



ROTTERDAM SCHOOL OF MANAGEMENT, ERASMUS UNIVERSITY

- ▶ Employer and employee engagement in CSR

Chris Murray talks with Lonneke Roza and Lucas Meijjs

- ▶ Corporate illusionists: socially but not politically responsible

By Frank Wijen

- ▶ Does climate change affect global innovation?

By Mathijs van Dijk

- ▶ Automation: is your product too good?

By Eugina Leung, Gabriele Paolacci and Stefano Puntoni

- ▶ The power of love in organisations

By Stefano Tasselli

- ▶ Strategic renewal in institutional contexts

By Jacomijn Klitsie



Corporate illusionists: socially but not politically responsible

By **Frank Wijen**

Corporate social responsibility has gone mainstream. Something once seen as the province of eco social warriors has in recent years become an established part of the corporate and commercial framework. An estimated 80 per cent of Fortune 500 global companies issue sustainability reports and the word 'sustainability' has become something of a religious mantra. But is it enough?



Sustainability is chanted in public company accounts and other announcements, business schools, universities, think tanks and the now ubiquitous 24/7 news media. Thanks to the progress made in embedding the concept of sustainability into corporate DNA, many elements of modern business life are undoubtedly significantly better than in the relatively recent past.

Unilever and Philips are two prominent examples. Unilever has significantly reduced the environmental impact per product supplied, for instance, by co-creating and adopting a series of voluntary sustainability standards, including MSC (Marine Stewardship Council,

governing seafood catch and sales) and RSPO (Roundtable on Sustainable Palm Oil). For its part, Philips has significantly reduced its environmental footprint per product, in particular around energy efficiency, packing, weight, toxic materials and recycling.

Unfortunately, as noted in a recently published article in which I participated, *CSR needs CPR: corporate sustainability and politics* (in this context, the abbreviation CPR is shorthand for corporate political responsibility), it is rare to find firms that are equally transparent about and proactive in their political activity. The most common methods used to evaluate corporate social responsibility (CSR) and corporate sustainability today almost completely ignore the role of business in shaping public policy.

Political agendas

The article notes that there is also evidence that some companies use their corporate sustainability initiatives as a cover for their political efforts to block meaningful change through government regulations seeking to rectify negative social and environmental externalities from self-interested corporate actions. Like illusionists, they distract the public attention through

overtly benign actions while undertaking covert moves to water down societally beneficial regulations.

The European fine particle emission limits for cars is one example. Not only do car manufacturers such as Volkswagen cheat with their (diesel) emission tests, but the official, regulatory emission ceilings themselves are way too lenient. This leniency is most probably the outcome of intensive lobbying by the car industry. While the environmental movement also lobbies at the European level, there is no level playing field since the muscle of corporate lobbyists in Brussels dwarfs the lobbying resources of environmentalists.

The issue of vehicle emissions is hugely important as it potentially affects vast numbers of people. According to the Air quality in Europe – 2017 report from the European Environment Agency (EEA), the annual limit value of nitrogen dioxide (NO₂) continues to be widely exceeded across Europe. The EEA further calculates that in the European Union (EU) an estimated 502,351 premature deaths in 2014 were caused by air pollution, including NO₂, much of which comes from car emissions. This has attracted little in the way of media attention. Slow and largely invisible deaths do not grab headlines in the way that, for example, a terrorist attack would.

In a similar vein, the EU generously distributed free greenhouse gas (GHG) emission rights to the largest (industrial) producers in Europe, knowing that these legally allowed emissions would lead the EU to exceed the emission levels allowed by international agreements.

Again, most probably this was the result of intensive industry lobbying.

Another example is the active lobbying by Netherlands-based multinationals to abolish the Dutch dividend tax. The companies concerned included Unilever and Philips, both of which top sustainability rankings. No single political party advocated this measure, which will cost the Dutch taxpayer about €2 billion. That is money that could have

been spent on social amenities and good causes such as healthcare, education and nature preservation. This *RSM Discovery* feature is a call to action and to argue that CSR needs CPR, as the title of our recently published article suggests. At the very least, firms must become as transparent about their political activity as they are (at least on the surface) about their sustainability activity. It is understandable from a purely commercial perspective that com-

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panies will not be keen to see tougher regulation that would harm them, but it would be hypocritical if they are campaigning and we don't know. This is especially so in cases where the net impact would be the same for all the companies affected since they face the same regulations.

Where there is very intensive lobbying against emissions regulation, what can we do to make sure companies are open about it? In the above-mentioned article, we made three relatively simple suggestions for companies.

Aligning behaviour

It is clear, then, that the situation is far from perfect. Something needs to be done to encourage more companies to align their behaviour much more closely with their virtue-signalling pronounce-

ments on sustainability and corporate responsibility. This *RSM Discovery* feature is a call to action and to argue that CSR needs CPR, as the title of our recently published article suggests. At the very least, firms must become as transparent about their political activity as they are (at least on the surface) about their sustainability activity. It is understandable from a purely commercial perspective that com-

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been spent on social amenities and good causes such as healthcare, education and nature preservation. This may seem idealistic, particularly in the light of legal decisions that currently allow unlimited covert political spending. But in the longer run, we do not expect current conditions to last. Social expectations change over time, and in the information age transparency is being increasingly insisted upon.

Second, align political activity with public pronouncements and CSR efforts: do not say one thing in public and do something else behind the scenes. If a firm says it is seeking to voluntarily reduce its carbon footprint, then we would expect it also to support public policies that require all firms to reduce their GHG emissions. ▶

Third, support public policies that will enable the private sector to better pursue sustainability efforts and commitments. This does not mean supporting public policies that are financially disadvantageous, but supporting policies that enable the firm to act more responsibly without suffering a competitive disadvantage.

One might not expect, for example, an oil company to support restrictions on fracking. But it would be reasonable to ask that same company to support regulations that restrict GHG emissions from fracking if doing so would be environmentally beneficial and only entail marginally higher operating costs. Effecting such change will take time and effort, on the part of the companies themselves and of institutions such as the European Commission that should be safeguarding public interests but are failing in this basic duty.

Greater transparency

Creating a mandatory public register detailing CPR, requiring companies to disclose dealings with politicians, regulators and bureaucrats, could form another element of the solution – even though firms might still pursue their political dealings secretly. It has to be admitted that it will be hard to develop an effective sanction. But whenever outright lies are told, these will be more easily revealed since the official statements can be more readily compared with actual behaviour. In other words, prompting firms to report their concrete stances and actions (not their lofty, abstract ideals about a beautiful society with happy people) offers a better basis for showing non-compliance with official statements.

In conclusion, the CSR/CPR article is a manifesto. Both academics and business persons have, so far, primarily focused on CSR, thereby oversee-

ists, showing off their benign actions but hiding their less rosy achievements. Instead, they must behave responsibly across the board, both socially and politically. ■

The article *CSR Needs CPR: Corporate Sustainability and Politics* appears in *California Management Review*, Vol 60, Issue 4, pp. 5-24. DOI: <https://doi.org/10.1177/0008125618778854>

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 **An overview of the core aspects addressed in the *California Management Review* article can be found at: https://youtu.be/Kf9Mc7C_2PM**

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ing the pernicious effect of politically irresponsible acts by businesses. Many today agree that companies must be much more transparent about their political activities. If they claim that they are following the tenets of CSR, they must demonstrate openly that they are not lobbying in the political arena against societally beneficial regulations. Companies must not act like illusion-

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