CORPORATE SOCIAL RESPONSIBILITY: THE ROLE OF THE MEDIA AND THE CHARACTERISTIC DIFFERENCES BETWEEN GREENWASHERS AND SOCIALLY RESPONSIBLE COMPANIES

by

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Abstract

The modern understanding of business responsibility is shifting towards an understanding that includes responsibility to multiple stakeholder groups instead of only to shareholders. Given this trend it is important to understand the role of the media in the motivations that companies engage in corporate social responsibility and conversely those that greenwash. Furthermore, it is also important that an understanding be achieved of what differentiated companies engaged in corporate social responsibility form those that greenwash. Understanding these two factors will lead to a better understanding of what motivates and differentiates the two groups of companies.

In order to measure the mainstream media coverage of corporate social responsibility, a content analysis will be conducted of seven newspapers’ coverage during 2008 of three companies perceived as socially responsible and three perceived as greenwashers. Company reports will be analyzed to determine the different characteristics of the two groups.
Dedication

This paper is dedicated to

My parents Leonard and Judi Libin for their love and unending support,

my Baubi Jean for being an endless source of inspiration,

and in memory of my Grandma Nina.
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1: Introduction

The debate surrounding corporate social responsibility has been shifting from a question of whether business needs to engage in this practice to how socially responsible business should be (Post, 2003). With the recognition that business should engage in socially responsible behaviour, comes the necessity to be able to differentiate between companies that are socially responsible and those that only pretend to be. As the idea of corporate social responsibility has become increasingly influential in mainstream thought, there is a greater temptation to not pay the costs associated with actually engaging in social responsibility but still reap the benefits. In order for the socially responsible companies to be adequately rewarded, consumers must be able to differentiate between the characteristics of companies that are actively socially responsible and those who only appear to be.

The mainstream media is a major source of easily accessible information for the general public. As such the way the mainstream media covers the degree to which companies engage in corporate social responsibility will have an affect on the ability of the public to distinguish companies trying to be socially responsible from those interested in greenwashing. For this reason it is important to understand the way the mainstream media covers corporate acts of social responsibility. Any slant that exists in the mainstream media’s coverage will almost surely affect the public’s perception.

That being the case it is important to understand what companies who act responsibly, and are perceived as being such, do in order to foster this perception. If the
mainstream media provides enough coverage for the public to make an accurate distinction, then the benefits of being a socially responsible business should be immediately apparent and, similarly, greenwashing should be detrimental to a company. If the media does not provide sufficient coverage for this distinction to be made, it is necessary to understand what companies do to be perceived one way or another.

Understanding why companies act the way they do in terms of being socially responsible, versus greenwashing, will be an important aspect of understanding the media’s role. As such, Stakeholder Theory and Shareholder Theory, the two prominent theories in the discussion of corporate social responsibility, need to be understood in depth. The motivations of companies, as they engage in corporate social responsibility, will be important in understanding how the media’s coverage of their acts in this area will affect their decisions. To fully comprehend how companies will act it is also important to recognize the potential benefits companies can expect to realize from being socially responsible, as well as the drawbacks from greenwashing.

In order to understand how the media covers corporate social responsibility this paper analyzes the way, and the extent to which, the mainstream media covers companies ranked high in corporate social responsibility versus those perceived as greenwashing (as rated by third-party evaluators). By analyzing news reports regarding companies regarded as being one of the two above types it is possible to ascertain the role the media plays in this, and how certain companies will act given an understanding of the prominent theories. Furthermore, understanding how companies can further act to distinguish themselves as socially responsible, based on the media’s current role, will offer insights into how companies can best realize the benefits of being socially responsible.
The literature review will define corporate social responsibility and the theoretical concepts that surround it. This will include a thorough explanation of Stakeholder Theory and Shareholder Theory, the two key theories that define a company’s responsibility. This section will also explain the motivations behind each of the corporate social responsibility theories. Finally, the benefits and drawbacks to a company trying to be socially responsible will be explored. The benefits and drawbacks of business trying to be socially responsible will also serve to explain what role a company’s motivation in engaging in corporate social responsibility plays.

The methodology will explain the parameters used for completing the content analyses of the company reports and the mainstream media coverage of corporate social responsibility. This will entail an explanation of the criteria used in choosing the newspapers to analyze, as well as the criteria used for determining whether an article covered the issue of corporate social responsibility. This section will also explain the rankings used to choose the six companies at the center of this study.

The content analysis of the company reports will examine the claims that the individual companies make. This will also include an examination of the reasons why each company was included in the study. In examining the different claims made by the companies in each group, a determination will be made of what differentiates the companies trying to be socially responsible from those that greenwash. Finding the factor that differentiates the two groups will help to determine what a company needs to do to be considered to be engaging in corporate social responsibility.

The findings of the content analysis of the newspaper coverage of corporate social responsibility will show the role the mainstream media plays in the public’s ability to
distinguish between the two groups of companies. This will include a look at the portion of the media coverage that was devoted to covering corporate social responsibility, and the slant the coverage took. In doing so, the section will examine whether there is a difference between the coverage of companies that are pinnacles of corporate social responsibility versus those that greenwash.
2: Literature Review

2.1 Definition of Corporate Social Responsibility

Corporate social responsibility can be seen as a response to the belief that traditional business practices were not inclusive of many groups within society affected by those practices. Thus corporate social responsibility is about the shifting of the business decision-making process from being shareholder-centric to being stakeholder-centric. Share-holder-centric companies are companies that focus on profit first and foremost and, as such, their primary focus is on creating value for the shareholder. Stakeholder-centric companies are companies that hold being socially responsible as a primary motivation for their actions. As such these companies show a significant concern for including a variety of stakeholder groups, including but not limited to shareholders (e.g., also employees, communities, customers, etc.), in their decision-making process. This means that it is no longer enough to think short-term about creating value for the shareholder but it is also necessary to think long-term about creating value and not harming society as a whole (Beckmann & Pies, 2008). This requires a drastic shift in the traditional business thought process.

