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Social Responsibility and Tomorrow's Society

Corporate Social Responsibility beyond philanthropy? Sustainable and Responsible Business in times of Covid-19

ESCP Impact Paper No. 2020-57-EN

Olivier Delbard
ESCP Business School

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Olivier Delbard
ESCP Business School

Abstract

This impact paper examines the role CSR may play in helping businesses respond to the Covid-19 crisis in a sustainable and responsible manner. Beyond the "CSR-as-usual" that many companies resort to as a short-term response to the crisis, the paper explores the potential of sustainability-driven multi-stakeholder approaches as a means towards medium- and long-term resilience.

Keywords: CSR - sustainability - systemic change - stakeholder management

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The world is currently facing a unique and unprecedented crisis and no one at the moment is able to predict how long it will take for the economy to recover. As for the social consequences of this pandemic, causes for concern are mounting every day.

A striking phenomenon in the developed world has been the renewed legitimacy of the State as the main engine of economic recovery. Public authorities today are granted the leading role, not only when it comes to health matters, but also regarding social and economic policy.

This re-embeddedness of politics is no doubt a turning point in recent history. Yet this does not mean that the private sector should not take on its responsibility regarding the pandemic. Large companies, especially multinational firms, have a decisive role to play, all the more so in most of the developing world where national governments, for various reasons, are not in a position to provide adequate responses. A study conducted in 2018 and based on a rigorous methodology demonstrated that two-thirds of the world's top 100 economic entities were companies vs less than one-third national governments.¹

As a matter of fact, be it in the developed or developing world, it should be borne in mind that multinational firms draw in their wake hundreds, sometimes even thousands of SMEs — suppliers, subcontractors, often family businesses, scattered around the world. Hence the crucial role of big business in providing adequate responses to the crisis.

This impact paper focuses on CSR and its crucial role in the current situation, not only as a much-needed short term response, but more importantly as a catalyst for systemic change in the medium to long-term. The rationale behind this is that the business world definitely needs to move away from "CSR and business as usual" in order to engage in sustainability-driven policies, eventually leading to deeply transformed business models.

The short-term response

Although CSR has become a buzzword in management, it remains a fuzzy concept taking very diverse forms. From its emergence in the 1950s in the U.S. to its internationalization, first in Europe in the 1990s, then across the world in the 2000s, CSR practice has evolved from ethical to utilitarian motives to more recently sustainability-driven strategies. Yet, by and large, the prevailing form of CSR around the world remains the most traditional one, based on ethics and philanthropy, in other words, "CSR as usual".²

"CSR as usual"

When looking at the current CSR responses to the pandemic, it comes as no surprise to see that the traditional philanthropy-based form of CSR largely prevails.³ Based on the universal "give back to the community" principle, this type of CSR is an easy way for businesses to offer a quick and effective response. It allows them to provide a direct tangible benefit to

¹ See Babic, Heemskerck & Fichner, "Who is more powerful? States or corporations?", *The Conversation*, July 2018.

² On the history and development of CSR, see Delbard, 2020.

³ This is confirmed by recent surveys such as Globescan's "purposeful leadership in a time of crisis" (April 2020). Retrieved on May 7, 2020 from <https://globescan.com/purposeful-leadership-time-of-crisis/>

society while enhancing the company's reputation and image. As a result, many companies have been seen donating surgical masks and other types of PPE (personal protective equipment), setting up emergency relief funds or providing relief packages.

Interestingly enough, while corporate philanthropy remains by and large a valid response to the emergency,⁴ several large companies, especially in Europe, have rapidly taken one step further by adopting a collaborative approach, focused on specific categories of people impacted by the pandemic.⁵

"Stakeholders have names and faces and children"

"Stakeholders have names and faces and children. Executives and academics, especially, must understand that business is fully situated in the realm of humanity." (Freeman, 2010)

The current crisis is raising fundamental questions, such as the relevance of our prevailing business and management model, i.e. the shareholder value maximization model, as exemplified by Milton Friedman's famous/notorious statement, *"the sole responsibility of business is to make profits"* (Friedman, 1970). Is it still "socially conceivable" to claim that the sole focus of CEOs and top managers should be on the company's shareholders and their financial expectations?

The stakeholder theory that emerged as a counter-model in the 1980s but remained to a large extent an empty shell, due to its inherent flaws and poor effectiveness,⁶ is finally taking concrete shape. As Freeman⁷ (2010) put it, stakeholders should not be viewed as abstract constructs but as fully-fledged human beings, which particularly resonates in the current traumatic context. Consequently, the aim of management ought to be pursuing objectives shared by all key stakeholders, thus enabling the usual trade-offs to be avoided. The fact of adopting a more holistic view of the company's ecosystem and balancing out the respective interests of stakeholders has been exemplified by the debate over the distribution of dividends. Surprisingly enough, the fact of cancelling the distribution of dividends this year was largely supported not only by unions and social activists, but also by political and economic leaders. As a result, 35% of the French CAC 40 companies have decided not to pay any dividend, while 35% are cutting them and 17.5% maintaining them.⁸ The point here is not to name and shame, but to view this question as a unique opportunity to rethink value creation from a stakeholder perspective.

