Corporate Social Responsibility and Management Behavior:

Actions Speak Louder than Words[1]

by

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Trite but true. And this statement has never been more relevant than in today' business environment where firms are competing against each other in the arena of corporate citizenship. Convinced that a reputation for corporate social responsibility can have a positive impact on their bottom line, more and more firms are getting involved in, not only philanthropic activities, but also in activities such as community involvement that actually demand physical representation by company members.

It is quite popular to communicate that one's firm is doing great things to make society better. This is evident by the attention cause related marketing has achieved in academia as well as in practice. However, there are many watchdog organizations that have their eyes open for firms who fail to 'walk the talk'. And there are a number of cases where firms' behavior has been in contrast to their stated mission of wanting to have a positive impact on society. When this occurs, a company's reputation can suffer irreparable damage.

Academics within the fields of corporate communication, public relations and similar subjects are well versed in subjects such as building reputation, what to do when the reputation is damaged, and telling firms how they 'ought' to behave if they want good reputations. The stakeholder approach is prescribed as an ideal, building relationships should be the emphasis of communication, crises can damage image – how to avoid it, the determinants of a good reputation, and of course, the correlation between a good reputation and financial performance.

What appears to be missing from this literature is a closer scrutiny of the behavior of the firm. For, if actions truly speak louder than words, perhaps we should not be focusing so much on the words, i.e. communication, but rather on the behavior that backs up those words.

Introduction

Van Riel (1995) builds the case that organizations must not rely solely on visual means of communication when it comes to building identity. He argues that firms wanting purpose to their corporate identity must look at all aspects of the company, including communication and behavior. He offers the model of Birkigt and Stadler (1986), who linked corporate strategy with communication and the idea of self-presentation based on an 'agreed company philosophy'. These authors proposed that an organization's corporate identify can be classified under three media: communication, symbols and behavior. These 'media' offer signals or cues through which a company projects its personality with the purpose of projecting an image in the minds of the organization's stakeholders, a very complicated discussion that will not be approached in this paper.

Communication is defined narrowly by Birkigt and Stadler as the sending of verbal or visual messages. It is arguably flexible and easy to use, it signals how the firm wants to be perceived and can be sent to large numbers of stakeholders relatively easily. Symbols are normally associated with visual elements (Olins 1989) and can include names, logos, colors, etc. Many of these are more often than not thought of projecting the identity of the firm externally. Kanter (1987) explores the idea of symbols internal in the organization as motivators of behavior, such as those that send signals of motivation, fairness and ethical behavior. The third medium that firms use to create identity is the behavior, or actions of the firm. Van Riel notes that this medium is by far the most important and effective medium, as ultimately it is the actions of the company that stakeholders use to judge it.

As observed by van Riel, symbols and communication can project a corporate image of a particular behavior. In this context, it can be argued that management behavior in relation to social responsibility, or the firm's espoused position on their role in society over and above creating profits, is to project an image based on 'walking the talk'. This paper looks at the concept of behavior in corporate image building with an emphasis on its critical role in building an image of social responsibility.

Corporate Behavior is Management Behavior

Cole (1997) asserts that a company's actions are its most powerful marketing communications. Arguing the case from a marketing point of view, Cole insists that a firm's marketing and public relations messages must be followed up by a good experience when, in this case, a customer interacts with the firm. Duncan and Moriarty (1997) argue that what they call 'unplanned messages' are created when stakeholders' 'meeting' with the behavior of the firm is not consistent with the promises made by the planned messages sent. These can be positive if the experience is better than expected, but it can also be negative when the experience is worse than expected. Greyser (1999) believes that company behavior is a critical factor in damaging corporate reputation. Trust and credibility decline as firms fail to live up to public expectations. Conversely, research in the UK has found that financial recovery from crises is tightly tied to the behavior of management after the crisis. Further, findings from research on organizational sponsorship of advocacy advertising (Haley, 1996) show that words from organizations need to be accompanied by action if they are to viewed as a credible message source.

