Strategic CSR as a measure of damage control

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Abstract: Corporate social responsibility (CSR) refers to a business practice that involves participating in initiatives that benefit society. Companies should undertake different CSR activities with an intention to make significant social impact but there can be another reason behind CSR activities undertaken by the companies. Strategic CSR activities are adopted by many companies mainly with an objective of tackling the problems arising due to divergence between private profits and public welfare. This paper studies companies like Coca-Cola, Hindustan Unilever Ltd, etc. which were publicly accused for following controversial business practices. It also aims to provide an overview of controversies associated with these companies and different CSR activities undertaken by them post conflicts with the purpose of damage control and rectifying their brand images. The paper concludes that strategic CSR is brought into play by companies as a cosmetic treatment towards improving their damaged reputation.

Key Words: Corporate Social Responsibility, Strategic CSR, Brands, Cosmetic Treatment

I. Introduction

Corporate Social Responsibility (CSR) refers to way businesses are managed to bring about an overall positive impact on the communities and environments in which they operate with an underlying intention of corporates becoming more responsible towards social issues. The concept of CSR rests on the ideology of give and take. Companies take resources in the form of raw materials required for the manufacturing, human resources etc. from the society and in return through their CSR activities, the companies are giving back to the society in a small or a big way that they can.

Among many countries in the world, India has the oldest association with respect to CSR. We have seen companies like the Tata”s and Birla”s engaging in activities for social cause, much before the 2% CSR mandate as per Companies Act, 2013 came into effect. In recent years, a lot has been done to make Indian Entrepreneurs and Corporates aware of social responsibility as an important segment of their business activity. In India, CSR is yet to receive widespread recognition.

This paper analyses the controversies associated with certain companies and how they have undertaken strategic CSR initiatives as a measure of damage control to cover up for their tarnished image. Strategic CSR initiatives implemented by companies with an ultimate motive to regain the confidence in the company and its body of work.

Some examples are as follows:

Many corporates are accused of child labor or other sweatshop abuses. For example, it was claimed in the year 2005 that Walmart was using child labor at two factories in Bangladesh. Children with age groups between 10 to 15 years were found working with minimal salaries. Walmart responded saying that it is not simple to enforce and ensure its code of conduct with thousands of subcontractors around the world. Still, Walmart received a lot of public criticism which tarnished the company”s image and hurt sales. To tackle this and maintain the image of the brand, Walmart adopted a well-developed approach supported by corporate social responsibility initiatives. Walmart adopted zero tolerance policy for underage workers in 2005. In addition to that, Walmart also published a full and complete report on CSR issues called "Global Responsibility Report" covering the three dimensions of „People, Planet, Profit”. This report was primarily based on gender equality and a diverse workforce.

Mining industry could be another example of how CSR can be used as a measure of damage control. The mining industry creates a lot of negative impact because of its operations on the environment and livelihoods of the people associated with the industry. The mining companies cause major devastation and leave the area exhausted of all economically valuable resources. Therefore, public opinion of the sector as a whole is poor.
To rectify the image in recent years the global mining industry has addressed its social and environmental responsibilities. Many mining companies have started adopting CSR programs which focus on community initiatives at the local level. Through CSR these companies are trying to improve relationships with all the stakeholders including investors, employees and communities.

II. Objective

The Objective of research paper is to understand strategic CSR activities undertaken by two companies namely Coca-Cola and HUL. It also aims at understanding and evaluating the reasons behind the strategic CSR initiatives. The paper analyses two companies accused of unethical practices and the CSR initiatives taken by them for the purpose of damage control and rectification of their brand images post conflicts and controversies.

III. Methodology

The research methodology used for the paper is secondary in nature. We have used literature review to research the paper. Case based method has been used to research about the given context.

IV. Literature Review

The European Commission (2015) has defined CSR as the responsibility of enterprises for their impact on society. Companies can become socially responsible by following the law and integrating social, environmental, ethical, consumer, and human rights concerns into their business strategy and operations.

According to the concept of Corporate Social Responsibility given by India CSR filed under Corporate governance (2010), following are some of the key components of CSR that companies can consider for a successful implementation of CSR initiative:

- **Corporate Governance:** Under corporate governance, a good CSR policy would enable the company to realize its objectives, protect shareholder rights, create transparency for all stakeholders and meet legal requirements while they continue to undertake its CSR initiatives.

- **Business Ethics:** It involves value-based and ethical business practices. Business ethics means integration of core values – such as honesty, respect, trust and fairness – into the company’s policies, practices, and decision making. It also involves a company's compliance with legal requirements and adherence to internal rules and regulations.

