

# **Corporate Communication in the 21<sup>st</sup> Century about Corporate Social Responsibility**

**University of North Carolina, Chapel Hill, USA**

**School of Journalism and Mass Communication**

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“It shall be the responsibility of every student at The University of North Carolina at Chapel Hill to obey and support the enforcement of the Honor Code, which prohibits lying, cheating, or stealing when these actions involve academic processes or University students or academic personnel acting in an official capacity.”

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## **Introduction**

Today, more people are becoming aware that we are all interconnected through globalization. Problems like poverty, exploitation and the growing population rate in one part of the world will not stay isolated geographically. Recent corruption in the corporate sector has also brought into focus the relationship between the corporations and the communities, they operate in. Not surprisingly, Corporate Social Responsibility (CSR) is now being debated everywhere. However, there is still little agreement on what it means to be a sustainable company and specifically what the definition of CSR is. At the same time, consumers require more information about multinational companies' contributions to society in the light of their new stakeholder power, but the increase in information from the companies on CSR does not necessarily mean that companies have become more transparent today.

With this hypothesis as my point of departure, I will examine and discuss the following research questions:

## **Problem Statement**

- *What does the concept Corporate Social Responsibility mean?*
- *Why do multinational companies report and communicate about Corporate Social Responsibility?*
- *What is the problem today - if any - when multinational companies communicate and report about Corporate Social Responsibility?*

## **Demarcation**

The wide extent of information available and the limited time means that I will only analyze the questions posed in my problem statement from a corporate perspective.

## **Methodology**

In order to answer my research questions, I have chosen to use a few articles found on the Internet, and books that I am acquainted with through other courses I have had within the field of CSR and corporate communication. Furthermore, some of the theories I have applied were from a compendium at my home university in Denmark which I did not bring with me. Thus, I found some articles in journals on the Internet instead which discuss the theories and used them instead of the originals, since I do not remember the titles of them and do not in all cases know if they are books or articles in journals available on the Internet.

I hope that this background material provides sufficient theoretical and practical information on the theme, which can be used as the point of departure for the analysis and discussion in the report.

## **What is Corporate Social Responsibility?**

Today, Corporate Social Responsibility, CSR, is a current issue discussed in the industry, and the concept has many definitions.

Bloom and Gundlach define CSR as the obligation a company has to its stakeholders who can affect public relations who are affected by corporate policies and practices. These obligations go beyond the law and the company's shareholder duties, and fulfillment of them

are intended to minimize any harm and maximize the long-term beneficial impact of the company on society.<sup>1</sup>

Lantos defines CSR as "the obligation stemming from the implicit social contract between business and society for firms to be responsive to society's long-term needs and wants, optimizing the positive effects and minimizing the negative effects of its actions on society."<sup>2</sup>

"Environmental and social issues have been treated historically as peripheral concerns to a company. Before the 1970s into the 1980s, both social responsibility and environmental management were primarily framed by managers as unavoidable added costs driven primarily by public demands or regulation. During the 1980s and 1990s, more companies began to assume philanthropic postures where they felt compelled to do good deeds that in some way gave back to the natural environment or the community."<sup>3</sup>

Today, multinational companies have started focusing on the Triple Bottom Line where they perform simultaneously on financial, social, and environmental dimensions.<sup>4</sup> There is a growing awareness that CSR is an integral part of good business which also affects

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<sup>1</sup> Bloom, P. N. & Gundlac, G. T. (2001). "Handbook of Marketing and Society" page 142 in Lantos, G. P. (2001). "The Boundaries of Strategic Corporate Social Responsibility". Journal of Consumer Marketing, vol. 18, no. 7, pp. 595-630.

<sup>2</sup> Lantos, G. P. (2001). "The Boundaries of Strategic Corporate Social Responsibility". Journal of Consumer Marketing, vol. 18, no. 7, pp. 595-630.

<sup>3</sup> Milstein, M. & et al. (2003). Course Overview for Sustainable Enterprise, Module 1. <http://intranet.kenan-flagler.unc.edu/netcourses/2003/fall/mba251B/Overview.html> - downloaded 2nd December 2003.

<sup>4</sup> Starkey, R. & Welford, R. (2001). "Business & Sustainable Development". London: Earthscan Publications Ltd.

the long-term profitability of a company.<sup>5</sup> Many leading companies have become more aware that competitiveness and social contributions are not necessarily exclusive.<sup>6</sup>

However, since there is no clear definition of CSR, it is very difficult to apply standards to determine if a company is socially responsible. A company can promote itself as socially responsible if it takes environmental issues into consideration, recycles, and keeps pollution rate to a minimum, and these matters can be promoted even if the company has practiced sexual or racial discrimination or operates at the limits of legality.<sup>7</sup>

### **Why Report and Communicate about CSR?**

There are several factors that have forced multinational companies into the present situation where they report and communicate about CSR.