We constantly use the terms, corporate actions and behaviors, but what we are really referring to of course is the behavior of the people within organizations, in particular the management of the firm. Morgan (1998) writes that organizations can be perceived as, among other things, a social enactment, and that people bring organizations to life. Fombrun (1996) traces reputation to managerial practices that have positive impacts on various stakeholders. Treviño, et al. introduce the idea that a reputation for ethical leadership is dependent on managers who are both moral personally and as leaders. Their equation is ‘moral person + moral manager = a reputation for ethical leadership’ (p. 129).

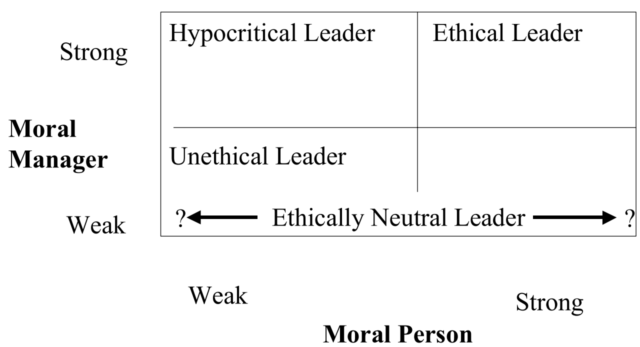

Figure 1. Executive Reputation and Ethical Leadership

Important elements in the equation are the behavior that the manager exhibits when it comes to the traits, behavior and decision-making of a moral person and the action, rewards and discipline and communicating of a moral manager. This basically means demonstrating, and communicating the importance of, ‘doing the right thing’ or rewarding and disciplining others in the company for the same (or lack of) behavior. As noted by the authors and shown in figure 1, executives who appear weak in both areas will develop a reputation as unethical leaders. A leader will be viewed as hypocritical if they are not viewed as being personally moral, but still try to put ethics and values on the agenda of their firms, i.e. they talk the talk but everyone knows they don’t walk the talk. This behavior leads to cynicism and distrust, and worse, employees may even believe that they can ignore ethical standards themselves. The third category is what the researchers call the ethically neutral leader. Here, leaders are not clearly unethical, but neither are they strongly ethical. Some characteristics of these leaders is a focus on the short-term bottom line, a sense of a lack of compassion, not open to input, not caring, not concerned with leaving a legacy. Zadek (2001) points out that people trust the business community as little as they trust other institutions that dominate their lives. As Zadek says, ’people trust people’.

Building a Shared Sense of Corporate Social Responsibility

Corporate social responsibility is a concept that is tightly connected to the underlying values of the organization. As such, it should be reflected in both the vision statement as well as the more detailed mission statements of the organization. In this manner, one can assure, at the least, that the aspirations and guiding values that are tied to the CSR concept are maintained. This, however, poses two problems. One problem is concerned with the development of the firm’s vision. The second problem relates to implementation of actions that support the vision in a manner that is perceived by a potentially skeptical stakeholder as honorable and altruistic. These problems are not trivial and go to the root of many complex and difficult organizational processes.

Figure 2. CSR anchored in organizational strategy through the mission statement (Brønn 2001).

According to Senge (1990), the task of building a shared vision is part of developing the governing ideals for the enterprise. A sense of mission along with explicitly stated core values are important components of the process. The vision must be consistent with the underlying core values. Hussey (1998) claims that there is a link between these initiatives and the chief executive's ethical viewpoint. Furthermore, in Hussey's opinion, moral and ethical philosophical decisions in a company are personal to the chief executive. Logsdon and Yuthas (1997) concur that strategies and actions within organizations are dependent on the organization's top managers, who are the individuals with the most influence within the organization. They have the necessary power and resources, along with responsibility, to 'develop and implement organizational processes through which their expectations can be carried out' (p. 1219). Logsdon and Yuthas agree with Hussey that these managers set the moral tone for the organization and are responsible for its moral climate. Studies also indicate that the behavior of superiors is the number one influence on unethical behavior (Carroll and Buchholtz, 2000). It would appear that an organization's view of their social responsibility boils down to managers' stage of moral development and the factors influencing translating this moral development into decision-making.