- **Workplace and labour relations:** Human capital are most important and critical resources to a company. Good CSR initiatives relating to workplace and industrial relations can help in improving the workplace in terms of employee relations, health and safety as well as result in a healthy work life balance. It can also help in employee retention and reducing the attrition rate, thereby reducing the costs incurred in recruitment and retraining.

- **Supply Chain:** The value chain that is established through the supply chain is core of any business process. If any stakeholder from the supply chain neglects environmental, social, human rights or other aspects, it may indirectly have a bad reputation for the company and may ultimately also affect business. Thus, company should take strategic decision to influence the entire supply chain so as to have a positively impact on all the stakeholders.

- **Environment:** It is very essential to have a sustainable framework for any company while meeting legal requirements in its CSR implementation. The company should engage in activities in such a way that goes beyond mandatory requirements and ultimately delivers environmental benefits. It find sustainable solutions for conservation of natural resources, reducing adverse impacts on environment and reducing emission of environmental pollutants.

**Strategic Corporate Social Responsibility**

Strategic CSR has a certain motive. Any corporate strategy is connected to its long-term success and overall positioning of the company in the market. Strategic CSR initiatives are undertaken with a primary motive of producing benefits to the company than supporting the community. That means types of causes or community
groups to be supported, are carefully and strategically chosen to achieve the objectives of the business.

Some examples of strategic CSR initiatives are as follows:
1) Starbucks follow C.A.F.E. Practices guidelines, which are designed to ensure the company sources sustainably grown and processed coffee by evaluating the economic, social and environmental aspects of coffee production.
2) Companies manufacturing electric utilities can have a negative impact of climate change arising due to their core business function of generating electricity. So accordingly, they focus their CSR activities on implementing and introducing carbon related goals in order to reduce greenhouse gas (GHG) emissions. They also invest in CSR initiatives that focus on energy efficiency and alternative energy sources.
3) Financial Institutions like banks use their CSR budgets to educate prospective candidates on „Financial Literacy“. This will indirectly help bank in increasing demand for its own products.
4) A medical company will always strategically use its CSR budget on supporting nurses and doctors in their training and research.

Many companies have thus identified that, in most cases, corporate growth and social welfare are zero-sum game. Therefore, strategic CSR is being adopted by individual companies after identifying the social consequences of their actions and in order to discover opportunities to benefit societies and themselves by strengthening the competitive context in which they operate. However, under strategic CSR many companies start perceiving social responsibility only as an opportunity to control the damage or as a PR campaign. Thus at times, it becomes simply a defensive „image management“ operation instead of creating any real social impact. The company benefits more than the society and CSR is brought into play as a cosmetic treatment towards improving its damaged reputation.

We will now look at strategic CSR activities undertaken by two companies understanding in detail the controversies associated with them and their post conflicts CSR activities.

Company Profile: Coca-Cola India Private Limited (CCIPL)

The Coca-Cola Company

The Coca-Cola Company (TCCC) is the world’s largest beverage company offering consumers more than 500 beverage brands. On the global front, TCCC is the No. 1 provider of beverages, ready-to-drink coffees, juices and juice drinks. Globally, although they are simply viewed as „Coca-Cola“, the Coca-Cola System operates through multiple local channels; the Company has the strongest portfolio of brands in the nonalcoholic beverage industry – now featuring 20 brands that generate more than $1 billion USD in annual retail sales.

Coca-Cola India

Coca-Cola India, is one of the country’s leading beverage companies offering a range of beverage options to consumers. The Company along with its bottling partners, has established a strong network of over 2.6 million retail outlets. The Coca-Cola system in India has invested approximately USD 2 Billion till 2011, since its re-entry into India. The Coca-Cola system in India has over 25,000 people including those on contract who are employed directly. The system has created indirect employment for more than 1,50,000 people in related industries through its vast procurement, supply and distribution system.

Coca-Cola CSR Initiatives

Sustainability Framework – which is called “Me, We, World”– is Coca Cola shared vision for how as a company they can work together to create social value and make a meaningful impact on the consumers and communities that they serve. Under this framework, Me - Together takes care of the well-being of the consumers of the products under their brand. We - Together aims to create a better future for local communities. Coca Cola India Ltd through its operations aims to help raise the standard of living. In World - Together they plan to create a better future for the finite natural resources that we all share.
Controversies around activities of Coca-Cola India Private Limited

The journey of world's largest beverage maker - Coca-Cola, has never been very smooth in India. Coca-Cola has witnessed criticism from various groups concerning a variety of issues such as health effects of the products of Coca-Cola, the potential risk to environmental, and their overall business practices.