This shift requires the recognition of a couple of factors that must come into play, and can be seen in the debate between the Shareholder Theory and the Stakeholder Theory of corporate social responsibility. First, this shift in business thought requires the recognition that resources are going to have to be redirected from generating shareholder value to enhancing corporate social responsibility. This recognition means directing
resources to projects, and programs, that may not be motivated mainly by generating a large return on investment, but will be best for a larger number of groups, namely stakeholders, and will help the company to become socially responsible (Gibson, 2000).

Second, this shift in the business thought process requires a rethinking of how companies involve the public in their decisions. This means that companies must become drastically more open and transparent about all aspects of their business. This must occur such that the public can be at ease that when a company claims to be engaging in corporate social responsibility, it is actually doing what it says (den Hond, 2008). This cannot just be a one-time effort on the part of the company; it requires a permanent shift to being open to inquiries from the public as to portions of how a company operates and what it is currently involved in (Detomasi, 2008).

Companies also must understand that it is not enough that they engage in corporate social responsibility, but those closely involved in their supply chain must also live up to these standards. There is an expectation that companies involved in socially responsible activities make an effort to encourage their business partners to do the same (Amaeshi, Osuji & Nnodim, 2008). Thus corporate social responsibility can be defined to include a commitment on the part of business to involve the interests of multiple groups, both internal and external, openly, and transparently, in their strategic business decisions.
2.2 Stakeholder Theory of Corporate Social Responsibility

2.2.1 The Inclusion of Stakeholders in Business Decision-making

Stakeholder Theory has become the dominant theory regarding corporate social responsibility. The basis of Stakeholder Theory is the inclusion of groups within society in the decision-making process of a company (Gibson, 2000). This does not necessarily mean that every group has to have a direct say in the outcome of every decision the company makes. It does mean that groups that could have an effect on or be harmed by a company’s business practices, and decisions, are consulted so their interests are made known and considered in the decision-making process (Freeman, 1984). This shift in the decision-making process towards the inclusion of more interests than just those of the shareholder means that the strategic outlook of a company has to shift as well from being short-term to long-term (Jamali & Keshishian, 2009).

The shift that is required for businesses from short-term thinking to long-term thinking also has repercussions in terms of what areas a business prioritizes. When businesses think primarily about the short-term it means that profits are prioritized, and, in so doing, the creation of shareholder value. The shift to a long-term approach to business means profits, and the creation of shareholder value, become less important, while long-term goals, such as making decisions that are simultaneously good for the company and for society, becomes a priority (Freeman, 1984). In this sense the shift in thinking that takes place for business under the Stakeholder Theory of corporate social responsibility moves business towards having a much bigger role to play in society, and in the welfare of society as a whole (Beurden & Gossling, 2008).
The fact that the welfare of society as a whole is prioritized at all in the Stakeholder Theory means that business decision-making has moved from a simple decision based on profit, through the stage where decisions are legal and ethical, to a stage where decisions are made because they are the right thing to do (Post, 2003). The first two stages are simpler stages of business decision-making. Decisions based on profit and decisions based on legal grounds are fairly simple and straightforward, and simply take into consideration the external framework. This means that no internal reflection is required to make a decision at the first stage, whereas the third stage of decision-making requires internal reflection in order to determine what is right for more than just the company. The third level of decisions brings in a level of morality to business decisions that Stakeholder Theory argues did not exist before (Post, 2003).

2.2.2 The Definition and Role of the Stakeholder

One of the criticisms of Stakeholder Theory is that it could create an endless number of groups that a business should consult before making a decision. The criticism continues that, in such a case, it would be nearly impossible to make a decision, as the number of groups that a business would be required to consult would be endless (Coelho, McClure & Spry, 2003). Following this thinking, it stands that by the time all necessary consultations would have been completed, the opportunity to create value would have been taken up by another company. For this reason numerous scholars have found that it is necessary to define the key stakeholder groups, and why they should be paid attention to, if only to avoid the aforementioned criticism. Those stakeholder groups have largely
been defined as employees, management, local community, shareholders, suppliers and customers (Post, 2003).

By defining the stakeholder groups into these categories the company is better able to make decisions in a timely fashion, yet still keep in mind, and act on, the interests of these groups. All of these groups can affect, and be affected by, the actions of business, and, as such, Stakeholder Theory argues that this gives them a right to have their interests considered in the business’ decision-making process (Gibson, 2000). It is necessary for a business to recognize that each of these stakeholders has a legitimate right to have their interests considered by the company in the decision-making process. By recognizing the legitimacy of these different stakeholder groups the company lessens the likelihood that individuals will feel as if their interests and opinions have not been represented (Frederick, 1994). Freeman argues that companies must in fact not just prepare to recognize the legitimacy of these groups, and consider their opinions, but actually act on the concerns that they bring forward (1984). Freeman’s position is that by acting on the concerns of the stakeholders, business can ensure that its relationship with stakeholders is an amicable one. This is necessary as in an adversarial relationship the process of engaging in corporate social responsibility would be completely ineffective for the company (Freeman, 1984). Thus, as the company recognizes, and legitimizes, the stakeholders, the stakeholders in turn legitimize the role, and intentions, of the company (Freeman, 1984).

The role of the stakeholder can also be seen as one in which the stakeholder promotes those companies that behave in a socially responsible manner. By publicizing socially responsible companies, the stakeholder rewards those companies that allow them
into the decision-making process, and provide said companies with an extra level of legitimacy with the public as a whole (Longinossi, Ruiz & Rubio, 2009). This level of legitimacy, and publicity, becomes very important in terms of the reputational effects companies can hope to achieve by engaging in corporate social responsibility. The stakeholder recommendation allows for the company to gain a sincere form of publicity without seeming to boast about its own actions (Ven, 2008). Furthermore, when a company receives praise from a stakeholder group it lessens the likelihood of it being accused of greenwashing, as it is no longer the company that is making the claims of social responsibility (Jamali & Keshishian, 2009).

2.2.3 The Requirement for Honesty and Transparency

In order for business and the stakeholders to have an amicable relationship, business is required to engage its stakeholders in a transparent manner so that the stakeholders can easily ascertain exactly what a business is doing. This transparency adds to the trust that the business and the stakeholders build up by developing their relationship (Gibson, 2000). In developing the relationship the stakeholders need to know that the business is not hiding anything from them. This transparency allows for stakeholders to help decrease the external pressures that may build up for the company (Compa, 2008). Therefore, by being transparent with its stakeholders business decreases the chances of it being accused of greenwashing because the stakeholders have input into, and can clearly see, what is being done.