According to Drucker (1955): “No one but the management of each particular business can decide what the objectives in the area of public responsibility should be”. Most acknowledge that a company's mission often reflects the personal missions of their leaders (Murray Bethel, 1999). Stopford and Baden-Fuller (1993) refer to the CEO's new vision in preparing the ground for building corporate entrepreneurship. Roos, et al. (1994) contend that it is often the chief executive, others in management and eventually the board of directors who develop the vision. Therefore it represents their views on why the organization exists and what they want to achieve in the future. Senge (1997) agrees that even shared visions emerge from personal visions.

The notion of “espoused theory” – what one says – and “theory in use” – what one actually does – is well known in cognitive psychology. It is relevant in explaining human behavior as a function of well-established mental models and behavioral routines that are culturally downloaded and reinforced through everyday interactions. The ideas of espoused and in-use theories have very clear parallels with situations that organizations frequently struggle with. Briefly put, the vision and mission statements provide guidelines for action that are analogous to espoused theory, i.e. what the organization believes it should do, and what it says it does. However, as Argyis and Schön (1978) point out, in the case of human behavior, there is often a gap (sometimes significant) between what individuals profess to believe and what they actually do. The situation is the same for organizations. Observant and critical external stakeholders interpret the gap between the words (the “talk”) and the actions (the “walk”) as an obvious signal of organizational insincerity.

An illustration of how management behavior can undermine an image of corporate social responsibility built through symbols and communication is a case reported in *Corporate Crime Reporter* (1999). *CCR* listed F. Hoffmann-La Roche Ltd. (hereafter referred to as Roche) as the number one corporate criminal of the 1990s. In 1999, Roche, and its partners in crime, pled guilty to leading a worldwide conspiracy to raise and fix prices and allocate market shares for certain types of vitamins sold in the US and elsewhere. According to the *Reporter*, the conspiracy lasted from January 1990 to February 1999 and affected the vitamins most commonly used as nutritional supplements or to enrich human food and animal feed. While *Corporate Crime Reporter* reported the co-conspirators as un-named in the lawsuit, Roche's own web page press release dated 3 November 1999 listed the amount of the fine and identified the other conspirators. All of the companies settled for a fine totaling USD 1.17 billion, with Roche paying USD 632 million to its bulk vitamin customers.

The co-conspirators included BASF, Daiichi, Eisai, Rhône-Poulenc (now part of Aventis), and Takeda. All of these firms are major international pharmaceutical companies and most have extensive product lines. What is also common to these companies is that they all have an explicit corporate social responsibility profile. Each has mission statements and policies that reflect their role in society above and beyond creating value to their shareholders. Some have even established foundations for dealing with important issues in society such as youth, the arts, etc. (see table 1).

Company Name	**Mission/Policy statement**
Takeda Chemical Industries Ltd. Japan's leading pharmaceutical company: prescription drugs, bulk vitamins, food products and ingredients, chemical products, agricultural chemicals, animal health products, etc.	Better Health and Quality of Life Worldwide Corporate Objectives: • Aims to be an R&D-driven company whose activities are recognized around the world • Aims to be a company trusted by society • A company where each employee can lead a fulfilling life with rewards
Esai Ltd. Healthcare Worldwide In top 30 of more than 1700 of Japan's leading businesses. Global network of research facilities, manufacturing sites and marketing subsidiaries. A major player in the worldwide pharmaceutical industry.	Human health care logo is taken from the signature of Florence Nightingale, who devoted her life to caring for others, yet never lost sight of the importance of listening to her patients. Their corporate philosophy 'emphasizes the human element in everything they do'. Eisai in the community: • Memory Walks – New York City Chapter of the Alzheimer's Assoc. • Alzheimer's Association Memory Walks across USA. • Triad – with Pfizer – a patient/caregiver support program for Alzheimer's disease.
BASF Group German company, world leader in the chemical industry. Business segments include: chemicals, plastics and fibers, colorants and finishing products, health and nutrition, and oil and gas.	'Our products are and services are intended to benefit humankind. We want to stand for values that benefit everyone – our customers, employees, shareholders and the countries in which we operate.' Guiding theme is Sustainable Development – they aim to use resources sparingly and to create and maintain value. Responsible care statement covers: • Environmental protection • Product stewardship • Health protection and occupational safety • Plant safety and emergency response • Transportation safety • Dialogue
Rhône-Polenc **(Now part of Aventis)** Aventis was created in 2000 as a result of the merger between the pharmaceutical giants French Rhône-Polenc and German Hoechst Aktiengesellschaft. The company has about 92,000 employees worldwide.	The company is committed to playing a major role in improving the quality of people's lives and contributing to the guiding principle of sustainable development. Have statements regarding sustainable development, EHS policies, and stakeholder consultation policies. Statement by the Board of Management: 'With all these statements, the clearest message we can convey are our actions themselves.' **Aventis Foundation** Objective: promotion of international, interdisciplinary and future-oriented projects at the interfaces between culture, science, business, politics and society.
Daiichi Pharmaceutical Daiichi, according to its website, has a dominant position in markets for synthetic antibacterial agents and X-ray chemicals.	Corporate slogan: 'Enriching the Quality of Life'. It was difficult to find a mission for this company and it was very sales oriented. However, they do state that their PR strategy is based on three principal areas: • Corporate advertising through the mass media • Social contributions and • Cultural and sporting activities They support regional tours of the Japan Sumo Association, helping to bring it to senior citizens where volunteers from Daiichi take care of the senior citizens on that day. It supports the Shiki Theatrical Company and the Mito Chamber Orchestra. It organizes a public lecture on enriching the quality of life and has had a scholarship scheme since 1995, the 80^{th} anniversary of the company's founding.