Groundwater Controversy:

Several groups and communities across India especially those residing around Coca-Cola's bottling plants are experiencing acute water shortages. This is attributed to Coca-Cola's extraction of water from groundwater resources. It has been highlighted by NGO's that several studies, including one by the Central Ground Water Board in India, have confirmed the significant depletion of the groundwater table.

V. Some of the allegations on Coca-Cola:

Coca-Cola India’s Plant in Kerala

In 2003, Coca-Cola had faced resistance from residents in Kerala's Plachimada, who alleged groundwater was receding because of extraction by a Coca-Cola plant set up in the year 2000 and they also alleged that it was discharging toxic waste and sludge. The outcome of the protests in Kerala plant resulted in temporarily shutting down of the operations of the plant.

Coca-Cola India’s Plant in Varanasi

In 2014, Coca-Cola shelved expansion of its Mehdiganj unit near Varanasi after it failed to get regulatory clearance. An appeal was made by villagers of Mehdiganj to the Government so as to reject Coca-Cola's application for the $25-million expansion. It had infuriated local residents mostly employed in agriculture, who were already suffering from scarce water resources. The plan of expansion of the Mehdiganj unit would reduce the groundwater below the critical levels.

Pesticide Controversy:

In 2003, the Centre for Science and Environment (CSE) alleged Coke among a dozen other soft drinks that contained extremely high levels of pesticides and insecticides. Tests conducted by several agencies, including Government of India found Coke contained pesticides residues that surpassed global standards by 30-36 times. In 2006, the pesticide controversy resurfaced, with CSE alleging Coke had high levels of pesticides. This has resulted in Kerala government completely banning the sale of soft drinks, including Coke, in the state. Part two of this controversy prompted states such as Gujarat to consider a partial ban on colas.

Pollution Controversy:

Concerns raised by non-government organizations and different groups over the discharge of waste by Coca-Cola around the locations of their plants such as Mehdiganj in Varanasi thus polluting the water. The deteriorating groundwater conditions experienced by the communities near the bottling locations are substantiated by government data that have confirmed drops in groundwater level in the area. Government authorities have declared the groundwater around Coca-Cola’s bottling plant in Mehdiganj in Varanasi as “over-exploited” which is a category indicating the highest level of stress on the water resources.

VI. CSR initiatives post the conflict

Initiatives for Water Stewardship

In 2007, the Coca-Cola company entered into US$ 20 million partnership agreement with the World Wildlife Fund on water conservation. In 2014, Coca-Cola addressed the issue of Water Stewardship by creating water replenishment potential by 146% compared to the amount of water they have consumed in the manufacturing of their beverages. Improve water efficiency by 25% in manufacturing operations taking 2010 baseline. They claim to have 23% improvement in their Water use ratio (liters of water consumed per liter of beverage produced) as compared to 2010 baseline. In 2014, the Coca-Cola Department of Regional Water Studies at TERI University was established with the aim to develop a specialized talent pool of water professionals. The department will train future water stewards and equip them with interdisciplinary skills for water management.
Initiatives for Sustainable Agriculture

Project Unnati, is a sustainable agriculture project, has been helping mango farmers in Andhra Pradesh adopt modern farming techniques like Ultra-High Density Plantation and drip irrigation. This is one of the successful projects in this area and hence Coca-Cola has now moved into the second phase of the project. In the second phase, along with their partner Jain Irrigation, they have planned to invest close to INR 50 crores (500 million) over a period of ten years. They aim to scale the reach of this project from 25,000 farmers to 50,000 farmers in the next few years.

Initiatives to promote healthy Living

Having received a lot of flak for producing beverages that are not considered healthy for consumption, Coca Cola introduced „Cola-Cola Zero“ - A product that offers the taste of Coca-Cola without the presence of sugar in it.

To promote healthy living they are supporting physical activity programmes where they are doing business. In India, they are promoting sporting events at grassroots level like Under-15 Football- the CocaCola Cup. In 2014, this event saw the participation of more than 376 young footballers from 3100 schools spread across 106 cities of India.

Another strategic decision taken by Coca-Cola is that they are marketing their product responsibly. No advertising directly to children under 12 anywhere in the world.

Initiatives for Strategic Business partnership

The Coca-Cola India Foundation: Anandana, a Company which is registered under Section 25 of the Companies” Act. It is a wholly owned, not for profit charitable subsidiary of CCIPL. It provides monetary grants and other assistance to Civil Society Organizations who can be suitable partners in implementing projects for community development and social welfare. The Foundation seeks to ensure project execution, maintenance and sustainability through the active involvement and direct participation of the beneficiary community at the grass-root level.