By being transparent in their relationships companies can ensure that they look more sincere to stakeholders, and, as a result, to the general public as well. Businesses
must follow through on promises that are made to stakeholders groups, as well as those that appear in company advertisements or publications. By promising a project, or program, and failing to deliver, the company completely destroys any goodwill that it may have built up with the stakeholder group (Cruz & Boehe, 2008). This opens the company up for accusations of greenwashing and, subsequently, for a loss of the reputational effects they could have expected.

From an ethical standpoint this can be seen as getting as much relevant information out to the consumer as possible in order to allow the consumer to make an informed decision about their purchase (Valor, 2008). In doing so the company is able to maximize consumer satisfaction, and, as a result, increase the consumer’s loyalty to the company. It is thought that this is especially the case when the consumer can relate their purchase to a socially responsible company (Boush, 2008). The consumer is supposed to get more out of a connection to a company based on a deeper commonality in their dedication to social welfare, than one based on the features that the company makes available in its products (Bush, 2008). Thus, a company can develop a longer relationship with the customer, where there are higher switching costs if the consumer breaks the relationship (Longinossi, Ruiz & Rubio, 2009).

2.2.4 The Ethical Imperative in Stakeholder Theory

While many believers in Stakeholder Theory, and corporate social responsibility, contend that there is a boost in financial performance that comes from being a socially responsible company; that companies should engage in corporate social responsibility for profit is largely frowned upon. The belief is that engaging in corporate social
responsibility because of the potential for profit means that the company will not be fully socially responsible, and will, in effect, largely use corporate social responsibility as a marketing tool (Bondy, 2008).

Engaging in corporate social responsibility with a profit motive is wrong because of the aforementioned ethical component of Stakeholder Theory, namely that the decision-making process in Stakeholder Theory moves beyond simply profit, and, as such, motives of profit should be, to some degree, pushed aside. Furthermore, when the profit motive features too prominently in the decision-making of an ostensibly socially responsible business, there is a concern that if the situation changes, and it no longer remains profitable, but remains right, the company will cease to act in a socially responsible manner (Ven, 2008). The other problem with corporate social responsibility being motivated by profit is the type of projects, and programs, that this motivation could lead to. The belief is that profit driven, socially responsible companies will choose programs, and projects, based on which is the most profitable, not which program, or project, is the most needed, or the most socially responsible (Sen & Bhattacharya, 2001). In doing so, profit motivated corporate social responsibility decisions have the potential to completely eliminate the idea of doing what is right from the decision-making process (Payne & Raiborn, 2001). As such, this would be a complete twisting of the Stakeholder Theory and the basis for it. Thus, in Stakeholder Theory, the drivers behind a company’s decision begin to play a major role in whether the company can truly be considered socially responsible.

The inclusion of the driver behind the decision as an important factor for a business being socially responsible is the primary reason why Stakeholder Theory
requires a shift in the motivations of management. Mainly, there must be some sort of internal drive, or belief, in the actions that the company is undertaking in order to ensure that they are both done properly, and consistently (Post, 2003). Thus, the company must be internally motivated in order to engage in corporate social responsibility. This internal motivation leads to a greater likelihood that stakeholders will be interacted with in an amicable manner, thus increasing legitimacy (Compa, 2008). Furthermore, the presence of an internal motivation means that the company will likely be perceived as being more sincere in their actions (Detomasi, 2008).

This internal motivation is further required because of the differences in structure that are related to the type of motivation that drives engagement in corporate social responsibility. This relates to the premise that when a company is motivated by external factors, such as risk mitigation, to engage in corporate social responsibility, the efforts that they do engage often come off as marketing ploys (Driver, 2006). Furthermore, these efforts generally do not generate the same reputational effects as those of a truly motivated company (Patten, 2008). It should also be noted that corporate social responsibility motivated by external factors is also less likely to have the resources devoted to it that are necessary to do the project, or program, properly. When internal motivation exists within a company to engage in corporate social responsibility for the right, and ethical reasons, significantly more resources will be devoted to it, thus changing the structure of the company in order to incorporate corporate social responsibility into every aspect of the company (Freeman, 1984).
2.2.5 Implied Responsibility of Business to Society in Stakeholder Theory

The concept of business’ responsibility to society began to really take hold when multinational, and transnational, corporations expanded rapidly in the 1990’s and, as a result, drastically increased the amount of power they were able to wield (Jenkins, 2005). As a result of this expansion, and the developing countries that these corporations were beginning to expand into, the idea of a responsibility of business to society started to make more sense. This conception that the corporation has a responsibility to society has its roots in law, as corporations have become artificial people. Thus, there is a belief that as corporations become like people in the legal sense they should have similar moral obligations as well (Post, 2003).

This belief is given further credence by the idea that business is a member of society, both as an economic entity and as the aforementioned artificial person. The argument is, that as a member of society, and as an entity that exists as a result of society, businesses have a responsibility to give back and help society (Driver, 2006). As business is able to operate as an entity within society, and is using resources it has acquired from society, or is using with permission of society, business then has a responsibility to give to society for enabling it to exist (Joyner & Payne, 2002). Critics suggest that this line of though is actually a twisting of property rights, and that it will only serve to destroy the system of property rights that currently exists in society (Coelho, McClure & Spry, 2003). Supporters of Stakeholder Theory look at it as a member of society doing what is best for society under similar moral obligations as any other individual member of society is expected to follow (Post, 2003).

Stakeholder Theory takes the idea of business’ responsibility to society further as it incorporates the power that multinational, and transnational, corporations seem to have.
The argument is that as corporations have grown bigger, and gained more power, they have become akin to countries in their own right, both in economic resources, and in clout (Jenkins, 2005). Because these corporations are going into areas of the world where they have the capacity to do more than the government can, the corporations should use their resources to improve the lives of those stakeholders in the area (Detomasi, 2008). Furthermore, the corporations should avoid projects, or programs, that would harm, or adversely affect, the individuals living in the areas. After all, these corporations would not be allowed to use the land in these areas if the society, and to some extent the people, were not willing to support, or at the very least tolerate, the corporation’s presence (Gibson, 2000). This is all part of recognizing the legitimacy of the stakeholders, in this case the local community, when a company gets involved in a new area, or continues its involvement in an old area.