Table 1. Companies involved with the Roche price fixing conspiracy and their activities in corporate social responsibility.

In looking at the mission/policy statements and the specific initiatives that these companies are involved with, it seems that all of the "correct" things are being espoused. Unfortunately the statement, to borrow from Aventis' Board of Management, that " With all these statements, the clearest message we can convey are our actions themselves” returns to haunt them when such gross and systematic violations of the law and their publicly stated principles crash. Ultimately society’s trust in them is undermined. Is it any wonder then that consumers and watchdog groups are skeptical to corporations’ statements of social responsibility?

Implications for management

Robin and Reidenbach (1987) contend that communicating an organization’s values to stakeholders can define what they call the ‘face’ of the organization. Three elements are important in the process of firms engaging in and communicating corporate social responsibility. Commonly referred to as the three V’s, they are visibility, virtue and verifiability. Visibility has to do with information; firms must be willing to supply different stakeholder groups with information regarding their activities and beliefs. Virtue has to do with backing up statements by actual behavior, i.e. behaving in a virtuous manner. And, finally, verifiability means that stakeholders are allowed access to information.

A list of companies employing accountability mechanisms is listed below. And not even all of these companies are immune. The Body Shop, for example, was recently exposed in a Norwegian business publication for their ‘unethical’ treatment of employees (*Økonomisk Rapport*, April 2001). The objective and unbiased nature of these reports has also been questioned with some companies accused of donating money to the organizations carrying out the audit.

Description	Stated approach	Examples of organizations using these approaches
Describing, illustrating and measuring community involvement activities and policies.	Corporate Community Involvement	Diageo, BP
Understanding, measuring and reporting upon and managing various forms of capital.	Capital valuation	Scandia
Disclosing processes based upon shared values with stakeholders developed through dialogue, proactive.	Ethical Accounting	Sbn Bank, Scandinavian public sector
Verifying processes for understanding, measuring, reporting on and improving the organization's social, environmental and animal testing performance.	Ethical Auditing	The Body Shop
Externally verifying processes to understand, measure, report on and improve an organization's social performance.	Social Auditing	Van City Credit Union, Black Country Housing Assoc., Coop Bank
Regularly reconstructing and aggregating financial data across stakeholder groups specifying financial social costs associated with 'social activities'.	Social Balance	Coop Italy, UNIPOL
Developing, evolving and describing an organization's principles in meeting its triple bottom line responsibilities.	Statement of Principles and Values	Shell
Processes that identify ways forward and reports upon progress against sustainability principles.	'Sustainability Reporting'	Interface

Table 2: Approaches to Accountability and Examples of Organizations Employing these Approaches (adapted from Zadek et al. 1998).