Globalization and deregulation have created new opportunities for companies. We are no longer living in the 1880s in a post-corporate world. Today, companies can compete all over the world. Anti-globalization has no future because it is not realistic to ask managers to dismantle companies or nationalize them. The challenge of corporate sustainability is not an option of communicating and networking with others. It is necessary because globalization is

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<sup>5</sup> Business Process Management (2002). "Special Issue on Managing Business Processes for Corporate Sustainability". Business Process Management Journal, vol. 8, no. 5.

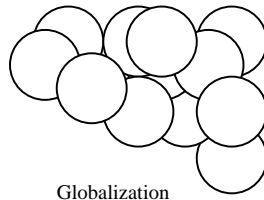
<sup>6</sup> Milstein, M. & et al. (2003). Course Overview for Sustainable Enterprise, Module 1. <http://intranet.kenan-flagler.unc.edu/netcourses/2003/fall/mba251B/Overview.html> - downloaded 2nd December 2003.

<sup>7</sup> Houck, W. J. & Williams, F. O. (1996). "Is the Good Corporate Dead? Social Responsibility in a Global Economy". London: Rowman & Littlefield Publishers, Inc.

not just about economics. It is about cultural, social, political, environmental and military interdependence.<sup>8</sup>



A few unexplored communities



Globalization

The global impact on new communication technologies has changed the pace of information flow worldwide with minimal costs, and all these factors have resulted in a rising power of the stakeholders. Today, there is an instant supply of free information from a variety of sources, and stakeholders have access to multiple products and services.<sup>9</sup>

Regulators, customers, investors, NGOs, students and other stakeholders use sustainability reports in their decision-making. CEOs read them to decide on potential business partners, customers to choose whose products and services to buy, and students to evaluate prospective employers.<sup>10</sup>

It has become important for multinational companies to report about CSR because more stakeholders now know about the world situation. But in the context of increasing

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<sup>8</sup> Milstein, M. & et al. (2003). Class Slide Handouts (3) for Sustainable Enterprise, Module 1.

<http://intranet.kenan-flagler.unc.edu/netcourses/2003/fall/mba251B/Class3.pdf> - downloaded 2nd December 2003.

<sup>9</sup> Andriof, J. & McIntosh, M. (2001). "Perspectives on Corporate Citizenship". Sheffield: Greanleaf Publishing Limited.

<sup>10</sup> "Deloitte Sustainability Reporting Scorecard - July 2002", page 1.

<http://www.deloitte.com/dtt/cda/doc/content/FullScorecardpdf%283%29.pdf> – downloaded 3<sup>rd</sup> December 2003.

global interdependence and multiculturalism it has also become more difficult. Culture is not a thing that can be managed, controlled, or contained, but, rather, a constitutive feature of organizing. In the following, I will address why multinational companies are not only users of the global environmental discourse but also producers of this discourse, and what this also imply.

### **Transparency? - Stakeholders and Discourse**

Hatch argues that in the post-modern perspective, an organization is “*a text, a narrative and a discourse.*” From this viewpoint, multinational companies are fragmented groups with different discourses. The barriers of them are not entirely determined, and therefore stakeholders may appear as a part of the multinational company itself.<sup>11</sup>

In other words, since multinational companies’ stakeholders comprise both organizational members and external environmental actors such as suppliers, customers, regulators etc., members of the organization moreover now often hold a double role, as they also appear as external stakeholders (customers, environmentalists etc.). This means that these companies now have to communicate to a very broad number of stakeholders with different discourses – and often at the same time.<sup>12</sup> The content of speeches, press releases, annual and environmental reports reflect this dilemma.

The number of stakeholders has a crucial impact on especially top managers, who have a high frequency of visibility in the external environment. These managers face the difficult task of tailoring their communication message to all stakeholders.

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<sup>11</sup> Hatch, M. J. & et al. (2000). “The Expressive Organization: Linking Identity, Reputation, and the Corporate Brand”. Oxford University Press.

<sup>12</sup> Hatch, M. J. & Schultz, M. (1997). “Relations between Organizational Culture, Identity and Image”. European Journal of Marketing, vol. 31, iss. 5/6, page 356.

The problem is however, that the multinational company cannot be certain to communicate a message that is equally perceived in each discourse, and depending on the number of stakeholders and thus a broader target group, these multinational companies risk producing a message that is blurry and imprecise and does not apply to the right stakeholders.

The risk of an ambiguous message results in the fact that managers are forced to be more aware of their appearance, statements and behavior, as the different stakeholders interpret them in different ways. Thus, rhetoric has become an even more important tool for these multinational companies. Today, top managers and other corporate spokespersons communicate their organizational visions and strategies to stakeholders through storytelling, cause-related marketing and metaphors, and thus rhetoric becomes a tool for multinational companies to create a social responsible corporate image among external stakeholders.