The implication of business having a responsibility to society links back to the idea that there is an ethical imperative contained within Stakeholder Theory. Namely, the idea that a company has a responsibility to do what is right, not just for itself but for society as a whole, necessarily implies that business is responsible for, at the very least, doing right by society (Post, 2003). This responsibility to society can also be seen in the belief that business should engage in corporate social responsibility because of a true internal motivation to do what is right, not based on the ability to generate profits or create shareholder value (Driver, 2006). It is evident that the implied responsibility of business to society is thoroughly entwined throughout the Stakeholder Theory, and without accepting this it would be very difficult for a business to buy into any other area of the Stakeholder Theory, especially, at anything greater than a superficial level.
2.3 Shareholder Theory

2.3.1 Responsibility to the Shareholder

The basis of Shareholder Theory is that business is only responsible to the shareholder and, as such, its goal should be to create value, and greater profits, for the shareholder. This means that business is supposed to dedicate its resources to this end (Friedman, 2002). In doing so, business uses its core competency, namely the management of business, and increases its ability to compete in the market. By acting in the best interests of the shareholder, it is argued that business is acting in its own best interests, and, as such, creating the most it can for society (Coelho, McClure & Spry, 2003b). Business is amoral, and many of the moral outcomes of business actions are generally unintended (Friedman, 1990). In taking this approach businesses are able to meet society’s demands for new products by acting in a manner that maximizes their ability to compete. By acting in the interests of the shareholder, business can be said to be creating a public good, even as it is pursuing its own best interests (Friedman, 1990).

Critics of the Shareholder Theory suggest that by acting in this way business creates a situation where social responsibility does not matter. This is to say that business will completely ignore what is in the best interests of society in order to make a profit, whether that means poor treatment of employees or massive amounts of pollution (Driver, 2006). Furthermore, Stakeholder Theorists argue that engaging in corporate social responsibility can actually be profitable for the company, even if it is not done with profit as its motivation. In doing so, the argument is that business can serve its own interests by also serving the interests of the public good (Beckmann & Pies, 2008). Business can also take measures to negate the fact that they do not have a core
competency in deciding what is best for society. By joining with a non-governmental organization (NGO), business can join its core competency with the core competency of its partner to create an entity capable of making decisions regarding the public good. By engaging in partnerships with NGOs, and other groups, businesses can begin to develop a core competency in this area, or develop significant relationships that provide the competency, and protect business from future government intervention (Jamali & Kershishian, 2009).

Friedman counters this argument by making his claim that businesses must operate within the law (2002). Furthermore, Friedman contends that businesses should not act in a manner that would constrict open competition (2002). A major part of this belief for Friedman is that businesses must operate honestly and without deception. When business colludes, or deceives, major damage is done to the ability of society to maintain open competition (Friedman, 2002). Friedman even goes so far as to suggest that collusion is one of the major factors in the creation of monopolies (2002). To this end, the inclusion of corporate social responsibility within the realm of business responsibility is thought to be a subversion of what it is to be a free economy (Coelho, McClure & Spry, 2003a). This argument is made because of the belief that said involvement will lead to dishonesty within business (Friedman, 2002). The suggestion is made that just as labour movements represent the best interests of labour, business should represent the best interests of its shareholders (Friedman, 2002). To expect business to do anything other than represent the best interests of the shareholder would be to blur the line of where business ends and government begins (Husted, De Jesus Salazar, 2006).
2.3.2 The Responsibility of Government

A key reason why Friedman argues that business need only be responsible for representing the interests of the shareholder is because he believes it is the responsibility of government to make the rules which business must follow (2002). A major part of Shareholder Theory rests on the notion that business must follow the rules of society. In doing so, it is thought that business will behave in a moral manner. This is based on the understanding that laws are made by government as a reflection of the morals of society as a whole (Coelho, McClure & Spry, 2003a). Furthermore, it is necessary to understand that this belief goes further to suggest that if a business is behaving improperly, or contrary to the public good, the government is free to pass a new law that intervenes in that behaviour (Husted & De Jesus Salazar, 2006). This position works with Shareholder Theory because of the belief that it is government’s responsibility to act in the best interests of society as a whole. Therefore, the government, by acting in the best interests of society, as business acts in the interests of its shareholders, maximizes the extent to which each group’s interests are represented, as well as the use of core competencies to represent those interests. This means that the interests of both groups are better represented by the splitting of responsibilities, than when business is responsible for both the interests of the shareholder, and for the interests of society as a whole.

To this end, government has certain responsibilities according to Friedman, namely, to change the rules as necessary, to mediate differences on the meaning of rules and to enforce the rules (2002). By doing this, government is able to ensure that business acts in the best interests of society. As Shareholder Theory is based on business representing the shareholder by competing to the best of its ability within societal rules, it is argued that this means business will act morally (Coelho, McClure & Spry, 2003a).
Furthermore, the possibility of future government intervention will provide further enticement for business to be on its best behaviour, lest the government make a rule that infringes on the ability of business to make a profit (Husted & De Jesus Salazar, 2006).

Friedman also argues that government should be involved in regulating areas of society where there exist “neighbourhood effects” (2002). A “neighbourhood effect” is when the action of one entity within society directly inhibits the ability of another member of society to engage in free enterprise, or inhibits access to a public good (Friedman, 2002). Friedman gives the example of the pollution of a river that then inhibits the ability of those down water to access clean water. This is the sort of activity, where it is argued that government must regulate so that every member of society has access to the clean water that is a public good. This argument can be extrapolated to any argument regarding corporate responsibility for the environment. By giving government responsibility for the regulation of a public good, such as clean water, the premise is there for government to regulate other areas of the environment where business may be infringing on the ability of a member of society to access a public good. Thus, the government has an implicit responsibility for legislating the protection of the environment and ensuring that business does not do more damage to the environment than the public deems reasonable, and responsible (Husted & De Jesus Salazar, 2006).