The challenge for firms is to convince their stakeholders that they are to be trusted. This task is not an easy one. As Table 1 shows, these convicted firms are performing valuable social functions through their support of a wide range of activities, all in accordance with the principles of corporate social responsibility. How can firms ensure that the managers they hire indeed have the characteristics needed to set the moral tone of the organization, executives who not only 'talk' but also 'walk' a broad view of their organization's responsibility to society? There are a number of books that outline best practices for improving an organization's ethical climate (see Carroll and Buchholtz, 2000), but there is very little literature available on how to actually screen executives during hiring.

Thomas and Simerly (1994) have tackled this somewhat with their research that suggests that it is possible to link top management attributes and corporate social performance. Corporate social performance is about what firms are able to accomplish, or in the words of Carroll and Buchholtz (2002, p. 43, underline added by author), 'the <u>results</u> of their acceptance of social responsibility and adoption of a responsiveness philosophy', i.e. observable, measurable outcomes. For instance, it appears that the functional background of the CEO can influence a firm's sensitivity to concerns of stakeholders. Executives who have greater experience in boundary spanning functions pay more attention to the firm's behavior in relation to stakeholders. High corporate social performance (CSP) firms tend to have a greater proportion of executives with backgrounds in functions such as sales and marketing (both outward directed functions). Conversely, low CSP firms have executives from more inner-directed functions such as manufacturing and process engineering. The researchers also found that tenure in the organization and length in the organization prior to being promoted to the CEO position were significantly related to high CSP organizations. This supports suggestions that executives who have been with a firm for a long period have superior knowledge of stakeholders and thus are more sensitive and better able to meet their needs. Certainly, this information can be useful as a guide when appointing senior executives.

Conclusion

Tom O'Sullivan sums up very nicely the conundrum in which firms find themselves in today as they try to build reputations as responsible corporate citizens.

> If they don't say enough about their charity links consumers believe that companies are hiding something and if they say too much they believe that charities are being exploited by the big corporations. It makes the promotion of such schemes one of the most delicate jobs in marketing. Go too far one way and consumers believe you are using the charity, go the other way and they will not even know of your involvement
>
> (Tom O'Sullivan, 1997).

Despite the noble intentions and empirical evidence in support of it, there are many attacks on corporate social responsibility. Mintzberg (1983) lists four issues. One is that CSR is simply rhetoric, not action. This criticism comes from people who just do not trust the motives of business. They tend to view any organizational CSR actions as public relations activities designed to put a nice face on the firm, but with little substance. A second criticism is the lack of personal capabilities. Mintzberg asserts that by the nature of their education and training business people are not equipped to deal with social issues. Because they have to be experts in their own areas, often oriented toward efficiency and control, they are not able to handle complex social issues. The third attack is that the very nature of the environment, structure and control systems of large corporations makes social responsibility impossible. Large corporations create problems, so how can they be expected to solve them? And, lastly, corporations have no right to pursue social goals. Here, the sentiment is that private business people should not exercise public functions. After all, what kind of social values to business people have: bigger is better, competition is good, material wealth leads to a better society? Here Friedman's (1970, p. 126) famous line is appropriate: 'There is one and only one social responsibility of business – to use its resources and energies in activities designed to increase its profits so long as it stays in the game, which is to say, engage in open and free competition without deception or fraud." Finally, Mintzberg asks: How are business people to determine what is socially responsible?

While Mintzberg's article is arguably dated, there is evidence that these arguments against business playing an active role in social responsibility exist today. However, on a more positive note, Mintzberg concludes his article by saying that corporate social responsibility is in fact the best hope, perhaps the only real hope, for arresting and reversing the trend toward impersonalism and utilitarianism in organizations. This means that concepts such as ideals, beliefs, feelings, ethics and a sense of mission and purpose must not be squeezed out of the firm's strategic agenda.

Reich (1998) says we basically have two alternatives if we want corporate decisions to reflect more than what is best for shareholders. The first is imposing by law procedures through which stakeholders other than shareholders can participate directly in corporate decisions. This is currently being done in some countries through such initiatives as labor relations laws, some of which require employee participation on boards. The second option is relying on governments to define a firm's responsibilities to society. Reich makes the argument that corporations after all are creations of law, they do not exist in a state of nature, as he puts it. Unless other voices than shareholders are allowed to be heard by corporations, Reich believes that public pressure will grow to have these interests expressed within corporate governance.

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