Giddens argues that perceptions of time and space have changed. He has constructed a flexible time-grid for humans and thereby organizational actions. He calls this the *time-space distanciation*. He describes the social systems' ability to act on a distance and to "stretch" their authority and power across extreme reaches of time and space.<sup>13</sup> This perspective supports my view that organizations and stakeholders influence each other continuously independent of time and space.

The fact that stakeholders habitually have contradicting interests makes it difficult for the multinational companies to communicate specifically to one group of stakeholders. I believe that this leaves them with no opportunity, but projecting political correctness and a social-acceptable image to all stakeholders. Fiske supports this view setting out the

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<sup>13</sup> Brocklehurst, M. (2001). "Power, Identity and New Technology Homework: Implications for "New Forms" of Organizing". *Organization Studies*, vol. 22, iss. 3, page 445, 23 pgs. in Giddens, A. (1990). "The Consequences of Modernity". Cambridge: Polity Press.

drawbacks on communicating to a great number of stakeholders with contradicting interests.<sup>14</sup>

However, in my view, it is not only the danger of multinational companies becoming politically correct that is the problem for analyzing their intentions. The real problem is that the companies' communication becomes non-transparent as a result of this. When companies express themselves ambiguously, it can also be an attempt not to disregard any of the stakeholders. Therefore, the phrasing becomes vague, despite the fact that the underlying intentions are very clear and well defined.

In general terms, I would argue that demand for broader communication and greater transparency in multinational companies, may actually create decreased transparency. By this I mean, that when companies have to communicate to heterogeneous stakeholders, the communication becomes more redundant and vague.

## **Suggestions for Improvements**

First of all, I think that it is quite difficult to give any commonly accepted solutions to the problems that I have discussed because multinational companies are different from each other and so are the stakeholders involved. Furthermore, as discussed earlier, culture is not a thing that can be managed, but it is rather a constitutive feature of organizing.

However, below, I have listed some suggestions for improvements that can be better managed than they are today.

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<sup>14</sup> Fiske, J. (2001). "Introduction to Communication Studies", Routledge, 2nd edition.

## **A Clear Definition of CSR**

It is essential that stakeholders and multinational companies get a common understanding of CSR. The public needs to learn to distinguish better between “the good and the bad guys”. In many cases CSR is just another PR-invention. There are multinational companies who benefit from it because they are able to persuade people to believe that they are socially responsible. There is a large difference between a public relations exercise and a serious attempt to demonstrate social responsibility. Some multinational companies try to pursue a strategy of “greenwashing” - communication designed to present a more positive picture of corporate behavior than is the case and to buffer the organizations from implementing (additional) environmental and socially responsible policies.

## **Standards, Legitimacy and Policies**

Generally speaking, multinational companies are obviously and primarily only reporting and communicating about CSR because the public requires it. In addition to this, what I suggest is that companies realize that it actually pays more off to communicate and report about CSR in long-term if it is done appropriately. In order to reach this goal, the values of stakeholders and social responsibility need to be more than instruments for the multinational companies, and legitimacy must become more than compliance in order to create more transparency and credibility.

Multinational companies also need to establish and commit themselves to specific standards which can extend beyond existing legal obligations. Some have already done this, but there is a long way to go. I also suggest that some policies have to be ratified in order to create more transparency. In some countries and industries it is more necessary than in others.

As an example, several multinational companies in Scandinavia pay more attention to the Triple Bottom Line than their counterparts in countries as different as the United States or China where environmental and social policies are not as strict. Although they all operate in foreign markets, the values of these companies primarily reflect the values of their origin. In Scandinavia there is a strong tradition for social responsibility which values such as a clean environment, social health care, free education, aid to the developing world and distribution of wealth through a taxation system, reflect. Therefore, it is much more natural to be a social responsible company. But everywhere including the Scandinavian countries improvements are possible and also necessary.

Furthermore, I also find that there is a need for a common guideline for multinational companies which publish sustainability reports just as there are guidelines for annual reports. Today, guidelines do exist, but the quality of them differs.

## **Conclusion**

To sum up, my conclusions to the research questions posed are as follows:

First, it is still being debated what Corporate Social Responsibility (CSR) means, and therefore it is more difficult to decide if a company is acting socially responsible. A company can promote itself as socially responsible if it acts environmentally responsible even if it has practiced racial discrimination.

Second, globalization and global impact on new communication technologies such as the Internet has created a landscape where stakeholders have more power, and this has forced multinational companies into reporting and communication about CSR.

Third, the demand for communication in relation to CSR that multinational companies are increasingly being forced to address may actually create non-transparent

messages because they have to communicate to stakeholders which have contradicting interests. This means that the communication can become vague although the intentions of the company are defined and clear.