Stakeholder Theory argues that simply following the laws, as set out by government, is not enough. Business should go beyond the laws, as the laws represent simply a moral minimum, and do not necessarily go far enough in representing the public good (Post, 2003). Furthermore, Stakeholder Theory argues that it is not necessarily the case that the punishment for violating a law is the equal to the benefits that a business can
achieve from the violation. Thus, there is the case to be made that in some instances violating a law would be beneficial to the company in terms of making a profit and representing the interests of the shareholder (Post, 2003). This criticism falls a little short though as it fails to consider that Shareholder Theory, while encouraging the pursuit of profit, is also about competing honestly within the rules of the game (Wagner-Tsukamoto, 2007). While the potential exists that business could go outside the law, as a criticism of Shareholder Theory it ignores a central premise.

This critique of the Shareholder Theory would be better served as a critique of government rather than a critique of the theory itself. The inability, or unwillingness, of government to impose the correct sanctions is not then a flaw in the make-up of the Shareholder Theory (Wagner-Tsukamoto, 2007). A major problem presents itself when business lobbies government not to impose the necessary regulations and, in doing so, affects the rules that should be in place (Friedman, 1990). In such an instance business actually hinders the ability of the government to ensure the existence of open competition, and acts in a manner contrary to that proposed by the Shareholder Theory.

2.3.3 Business Must Follow the Law

In Shareholder Theory business has a responsibility to act within the laws of society. In doing so, it is argued that business is acting morally, as the laws of society are a reflection of society’s morals. This tenet of Shareholder Theory means that business is not unaccountable and, therefore, not able to simply do the least possible that enables the most profit (Coelho, McClure & Spry, 2003a). Business is not capable of, nor does it have competencies in, determining what is moral. That being the case, it is the
responsibility of business to follow the laws as set out by government because it is
government’s responsibility to regulate right and wrong within society. This separation
of the roles of government and business means that business is able to act in the best
interests of its shareholders without concerning itself with an area where it has no ability
to operate competently. A key part of this argument is that business is expected to
operate without using deception or fraud (Friedman, 2002). This means that business
should not make claims about doing more or less than it is doing in terms of following
society’s laws (Ven, 2008). Business, in making claims that it could better determine the
public good than the government, would be acting a manner, such that it would invite
corruption and deceit into the management of business (Friedman, 2005).

The Stakeholder Theory counter to this argument is that it only works when there
is open competition, but that when there are deficiencies it is necessary for business to
engage in corporate social responsibility. Deficiencies in the market mean that either the
government is not able to regulate that area, or open competition does not exist. In such
situations it is argued that corporate social responsibility has a definitive place (Maxfield,
2008). This is so especially in situations where the government does not have the ability,
or reach, to adequately legislate society, and, thus companies have a responsibility to act
in the interests of society (Maxfield, 2008). It is situations like these that are part of the
reason that Stakeholder Theorists call Shareholder Theory shortsighted and idealistic.
The idealism exists in the sense that there is a belief that Shareholder Theory prescribes
rules of behaviour for a system that does not actually exist (Post, 2003). There is
legitimacy to this criticism, as the development of political lobbying on behalf of the
business community has created a situation where the interests of society are not always
considered when laws are created (Maxfield, 2008). Thus, simply to follow the law, which has already been corrupted by business, no longer seems to be effective in ensuring that companies behave morally.

2.3.4 Business Should Not Engage in Corporate Social Responsibility

Shareholder Theory goes as far as to argue that business should not explicitly try to be socially responsible. The position against business involvement in corporate social responsibility is based on two different arguments. The first argument is that the inclusion of corporate social responsibility within the normal responsibilities of business increases the possibility of deception within business. Friedman’s argument for this is based on the fact that business does not have a core competency in deciding what is best for society (2002). Business is likely to simply choose those programs, or projects, which management is already involved in. That being the case, business would divert resources from creating shareholder value into the individual social projects of management (Coelho, McClure & Spry, 2003a). As a result, the social good is not really being helped; rather the individual purposes of management are being served.

Friedman uses the example of charitable giving to prove his point. Instead of giving this money to the shareholder to do with as they please, business claims to be working for the best interests of society by giving money to a charitable cause. As previously mentioned, because business has little ability to determine what causes are best for society personal causes are supported instead (Friedman, 2005). With personal causes being supported in the name of corporate social responsibility the needs of society, and the shareholder, are actually subjugated to the needs of management (Friedman,
Furthermore, there is the issue of laws that are not in the best interest of society and which do not further the creation of open competition. Freidman’s example is the law that rewards business for charitable giving with the provision of a tax break. To this end, business is encouraged to lobby for the creation of laws which seem to be in the best interest of society, but which actually create deception in business, and reward management, while diverting funds from shareholders (Friedman, 1990). All in all, this is deemed to be a negative development for business and for society.

The second reason that business should not be involved in engaging in corporate social responsibility is that it diverts resources away from creating value for the shareholder (Coelho, McClure & Spry, 2003a). This occurs despite the fact that it goes against the competencies of business. In doing this, business actually lessens its ability to compete in the market. This is especially detrimental to business in a situation where open competition exists, and each individual company is required to operate as efficiently as possible to stay in the market (Husted & De Jesus Salazar, 2006). In such a case, when business engages in corporate social responsibility, the rights of the shareholder are directly harmed.

Wagner-Tsukomoto (2007) has a different take on this argument of Shareholder Theory, in that he argues that business can engage in corporate social responsibility as long as the costs of engaging in corporate social responsibility are paid for by the consumer. While Wagner-Tsukomoto argues that social costs should be paid for by government he definitely sees a role for corporate social responsibility. In this case corporate social responsibility is acceptable because it generates value for the shareholder (Wagner-Tsukamoto, 2007). Based on this argument, as long as the corporate social
responsibility programs that business engages in are paid for by an entity other than the shareholder, it is acceptable. In this case the shareholder pays for the corporate social responsibility in order to reimburse business for its activities.

Stakeholder Theory argues that it is possible to integrate morality with profitability, and, as such, even Wagner-Tsukomoto’s argument does not go far enough. Even though Stakeholder Theory holds that profit should not be the reason business engages in corporate responsibility, it does hold that there is the possibility, even the likelihood, that engaging in corporate social responsibility will in fact generate shareholder value. This is where the reputational effects that corporate social responsibility is supposed to deliver are very important. These reputational effects are supposed to deliver increased customer loyalty, product differentiation and reduced transactional costs that in turn boost profits (Boush, 2008). Stakeholder Theory further argues that traditional measures of accounting do not adequately account for the value that corporate social responsibility creates (Driver, 2006). As such, it is the position of Stakeholder Theory that the view of corporate social responsibility as a drag on resources is shortsighted and ignorant of key benefits.