Analysis

Coca-Cola has undertaken strategic CSR initiatives in order to address the issue related to water conservation and the combat several controversies pertaining to the same. There seem to be genuine effort from their side taken towards water stewardship post all the controversies and allegations on the company. One measure taken by them which stands out is the training program to develop specialized water professionals. The strategic business partnerships have enabled Coca-Cola to expand their sustainability initiatives into variety of areas. It enables better project execution and sustainability in the long run. In spite of all these initiatives, there are many conflicts and controversies still associated with Coca-Cola and they continue to undertake strategic CSR initiatives to cover up for their tarnished brand image.

Company Profile: Hindustan Unilever Limited (HUL)

Hindustan Unilever Limited (HUL) is India's largest fast moving consumer goods company with a heritage of over 80 years in India and having a reach the of two out of three Indians. HUL through its products (brands and services), helps people feel good, look good and get more out of life. It has over 35 brands spanning 20 distinct categories. The company has a turnover of 30170 crores for the year 2014-2015 with over 16000 employee base.

HUL is a subsidiary of Unilever, one of the world’s leading suppliers of fast moving consumer goods and has recorded annual sales of €48.4 billion in 2014. Unilever has 67.25% shareholding in HUL.

HUL CSR Initiatives

HUL spends huge amount of money on corporate social responsibility (CSR) activities. In fact, HUL is one of the few companies in India that actually spends 2% of its profits on social initiatives as mandated by law. According to statistics, nearly 66% of Indian firms failed to do so last year.

HUL is often praised and considered to be as a socially responsible company. The company has recorded the net profit after taxes of 4315 crores in the year 2014-15. The company claims to have achieved a lot and created many sustainability impacts as far as its CSR activities are concerned. They have also set themselves 3 big goals
to achieve in 2020:

1) To halve the environmental footprint of their products,
2) To help more than 1 billion people take action to improve their health and well-being.
3) To source 100% of agricultural raw materials sustainably and thus enhance the livelihoods of millions of people.

Company undertakes many CSR activities like Project Shakti, safe drinking water initiative, sustainable sourcing, water conservation projects such as Sanjivani, Prabhat, relief funds etc. Hindustan Lever's website explicitly states that its corporate social responsibility is rooted in its Corporate Purpose and the belief that "To succeed requires the highest standards of corporate behavior towards our employees, consumers and the societies and world in which we live."

However, despite of having shown extraordinary results by the company under its CSR activities, we think some of the initiatives have been started with an intention of damage control post conflicts.

This article examines two controversies where CSR initiatives have been used as a cover by the company to rectify its tarnished image.

Controversy1: FAL Foundation: (Fair and Lovely Foundation)

FAL Foundation is one of the social initiatives undertaken by the HUL under its CSR activities. The objective of FAL Foundation is to promote education to empower women and to provide employment enhancing vocational skills for women. The Foundation identifies academically talented girls from financially challenged backgrounds and offers scholarships to the candidates. The company’s target for the year 2014 – 2015 was to provide scholarships worth Rs. 1 Crore to deserving students.

This foundation was started in the year 2003 as a result of the backlash against HUL’s Fair and Lovely campaign. This was labelled as a charitable cause, however, this was simply the reaction of the company to subdue the effect of media furor and public protests. The real objective was to control the damage and CSR was used as a cover strategically.

VII. Overview of situation:

Fair & Lovely is a branded product of HUL, and is positioned as a cosmetic cream that lightens skin color. Fair and Lovely is world’s largest skin brand and number 1 fairness cream. It was developed in 1975. In 2003, it was rated as the twelfth most trusted brand in India and in 2004 it was identified as a Super brand. It stands for the belief that „beauty empowers a woman to change her destiny‟.

Between 2001 and 2003 HUL initiated advertisement campaigns to market its product – Fair and Lovely. A handful of these commercials were deemed objectionable. The details are as follows:

A. “The air hostess ad”.

The ad showed a worried father who had a dark-skinned daughter. And he was lamenting over the fact that he had no son to look after him, as his daughter’s salary was not good enough. The ad was suggesting that the girl could not get a better job or get married because of her dark skin.

Then, the girl uses the Fair and Lovely cream, becomes fairer, and gets a better-paying job as an air hostess - and makes her family (father) happy.

B. Another advertisement that demonstrates a worried father over the fact that a prospective groom will reject his daughter, as he had rejected the daughters of a few others for the “sin” of being dark (Fair & Lovely steps in to solve the problem again).

