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Without Proper Regulation, is Corporate Social Responsibility Just a Public Relations Tool?

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This article explores the ripple effects of limited CSR regulation and why without regulation or formal standards CSR is just a public relations stunt rather than a credible, integrated business strategy.

To cite this article: Lebbon, V. 2017. Without Proper Regulation, is Corporate Social Responsibility Just a Public Relations Tool?, *Journal of Promotional Communications,* 5(1), 23-30

INTRODUCTION

Since 2000, we have seen corporate social responsibility (CSR) become integrated more frequently within business strategies, making it less about public relations (PR) and more about society. However, there have been various cases recently where high profile brands have been publically shamed for misusing CSR in some way or another, like Volkswagen, who designed technology to deliberately falsify emissions data in 2015, undermining their previously awarded CSR commitments and activities. One of the main reasons behind this is the fact that there is little or no clear regulation, standards or guidelines for CSR and because of this companies have little fear of the consequences if caught misusing it. The following article examines the view that without legal supervision CSR is discretionary to each and every company, allowing them to cherry-pick issues, which in most cases just align with Western values and do not transfer to other parts of the world. This means that companies often ignore pressing issues and merely focus on the most convenient.

On a political level, the UK government have some policies regarding CSR, but globalisation has meant that national governments have little authority over transnational companies, which many scholars argue is because they do not want to disrupt any longstanding relationship with international brands. This paves the way for confusion many have between corporate governance and CSR, where scholars believe you can't have one without the other. This is evident with McDonald's, a global brand who regularly promote their CSR commitments but failed to address one simple yet important issue – "fast food worker rights". Without regulation, some companies use social reporting as a way of "self-regulating" their CSR activities, although with little political or social supervision companies are unlikely to be challenged or asked to verify information released in reports. This has meant that some companies over-exaggerate their environmental achievements to mislead consumers, greenwashing, which was the case for Volkswagen and Mitsubishi in recent years. Coming to the conclusion that without proper regulation or guidelines, CSR will simply remain a PR technique rather than a meaningful, long-term business strategy; affecting those who legitimately want to make a positive difference.

The corporate social responsibility (CSR) movement has developed immensely over the last 15 years; it is now regularly integrated within business strategies and not just limited to public relations (PR) campaigns. This is due to an increase of consumers wanting "green" products, alongside pressure from non-government organisations (NGOs) for change in regards to issues about the environment and other aspects of society. The European Commission and the British Government have helped the movement by encouraging companies to adopt CSR practices and share their impact with consumers. However, little more has been done by political authorities to install an international CSR regulatory framework which could set robust standards to control how companies operate CSR activities and how to appropriately exhibit them i.e. social reporting (Maniruzzaman 2011). Without regulation or framework, CSR is merely a PR tool as various companies simply use it to boost their image rather than to make a difference, as there is little policy restricting companies from making false claims about their activities. This affects consumer trust thus causing public cynicism towards CSR. This article will focus on the ripple effects of limited CSR regulation, including governmental activity so far, confusion about what CSR and corporate governance means, misuse of self-regulation and the existence of greenwashing.

DEFINING CSR

It is difficult to find one CSR definition, especially as there are more than 37 definitions to choose from (Dahlsrud 2006). For this article however, CSR can generally be defined as the practices or activities used by an organisation that go beyond societal or shareholder expectations, specified through regulation or corporate governance (Johnson and Scholes 2002). This is relevant to this discussion because of their mention of the words "regulation" and "governance". However, despite the presence of regulation within this definition, others confidently argue that CSR cannot be regulated due to its discretionary nature, as it is restricted to the company who designed those CSR policies or practices, and therefore cannot be enforced by law. So without this legal or political supervision it can only benefit the corporation rather than tackling real global poverty and other social issues (Banerjee 2008). With this, it has been argued that CSR is entirely dependent to the context in which is written in (Newell 2005). This is evident in the fact that for companies based in America or Britain, their CSR policies are written in accordance to Western culture, so when a company like Apple, for example, decides to implement their "green" environmental laws in other countries like India, they struggle as it does not coincide with that country's cultural and political acceptances of environmental standards (Low and Idowu 2014). So even though a company might have credible means behind its CSR policies it is often unsuccessful when it is used in other countries, reinforcing this idea that CSR is a PR tool rather than a well-thought business strategy as it cannot be implemented past the gates of the company who designed the policy.