2.3.5 Business Creates a Public Good by Creating Shareholder Value

Shareholder Theory holds that business actually does create a public good even when it does not engage in corporate social responsibility. This public good is created by business satisfying the needs, and desires, of the public via its creation of new products (Coelho, McClure & Spry, 2003a). This satisfaction of public needs, and desires, is created by the competition that exists in a market which features open competition. By
constantly developing new products business ensures that the market grows and that there is freedom of choice for the consumer (Friedman, 1990). From the actions of business multiple groups can expect to benefit, including consumers, employees and shareholders. Furthermore, Friedman suggests that by business ensuring that a free market exists political freedom is also preserved (2002). This can be seen as a positive benefit for every stakeholder group within society. By simply creating shareholder value business can be seen to be raising the common living standard, as well as increasing social welfare.

The creation of these public goods are, as previously mentioned, an unintentional byproduct of business acting in its own self interest. The amorality of business can then be seen as a necessary precondition for the maximization of shareholder value (Friedman, 1990). If business were to divert resources from the creation of shareholder value to engaging in corporate social responsibility then its ability to create the public goods it currently is able to would also suffer (Coelho, McClure & Spry, 2003a). The creation of public goods by the engagement in corporate social responsibility, on the part of business, can be seen as a replacement of the creation of one form of public good with the creation of another public good.

Stakeholder Theory does not recognize the creation of common good by business that Shareholder Theory does. Stakeholder Theory rather sees the resources business uses and the potential for damage if business does not follow the law, and argues for a more extensive responsibility on the part of business. Coelho, McClure and Spry (2003a) argue that in calling for these extra responsibilities Stakeholder Theory’s advocacy of increased social responsibility erodes the ethical basis of capitalism. The authors further
argue that this increased responsibility also creates conflicts of interests for management. Management is listed as both an agent of the shareholder and a stakeholder, and, as such, must choose which role to play and, therefore, creates a conflict of interest (Coelho, McClure & Spry, 2003b).

In this sense, the difference between Stakeholder Theory and Shareholder Theory comes down to how business is to create a common good for society. For Shareholder Theory that creation of common good is intrinsic to the practice of doing business. For Stakeholder Theory the traditional practice of business has actually eroded many areas of the common good and, as such, the creation of common good must be explicitly done outside of traditional practices. The increased power and range of multinational, and transnational, corporations, and the belief that the perfect conditions no longer exist where there is a sufficient moral basis of law for business to follow, means that business has to take on a larger moral responsibility and not simply follow the law but go beyond it (Detomasi, 2008).

2.4 The Benefits of Corporate Social Responsibility

The benefits of corporate social responsibility are generally garnered in the form of reputational effects. This refers to the image based benefits that a specific business receives from engaging in corporate social responsibility. These benefits range from being able to generate a better consumer response to a product, to being able to recruit a better class of employee. The reputational effect benefits that a specific company receives from engaging in corporate social responsibility are the basis of the argument in
Stakeholder Theory that there is not necessarily an inverse relationship between corporate social performance and corporate financial performance (Miles & Covin, 2000).

2.4.1 Increased Customer Loyalty

One of the key reputational effect benefits that a corporation is supposed to receive from engaging in corporate social responsibility is increased consumer loyalty. This is important because this benefit can be seen to link directly to an increase in revenues on the part of companies that engage in corporate social responsibility. This benefit is supposed to occur from two bases. First, consumers want to buy responsibly, and will reward companies that they perceive as socially responsible (Boush, 2008). Second, being socially responsible satisfies a deeper need within the consumer and, as such, creates a greater bond between those companies engaging in corporate social responsibility and their consumers (Boush, 2008).

Consumers are thought to want to buy more responsible products from increasingly responsible companies. As such, it is thought that consumers will reward those companies that behave in a socially responsible manner (Boush, 2008). Thus, those companies who are able to inform the public that they are engaging in corporate social responsible activities should see a boost in sales (Cruz & Boehe, 2008). The increase in sales that being socially responsible as a company can result in, and the increase in reputational capital that comes with it, can be seen as method for differentiating a product (Husted & De Jesus Salazar, 2006). In this sense, being socially responsible becomes a competitive advantage. In order for this boost to happen the corporate social responsibility that a company engages in must fit the product that is being sold. Fit is a
very important factor, as it greatly increases the chances that a consumer will respond to messages of social responsibility on the part of a company (Xiaoli & Kwangjun, 2007). This increase occurs because acts of social responsibility that fit the product being sold stand out as being more sincere than those that do not fit well.

It is also necessary that the consumer be interested in the area of social responsibility that the company is engaging in. Consumers respond better to acts of corporate responsibility that trigger an interest within the consumer (Sen & Bhattacharya, 2001). Thus, even as corporate social responsibility has the potential to generate increased sales, the marketplace is divided into differing interests (Valor, 2008). As such, it is very important that companies expecting to see reputational effects of this kind ensure that the activities they engage in and publicize fit the product being sold. It is also important that the socially responsible behaviour fit the interests of the product’s targeted market, because interest in the activities generates the aforementioned deeper bond with the company.

By being socially responsible a company is supposed to be able to satisfy a deeper need for the consumer. The level of interest the consumer has in the socially responsible activities the company is engaging will determine how strong of a bond exists (Longinos, Ruiz & Rubio, 2009). It is not necessarily sufficient just to be socially responsible if the company is not active in the right areas. The level of interest in the area of social responsibility is so important because the bond that is generated with the consumer is based on the consumer’s desire to have an effect in that area (Boush, 2008). Thus, if it is an area the consumer cares about, and the consumer can see that the company cares about that same area, the consumer will develop the previously mentioned deep bond. The
creation of this deep bond means that the consumer will have a much harder time switching brands because of the feeling that they will no longer be making a social contribution to the affected cause.