Several companies have shown great responsiveness by adopting specific measures for their stakeholders. To take some of the most significant examples, local businesses engaged in their territories as well as global giants (in the car and manufacturing, pharmaceuticals, cosmetics, textile industries, etc.) rapidly shifted their production lines to contribute to the collective effort. Regarding employees, several large multinationals have displayed their sense of care by securing income and benefits to all of their employees across the globe.⁹

⁴ Even though philanthropy is subjected to many criticisms such as its lack of efficiency and limited time horizon.

⁵ With some (often) new generation CEOs being quite vocal in the media on this necessity (e.g. Danone's Emmanuel Faber or Accor's Sébastien Bazin).

⁶ It is indeed a firm-centric approach focused on bilateral relations between the firm and its different stakeholders so that it does not clearly take into account the interactions between stakeholders (whose interests and motives may vary a lot). Nor does it propose a viable managerial approach to finding a common approach to managing these diverging interests (see for instance Delbard, 2020).

⁷ Generally considered to be the father of stakeholder theory.

⁸ Retrieved from Zonebourse.com on May 8, 2020. This question is quite complex since companies may decide to cancel, cut or maintain dividends for diverse and possibly opposite reasons (financial situation, socially-oriented view or not, etc.). In addition, some may decide to cancel dividends this year and distribute twice as many next year...

⁹ See for instance Danone's commitments (official press release, April 21, 2020).

The same goes for payments to suppliers and the commitment to accelerate the payment process.

The table below summarizes some of the most common measures taken towards 4 key stakeholders.

Table 1: Examples of Stakeholder-driven policies

STAKEHOLDER	RESPONSES	EXAMPLES
GOVERNMENT	MODIFYING PRODUCTION LINES	supply of PPE (ventilators, masks, hydro gel, etc.)
EMPLOYEES	EXTENDED CARE	secured income and benefit package to all employees
CUSTOMERS	SERVICE & ADVOCACY	access-free content, information and advice, adapted solutions
SUPPLIERS	COMMITMENT	honouring payment obligations, long-term commitments

Looking beyond: the need for systemic change

The whole world is expecting a rampant recession with massive drops in GDP, waves of business failures and lay-offs and worsening poverty levels, among other consequences. Some have already pleaded for the return to a Friedman-like business-as-usual scenario, meaning a deregulated business environment allowing for flexibility and freedom of action.

One key lesson from the current crisis is that many companies are not following suit. On the contrary, some are even pledging to reinforce their long-term vision aligned with economic, social and environmental sustainability objectives. Aware of the difficulties they will face in the months to come, they are keen on maintaining a long-term vision based on a strong stakeholder-oriented view. Some even claim that the crisis could help them be stronger in the future.

These positions are representative of a new approach to CSR that developed in the wake of the emergence of sustainable development in the 1990s.¹⁰ Within a few years, the pressing importance of sustainability challenges led to a fundamental repositioning of CSR. Elkington (1997) developed and popularized the triple bottom line approach, Porter & Kramer (2006, 2011) had a major influence on business practitioners in demonstrating that by moving away from traditional philanthropy and aligning it with general strategic objectives, CSR could be a driver for new competitive advantages, eventually contributing to creating value for the company as well as for the society (the "shared value" concept, 2011).

A distinctively European approach (European Commission, 2011)¹¹ advocates the *integration* of social, environmental and human right concerns into the company's strategy and operations. CSR then means sustainability for the business world. By embedding social and

¹⁰ With the 1987 U.N. Brundtland Report followed by the 1992 Rio Earth Summit.

¹¹ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52011DC0681>

environmental issues into their strategies, companies are gradually transforming their value chains and business models, eventually "politicizing" their role in society, as described by the political CSR school of thought.¹² According to the CSR integration pyramid below, they have reached the third and final stage, that of "strategic CSR".



Figure 1: CSR integration pyramid (Delbard, 2020)¹³

Here again, the current pandemic has brought about numerous debates and discussions over the necessity to further embed sustainability into our ways of production and consumption. Surveys and the media stress the attention given by consumers to local/national production, while the issue of healthy and traceable products is more acute than ever. Global value chains, with their inconsistencies and absurdities, are being strongly challenged and the cost-driven obsession questioned in the face of health, social and environmental challenges. The potential links between the pandemic and our predatory behavior on the environment are also being highlighted.

Long-term vision and purpose

The stakeholder perspective definitely pushes businesses to reinvent themselves. Among all the pressing issues, sustainability-driven CSR appears a necessity for the post-Covid 19 world since "CSR as usual" is most likely to be viewed as superfluous expenses that are not contributing to the recovery or to value creation.

