The efforts that have been put into lobbying were significant. Only in recent years, the industry is focusing on innovation to prevent the pollution happening, rather than keeping rules and regulations in favour for the industry (Schigt, B. 2017).

THE TECHNOLOGICAL CONTEXT OF A COMPANY

Sourcing, manufacturing and logistics companies are more exposed to the impact of the United Nations Sustainable Development Goals as well as Corporate Social Responsibility on their value chain, than service companies. The technological context of these companies includes the full value chain from sourcing raw materials to the end product, research and development activity, automation, technology incentives and the rate of technological change. These can determine barriers to entry, minimum efficient production levels and influence the supply, distribute and outsourcing decisions.

To adhere to a large number of the Sustainable Development Goals, a fundamental change is required which will focus not on improving waste management but preventing the generation of waste altogether. Zero waste movement, based on the idea of minimizing and eventually eliminating waste altogether, has been gaining a lot of momentum in the recent years. It is a whole-system approach that aims for a fundamental change in the way materials flow through society. Zero-waste strategy is all about creating a low-carbon, resource efficient, and resilient economy that respects the diversity of ecosystems and promotes biodiversity. Instead of focusing so much on recycling and diversion from landfills, it is about restructuring production and distribution systems to prevent so much waste from being manufactured in the first place. It is based on the philosophy that encourages the redesign of resource life cycles so that all materials are reused, with no waste left to be sent to landfills.

Any technological context changes would affect costs significantly and impacts the quality of a product. Therefore, the cross-influence of technological context drivers on the economic context of a company is enormous and together with a changing political context, the ask of these companies to commit to radical changes is significant. In some cases, it may lead to companies to close shop when they do not have the economic ability to commit.

Additionally, these types of companies tend to be more exposed to markets which are known for adverse labour conditions in their value chain and industrial clusters. Gary Gereffi and Joonkoo Lee (Gereffi & Lee, 2016) highlight different governance situations in which distinctive driving forces and leverage points play a critical role in advancing labour conditions and workers' rights. Although global value chains and industrial clusters have been changing in significant ways in recent years, a stronger effort needs to be made to commit to broader societal responsibilities related to the labour conditions and worker rights of local suppliers and communities.

This means that even when it is economically feasible for companies to make radical changes in sourcing, manufacturing, and shipping, governance structures need to be implemented to make sure that the workforce in the entire value chain and industrial cluster is not exposed to adverse labour conditions. The question here is whether it would be possible to take full responsibility for labour conditions for a company's suppliers' suppliers, as it would require a company to enforce worker rights, monitor and audit these rights, and take actions when these rights are breached – up to the level op suppliers' suppliers and within local communities. I think this is almost impossible as the human factor in the process is literally fully present; not only in carrying out the work, but also in the monitoring, reporting and correcting of labor conditions. The human factor is easy to manipulate when poverty, famine, corruption and briberies are part of every day life. I have lived and worked in countries where this was not unfamiliar. One can educate and train the workforce not to give in and adhere to providing the right labour conditions, but what looks solid on a powerpoint slide, may look like a threat to someone's life or family life that very day.

CONCLUDING REMARKS

Taking the various context areas in perspective as the drivers and obstructers for change, or radical change in many situations, it comes clear to me that there is a high level of reactiveness in the system. The pillars are to a great extent interwoven and strongly influence each other. Making changes to a business is almost impossible in isolation; a change will be both a reaction to a change and as an action for consecutive changes. The level of complexity is gigantic and making the wrong change, could simply lead to taking your company out of business, as the chance of unintended consequences are particularly high. In particular for multinational companies, who are exposed to an even greater level of complexity, by operating in different countries.

The costs and resources that companies have to commit to adhere to Sustainable Development Goals and Corporate Social Responsibility are already significant when these changes are not even radical. In many cases, it also means a cultural and mindset shift for companies that have not morally embraced the ethical standards and expectations of younger generations, that come forth out of the longing to a Purpose Economy. With the current lobby structures and other strong political interactions in place, aiming for delay or change of rules and regulations in compliance with

Corporate Social Responsibility, a radical change to this would impact the mutual understanding of politics and corporates. The technological context and the nature and globalisation of certain industries demand for a value chain approach, which is radically more complex than a stand-alone company change.

Therefore, I conclude that it is quite logical for companies to approach Corporate Social Responsibility with caution and take one step at a time. Making radical changes in a reactive environment, in which all four context pillars play a significant role, may provide a company aiming for radical changes with an upturn and first mover advantage, however the chances that this company enters a downward spiral is too large to ignore. In this sense the approach to Corporate Responsibility is used as a defence.

In my opinion, a safe possibility would be that Corporate Social Responsibility needs to be fully internalised in the nature of society and businesses, rather than being forced upon businesses ask a task to complete. This will have a higher impact on changing the mindset and behaviour and would ensure a pro-active stance, rather than reactive. Demonstrating the change in mindset and behaviour with the best intentions, may provide companies with the trust and good will of its stakeholders, that it needs to make radical changes.

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