To follow on with CSR's contextual drawbacks, globalisation can also influence CSR regulation and its implementation. This refers to the expansion of global and national markets and how the impact of privatisation and economic regulation can limit the control of national governments on transnational companies (Vogel 2005). With this, there is little effective international regulation which ultimately allows companies to do as they please (in terms of CSR) with little threat of government intervention or sanction.

It is also said that some governments are reluctant to propose and implement regulations surrounding CSR, particularly in the UK and the European Union (EU), because they do not want to damage their relationships with big companies by making CSR mandatory for all, arguing that "CSR is by definition voluntary" (Department for Business Innovation and Skills 2014, Moss and DeSanto 2011). So instead some political executives (of the EU) like the European Commission have made some aspects of CSR mandatory by incorporating them in company law, i.e. the need for social reporting, so they can avoid scrutiny and still maintain a strong relationship with particular companies (Moss and DeSanto 2011). However, one of the ultimate problems with the lack of political support, both nationally and internationally, is that it allows CSR to disappear if the demand from society and NGOs decreases, letting CSR become just another passing fad (Moss and DeSanto 2011, Horrigan 2007). With little belief in CSR, the government (if indirectly) reinforce this idea that CSR is simply a PR tool as it lacks the appropriate support needed to make it a credible, trusted business strategy.

REGULATING CSR

Not to say that national governments or politicians have done little to nothing to support or regulate CSR. They have made some effort, for example former Prime Minister Tony Blair appointed the first Minister of CSR in 2000. Blair also proposed the "UK Corporate Responsibility Bill" in 2003 which required all UK companies to produce reports on their environmental, social, economic and financial matters (which is similar for French companies too), but unfortunately this bill was never approved (Mullerat and Brennan 2011). Since then many events have happened, one being the devastating economic crash in 2007-2008. Many argue that this was caused by the lack of substantial corporate governance (discussed later) within the banking sector which failed to safeguard stakeholders against risk and allowed intelligence oversight by the board (Kirkpatrick 2008), apparent in the Lehman Brothers bankruptcy. This behaviour has not yet been tackled by government. In fact, the former Chancellor of the Exchequer, George Osborne supported the Financial Conduct Authority's (FCA) decision to drop an independent review that would have examined the banking culture that contributed to the financial crash (The Guardian 2015). So, despite having a minister and proposed bill, the British government's reluctance to propose formal regulation has meant that they have not implemented the necessary regulations or set standards needed for credible and long-term CSR, therefore making CSR a PR stunt rather than a respected, committed business strategy.

Many believe that corporate governance, the process in which rights and responsibility are between corporate actors (Blowfield and Murray 2008), is central to making CSR activities more accountable and regulated (Kincaid 2012). This meaning that even if a company beholds a well-written and commended CSR policy, without substantial rules of corporate governance they can still fail miserably and be subjected to public scrutiny, causing a lack of trust held by their consumers (Mobus 2012). This was the case for Enron who declared bankruptcy in 2001, due to internal misconduct and lack of a strong Code of Ethics (Forbes 2013), despite them being praised for their CSR policy months before crisis (Kincaid 2012). This undermines the credibility of their CSR and all activities that come with it, i.e. charitable giving, sustainability and/or education projects, because even though Enron stated their commitment to CSR projects they still committed wrongdoing.

Moreover, quite often professionals do not know the difference between corporate governance and CSR and why they should be integrated (Frankental 2001). Generally speaking, CSR and corporate governance consider wider ethical, labour and social issues but corporate governance specifically targets stakeholders like shareholders and employees, whereas CSR targets wider societal issues (Mullerat 2005). This is why some CSR initiatives fail because they do not incorporate certain corporate governance, such as labour laws and instead focus more on the environment, often neglecting their employees, arguably one of their most important stakeholders (Diochon et al. 2013).

You can see this in recent public outcry against McDonald's, where their employees are protesting the company's abuse of zero hour contracts and other injustices related to "Fast Food worker rights" (Letters to The Guardian 2016). This is a company who promotes a wide range of CSR projects that "strive for a sustainable future" (McDonalds 2016), but is undermined by a lack of substantial internal corporate governance that considers and protects its employees. This suggests that without regulatory frameworks that provide guidance about corporate governance and CSR, companies will decide what to focus on and what to ignore (in this case employees' rights), undermining the credibility of their CSR activities allowing CSR just to become another PR ploy.