Although it may seem counterintuitive to some, only a long-term vision will enable companies to overcome the crisis and adapt to a rapidly-mutating world. The difficulty lies in the ability to cope with short-term challenges while looking ahead. Looking beyond requires visionary leadership and a sense of purpose, i.e. the ability to balance profit and the *raison d'être* of the company, i.e. its contribution to people and the planet.

This inevitably pushes companies to rethink their business models, with priority issues such as governance and organizational models (*how to shift from shareholder-based to stakeholder-based governance?*), supply chains (*how to transform global and dispersed supply chains into local and sustainable ones?*), product/service portfolios (*how to be more sustainable thanks to the products/services offered? How to disengage from unsustainable activities and remain profitable?*).

¹² See for instance Scherer & Palazzo, 2007. Political CSR is structured around neo-institutional and stakeholder theories.

¹³ This pyramid comprises 3 levels of CSR integration, 1) short-term and "peripheral" philanthropy, 2) the compliance stage when companies start formalizing and internalizing CSR by adopting processes, norms and standards, based on a risk-management approach, 3) strategic CSR corresponding to the embeddedness phase leading to a profound and disruptive value chain transformation process.

Over the last few years, the need to put forward a sense of purpose has gained in visibility and legitimacy, thanks to initiatives such as the B Corp label,¹⁴ already granted to almost 3,000 companies¹⁵ in 60 countries. In the legal field, several countries have created new forms of business, such as benefit corporations in several States of the U.S., community interest companies in the U.K., *entreprises à mission* (mission-driven companies) in France,¹⁶ *Società Benefit* (benefit companies) in Italy, to name a few.

In any case, one of the most intricate challenges is how to find the best compromise between economic, social and environmental concerns. Indeed, the current pandemic entices businesses to focus on the economic and social dimensions, given the dramatic impact of the crisis on poverty, livelihoods and employment. Meanwhile, climate change and other vital ecological concerns such as biodiversity loss or resource scarcity are still critical and should not be overlooked.¹⁷

Change has already been under way over the last few years: several large companies are currently striving to embed key CSR issues into their strategic visions and operations. Under pressure from consumers, citizens or regulators, they are engaged in innovative circular inclusive approaches, and are redesigning their product portfolios and supply chains. Our assumption is that these companies are better equipped to face the current crisis and overcome it.

A new mindset for renewed corporate legitimacy

At the end of the day, the ability for companies to act as fully responsible and sustainable actors largely depends on a much less visible dimension, which is the need for a shift in mindset.

Indeed, businesses need to learn how to abandon the well-established profit-driven short-term view and adopt a balanced “profit and purpose” perspective, which requires empathy, transparency and acting for the common good in the long-term.

This obviously requires a radical rethink and redefinition of relations with stakeholders, based on cooperation and care. How to engage employees by demonstrating empathy and benevolence? How to be more transparent and committed towards consumers? How to be capable of meeting the needs of lower-income people while focusing on quality and sustainability? How to engage in long-term trust-based relations with suppliers? How to collaborate with government on general interest causes? How to be able to sit with NGOs at the same table to share common objectives?... All these questions need to be urgently addressed.

Once again, we are fully aware of the challenges ahead, and perfectly know that the “more than usual business” scenario is the most likely in several cases. Nevertheless, in this momentous period, the ability of private actors to roll out responsible and sustainable strategies could prove to be a decisive differentiation factor in the longer run.

¹⁴ A U.S. private label born in 2006 (based on a stringent methodology) promoting companies which manage to balance profit and purpose, i.e. fully integrate social and environmental objectives into their business models and products/services.

¹⁵ Among which brands such as Nature et Découvertes, Ben & Jerry's, Patagonia, Natura or Ecover.

¹⁶ See Levillain & Segrestin, 2019.

¹⁷ The temporary “positive” impact of the crisis on the environment is nothing else but a dangerous lure. At the same time, it may help boost environmental awareness among citizens.

Seen from a European standpoint, this much-needed paradigm shift will not be made possible without the support of two main actors: government and public decision-makers on the one hand, consumers on the other. Without clear signals sent from public actors and without our decisions as consumers to change our consumption habits, the private sector might be driven back to the old "the business of business is business" slogan.

Conclusion

The main aim of this paper was to stress how relevant CSR was in the current context in helping businesses fully take on their responsibilities towards society. The second key objective was to show that the transformation of CSR from the traditional short-term philanthropy to a sustainability-driven strategy is absolutely necessary, as a means to enable businesses to overcome the crisis and think long term. In addition, this shift in mindset and paradigm will not be made possible without a complete overhaul of the way companies interact with their stakeholders. The pandemic serves as a catalyst since businesses, more than ever, need to think of their role in protecting and caring about their employees and the community at large, and act accordingly.

Finally, as a business school professor, I am thinking of this new generation of fresh graduates looking forward to entering the workplace: I know from experience that a large majority is looking for companies offering them meaningful and purposeful missions so that they can feel they contribute to providing sustainable solutions to our planet and its people.

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