It is also thought that connecting to the consumer on a level of social responsibility creates a deeper bond than simply connecting based on the provision of the newest features available in the product (Sen & Bhattacharya, 2001). However, connecting on this basis can also be problematic because negative news about the company, and their corporate social responsibility attempts, will have that much more of a damaging effect (Juscius & Snieska, 2008). Thus, it is very important for companies hoping to create this bond to provide as much honest information as possible to the consumer about their attempts to be socially responsible, because the negative effects of breaking the bond have been shown to be much more severe (Holder-Webb, Cohen, Nath & Wood, 2009).

2.4.2 Easier Recruitment and Retention of Quality Employees

A company with a reputation for being progressive, and engaging in corporate social responsibility, can get a boost in the recruitment and retention of employees. The same sort of effect occurs in this case as did with the building of a bond with consumers; mainly the company that engages in corporate social responsibility is able to build a deeper connection with its employees. First, employees are more likely to want to work for a socially responsible company, because working for said company becomes about more than just collecting a cheque every pay period (Bhattacharya, Sen & Korschun, 2008). Again, engaging in socially responsible activities allows the company to satisfy
the employees’ need to feel that they are contributing socially. The satisfaction of this need increases when the employee feels that the company is able to achieve goals that the employee would not be able to attain individually (Bhattacharya, Sen & Korschun, 2008). Thus the employee feels that working at the company helps them to attain goals outside of work that they would be otherwise incapable of achieving.

This feeling leads to a couple of benefits for the company. First, employees satisfied at a level greater than simply receiving money for their services tend to feel a higher level of commitment to the company (Rodrigo & Arenas, 2008). This has two effects. First, the employee is more likely to stay with the company, and thus retention of said employee becomes easier (Rodrigo & Arenas, 2008). Second, employees who feel this connection with their employer are more willing to work extra hours for their employer. Not only is the employee willing to work more, but the employee is also willing to work harder for the company than they otherwise would have (Rodrigo & Areans, 2008). This first factor can be seen in companies becoming socially responsible, or at least attempting to, and realizing that fewer workdays are missed.

The second effect is that employees are likely to defend, and even publicize, their company more outside of work (Bhattacharya, Sen & Korschun, 2008). Thus the employee becomes a de facto advertisement for the company. The greater connection that the employee feels to the company causes them to take more pride in what the company does when they are not at work. This means that the employees are working to make sure that those around them understand how great a company they work for (Bhattacharya, Sen & Korschun, 2008). This action by the employee can lead to greater reputational effects with consumers. This sort of word of mouth advertising is often
believed, by those receiving it, to be more sincere than a company commercial would be (Pomering & Dolnicar, 2009).

In order to maximize the benefits a company sees in its employees as a result of its corporate social responsibility activities, it is important that the company communicates with its employees about the types of activities it plans to engage in. By involving the employees in the decision-making process about what programs and projects to enact, companies can enhance the bond that being socially responsible fosters with their employees (Bhattacharya, Sen & Korschun, 2008). The company is then able to maximize the benefits it will see from this reputational effect.

2.4.3 Reduced Transaction Costs

The reduction of transaction costs can occur at a number of levels. Primarily though they are recognized via a company’s relationship with its suppliers and buyers, and via a company’s relationship with the local community and any governing bodies they may deal with (Husted & De Jesus Salazar, 2006). In terms of the reputational effects a company can hope to achieve with suppliers it largely has to do with companies within its sphere of influence (Amaeshi, Osuji & Nnodim, 2008). This largely means companies already existing within the company’s current supply chain. By being socially responsible a company can show that it behaves morally, and thus can reduce friction with new business partners, as well as generate goodwill with existing partners (Amaeshi, Osuji & Nnodim, 2008). Furthermore, companies with good reputations for being socially responsible potentially have the ability to exert more pressure on those in their supply chain to behave in a similarly socially responsible manner. This power comes
from the reputation that socially responsible companies can generate with the general public (Amaeshi, Osuji, Nnodim, 2008). As such, socially responsible companies also become desirable for inclusion in a supply chain because they make the chain, as a whole, look that much better.

That being said, it is necessary for companies that wish to develop a reputation for being socially responsible to make sure that the other companies involved in their supply chain are also behaving in a similar manner. This is especially true for larger companies, as they are expected to be able to enforce certain standards on their suppliers especially (Amaeshi, Osuji & Nnodim, 2008). Having a company with a poor record in a supply chain can reflect even more negatively on a company trying to be socially responsible than the positive effects of having a socially responsible company in that same chain. Thus, the responsibility for the company does not end at its own practices, but is also a reflection of and reflected on to those companies they interact with (Holder-Webb, Cohen, Nath & Wood, 2009).

The positive reputational effects of being socially responsible can also be seen in how local groups and governments interact with a company. This occurs to the extent that socially responsible companies are desired members of the community. This happens because the community, and the government, believe that a socially responsible company can be counted on to not only follow the law, but to go beyond it, and make a positive contribution to the community beyond the expected economic effects (Detomasi, 2008). With governments this can mean that the government is less likely to enact laws that will harm or intervene in the company’s business (Payne & Raiborn, 2001). Thus the business builds itself some leeway from government involvement and interference. This
can become especially important in developing countries where the prospect of nationalization is higher. Therefore, being socially responsible can be seen as a way for a company to increase its access to markets, and as a tool for risk mitigation (Nijhof, de Bruijn & Honders, 2008).

2.5 Muted Benefits and Dangers of Corporate Social Responsibility

2.5.1 The Role of Public Knowledge

In order for the reputational effects of corporate responsibility to become a reality the public must be aware of the socially responsible activities business is engaging in. This is problematic because there is evidence that suggests large portions of the population do not make themselves aware of these activities (Valor, 2008). Therefore, the ability of a company to communicate those activities in a manner that is received by the public and perceived as being sincere is so important. While many companies now produce CSR reports, it is questionable how many members of the public actually read those reports (Valor, 2008). Thus the extent to which the media covers the corporate social responsibility activities of business is very important because this form of third party communication is perceived as being so much more reliable than actual communication from the companies themselves.