The common theme behind these aired commercials of Fair and Lovely was a depressed woman with few prospects gaining a brighter future by either attaining a boyfriend/husband or a job after becoming fairer by using Fair and Lovely.
Reactions:
1. These advertisements attracted a lot of public criticism, especially from women's organizations.
2. All India Democratic Women's Congress labelled these commercials as highly racist and as an affront to a woman’s dignity.
3. The campaign was considered highly racist as it equated fairness with beauty.
4. CavinKare (One of the competitors of HUL) counteracted these ads by portraying and encouraging women to be successful regardless of their complexion.

Fair & Lovely advertising campaign could not be supported because it was seen demeaning to women as per the India’s information and broadcasting minister. As a result, advertisements were taken off the air.

The company faced severe criticism for the advertisements, stating that their portrayal of women was false, demeaning and discriminative. Activists began to speak out against Fair & Lovely.

CSR Initiatives post conflict
Against this backdrop, HUL launched charitable cause called Fair and Lovely Foundation. Many efforts were taken under it which are listed below:

1. FAL foundation sponsored career fairs in over 20 cities across India
2. FAL foundation conducted counselling in over 110 careers
3. It rolled out 100 rural scholarships for women students
4. It started honouring women across India that have achieved greatness and set good examples for others to follow.

Needless to say, allthe FAL Foundation initiatives were taken to rectify the tarnished image.

VIII. Analysis:
HUL was claimed to be taking advantage of cultural base in India and exploiting it with such advertisements. The company for the purpose of profit maximization, based their advertisement campaign on already existing sexist and racist prejudices in the Indian society. The sexist advertising campaign clearly helped the company feed the demand for Fair and Lovely product.

After the controversy and public criticism HUL identified maximizing profits of fair and lovely is probably detrimental to public welfare. Thus it has been claimed that HUL took the route of Strategic CSR initiatives under the Fair and Lovely campaign immediately post the controversy to bridge the gap between private profits and public interests.

Controversy 2:
Dumping Mercury waste in Kodaikanal by HUL
As per the news reports, there is an ongoing case which involves HUL and famous NGOs like Greenpeace. The news reports claim that the HUL was involved in dumping massive amounts of deadly Mercury waste in Kodaikanal.

Overview of the situation:
In 1998 HUL took over the thermometer manufacturing factory set up in Kodaikanal by an American firm. The facility was used to produce thermometers that were exported to US. In 2001, locals and Greenpeace (NGO) discovered a scrapyard filled with 7.4 tonnes of mercury waste largely comprising crushed glass with mercury inside, located close to a school. The NGO was able to source this waste to the HUL plant.

It was later on discovered that the company was dumping mercury in Shola forests located in its property. As a result of such wrong doings, HUL was forced to shut down the facility in 2001 and was also forced to clean up the scrapyard. But environmental activists claim that the wastes were spread across a far larger areas and they remain unclean till today. Last year, NGO claimed that the samples taken from the nearby areas still contain dangerously high levels of mercury.

Even today, HUL is facing protests for dumping dangerously high levels of mercury that continue to endanger the lives of those who live and work in the vicinity.

As per the news reports, HUL is being claimed to be negligent and unresponsive towards this issue because of lack of regulations and laws to hold companies accountable.
Analysis and CSR initiatives post conflict
Against the backdrop of such issues, to maintain the eco-friendly image and promote its brand, HUL is indulging in lot of strategic CSR activities. Their main objective is to improve environmental sustainability, ecological balance, protection of flora and fauna, animal welfare, agro-forestry, conservation of natural resources and maintaining of quality of soil, air and water.

In fact, in April last year, HUL said it would spend Rs100 crore on an initiative to conserve water. This, again indicates how strategically corporates are using CSR activities in brand building and for the purpose of damage control post conflicts.

IX. Conclusion
The aim of the paper was to understand how strategic CSR is undertaken by companies as a measure of damage control post conflict and controversies. In order to get a detailed overview into the subject, a review of literature was carried out and two case studies pertaining to Coca-Cola India Private Limited (CC IPL) and Hindustan Unilever Limited (HUL) were examined. Although it is tempting to draw analogies between the conflicts associated with the companies and their strategic CSR initiatives, we cannot really determine the quantum of social impact created by these initiatives. It is still debatable as to how much of the money spent on CSR initiatives genuinely helps communities, the extent to which the money can take credit for social outcomes and what more could the companies do to make the money go further and develop deeper relationships with those communities in need. Strategic CSR should not be merely used as a means of cosmetic treatment by companies to improve their image post conflicts but it should be extended to something beyond the 2% mandate of Law and create greater impact on society at large.

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