SELF-REGULATION

In an attempt to avoid government regulation some companies adopt their own "corporate self-regulation" which causes a variety of problems, one being the fact a company can decide on whatever CSR policy that suits them, ignoring pressing issues (Diochen et al. 2013). This allows them to "cherry-pick" issues that will only benefit the company (Joanne Bauer, Open Democracy 2014). When a company selects their own social issue there is a tendency that some will approach these issues without extensive research to support their project or campaign. Popular beauty brand, Neutrogena have been criticised by news website, Forbes, for doing exactly this. Forbes (2016) stated that Neutrogena's recent '#SeeWhatsPossible' campaign, supposedly "empowering women" actually just reinforced clichés about beauty and implied that their products are the solution to a woman's beauty and confidence, damaging the importance of their chosen social issue – female empowerment. This ultimately questions a company's credibility and authority on their chosen issue and can quickly undermine their CSR motivations, as without substance or authenticity these activities can just be labelled a PR stunt.

One example of "corporate self-regulation" is social reporting, a voluntary document used by brands to assess and raise awareness of their social performance (Entine 1995). Yet, these reports are often used by companies just to convince consumers that they are working in a socially-acceptant manner in order to retain consumer trust (Alves 2009). Further, because of poor regulation and little political supervision a company's claims are unlikely to be challenged or verified, therefore there is little obligation for them to share accurate information about the impact of all their actions and activities (not just their CSR ones). Because of this, consumers often receive an empty report where there are gaps between a company's stated intentions, actual behaviour and its impact in the real world (Frynas 2005). This was the case for BP, who made a considerable effort to rebrand their company to appear more environmentally sensitive, however the Gulf spill crisis in 2010 and other scandals similar to this, contradict these "green" promises because their actions simply did not match their CSR (Forbes 2012).

Some companies use CSR to promote fictitious information about their environmental performance, which is easily achievable due to limited CSR regulation and from that a low likelihood of re-enforcement. This is called greenwashing, which is when a company misleads consumers by using PR or advertising to over-exaggerate their environmental achievements of their products or services (Delmas and Burbano 2011, Greenpeace 2010). Due to its deceptive nature, greenwashing can lead to public scrutiny and lawsuits when a consumer or NGO questions the claims made by a company about their green credentials, especially when they use advertising or PR to make incorrect claims about their product (Delmas and Burbano 2011).

These issues are evident in the Volkswagen scandal, who claimed that they were world leaders in terms of designing an "environmentally-friendly" diesel car via glossy PR and advertising, when in reality designed software that could cheat emissions tests in the US and other countries (BBC 2015). Ironically, they were previously awarded for their CSR activities and had a widely accepted Code of Conduct signed by their employees prior to crisis (Triple Pundit 2015). This scandal implies that Volkswagen considered CSR and their corporate governance policies as nothing more than a communications exercise (Forbes 2015). Similar case with another car manufacturer, Mitsubishi, who recently admitted "falsifying fuel economy tests" (BBC 2016). Regrettably, cases like these undermine credible efforts by companies trying to implement and report authentic CSR activities because it has caused public cynicism and widespread scepticism towards CSR and its "benefits" (Mobus 2012).

CONCLUSION

To conclude, without substantial regulation and standards, CSR will always remain a PR tactic (Frankental 2001), as it is easy for companies to fabricate their CSR activities through elaborate greenwashing (Butterick 2011), often leading to scandals, as we have seen with Volkswagen, Mitsubishi and BP. Furthermore, without support or authority from governmental entities, CSR could become a passing phad, reinforcing this idea that CSR is perceived as nothing more than a PR stunt. With this, undeterred by the unlikely possibility of being caught or punished by government, companies and their CEOs are more likely to commit wrongdoing (Fetscherin 2015), damaging the CSR movement even further. These examples, amongst many others can severely affect how a consumer perceives a company and more importantly, CSR itself, often met with negativity and cynicism. Finally, perhaps the most damaging of them all is the affect this has on those legitimately trying to change the world through credible and ethical means (Mobus 2012), reinforcing this desperate need for some sort of substantial regulation and international standards.

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