That is where the problem with the communication of corporate social responsibility of business lies. Large portions of the public do not trust the message that business is actually being socially responsible when it comes from the business itself (Ven, 2008). Many advertisements referring to a company being socially responsible are ignored or even taken as insincere (Juscius & Snieska, 2008). The perception of the
message as being insincere can be even more harmful than if the message was ignored, or simply discarded. Messages that are regarded as being insincere can actually damage a company’s reputation even if the act being communicated to the public was socially responsible (Juscius & Snieska, 2008).

These negative effects and the general lack of knowledge the public has gathered can be seen in the example of four major banks in Australia. In a study by Alan Pomering and Sara Dolnicar of the knowledge Australians had about the corporate social responsibility programs of four major banks in Australia, those surveyed exhibited the aforementioned symptoms. 40% of those surveyed were unable to remember any of the programs, attributed to any of the banks, when given verbal cues (Pomering & Dolnicar, 2009). 50% were unsure about 14 of the 16 graphic cues given regarding the corporate social responsibility programs (Pomering & Dolnicar, 2009). This means that a significant portion of those surveyed would be unaffected by the socially responsible programs enacted at any of the banks. At best, the banks were working with an audience of 60% within which to generate reputational effects, and the extra business that would be expected as a result. Similarly disturbing is that only 7% were able to accurately recall the corporate social responsibility activities of all the banks (Pomering and Dolnicar, 2009). The investment in corporate social responsibility on the part of the banks would seem to be reaching a very small portion of the Australian public.

The study went on to demonstrate the lack of trust that the public puts in the attempts companies make to publicize their socially responsible activities. To this end, only 20% of those surveyed said they trusted bank advertisements, while 40% responded that they trusted the company websites of the individual banks (Pomering & Dolnicar,
2009). Unless this an industry specific symptom of mistrust on the part of the public this
does not bode well for the ability of companies to communicate a message regarding their
corporate social responsibility activities that is perceived as sincere. To this end, it
should come as no surprise that there was very limited knowledge on the part of the
public about the social issues the banks were pursuing (Pomering & Dolnicar, 2009).
Furthermore, there was a demonstrated higher level of interest in the issues that directly
related to their personal dealings with the bank (Pomering & Dolnicar, 2009). This leads
to the next issue of how much of an effect corporate social responsibility actually has on
the public.

2.5.2 The Gap Between the Public’s Expressed Interest and Actual Interest in Social
Issues

The claims that business can expect to garner reputational effects from its acts of
corporate social responsibility balance on the public actually rewarding companies for
being socially responsible. This claim can be legitimately questioned when three factors
are considered. First, only portions of the public that are directly affected and interested
in an issue tend to react to news about a company being socially responsible in that area
(Pomering & Dolnicar, 2009). Second, the public reacts much stronger, and in greater
numbers, to negative news than it does to positive news (Sen & Bhattacharya, 2001).
Third, while there is a recognized positive relationship between corporate social
responsibility and financial performance, the direction is questionable and uncertain
(Stanwick & Stanwick, 1998). These three factors together combine to create what some
scholars recognize as a gap between the stated and actual interest in corporate social responsibility on the part of the general public.

The study of Australian banks seemed to show that a significant portion of the public does not make itself aware of the socially responsible activities that companies engage in. This being the case the fact that the public is divided on the issues that are important to them is problematic. Considering that there is evidence that the public only rewards those companies involved in issues that are important to them individually it is necessary to question how much of a reputational effect be expected from actually being, or just being perceived as, socially responsible (Samp & Cohen, 2008). The division of the public means that, while those who do react do so strongly and passionately, the portion that does respond will not be significant enough to have an impact (Patten, 2008). Part of the reason consumers pick certain areas to be interested in is the aforementioned lack of information that they gather about corporate social responsibility programs. Consumers use fragments of information to build their perceptions of which companies are socially responsible (Valor, 2008). This can lead to a situation where the public does not know enough to reward the socially responsible companies, and punish those that are not socially responsible (Valor, 2008).

There is also a limited first mover advantage related to corporate social responsibility (Patten, 2008). The advantages that are gained from being socially responsible start to diminish as perception increases that a company is socially responsible (Husted & De Jesus Salazar, 2006). Thus, after a certain level of social responsibility is reached the company does not see the same return on the money it invests in being socially responsible (Husted & De Jesus Salazar, 2006). This is
especially problematic because companies that are socially responsible generally have more expected of them and, as such, must at the very least maintain that status, lest they suffer a reduction in the positive reputational effects they have accrued (Dean, 2004).

The increased expectations on the part of the public, of companies that have a reputation for being socially responsible, can also be a problem. The problem arises if, and when, negative news, or contradictory news, comes out regarding a company with a positive reputation. The public’s reaction to negative news is more widespread and stronger than when there is positive about a company’s corporate social responsibility (Sen & Bhattacharya, 2001). This means any negative news that comes out about a company, in terms of it not being as socially responsible as thought, can completely undo any gains that had previously been accrued, and even create losses on top of those lost gains (Dean, 2004). While this may seem to be a reason for companies not to mislead the public about their corporate social responsibility activities it also means that companies must be careful about publicizing even the activities they are fully committed to (Juscius & Snieska, 2008).

On the other hand, companies with low expectations of their level of social responsibility risk very little when bad news comes out about them. They have set the bar so low that when bad news does come out about them the public does not get nearly as disappointed about their failure (Dean, 2004). Thus, corporate responsibility as a risk mitigation tool gains credence. By not publicizing a company’s corporate social responsibility a company can remain in good stead with governments without raising the expectations of the public. This practice means that when negative news does come to light it will not be nearly as harmful as it would have been otherwise. Used in this way,
corporate social responsibility becomes a very strategic tool, and loses many of the reputational effects that a company could garner (Ven, 2008).

Finally, while many studies have found that there is a positive relationship between being a socially responsible company and being a profitable company, the direction of the relationship has yet to be proven. That means that it cannot be said that being socially responsible leads to increased profits and financial performance (Stanwick & Stanwick, 1998). The relation is also thought to be a situation where as companies become more profitable they engage in more in corporate social responsibility. The reason for the possibility of increased financial performance leading to increased corporate social responsibility is that bigger companies are often required to spend more on being socially responsible (Preston & O’Bannon, 1997). The more areas and projects a company is involved in, the more current thought dictates that said company should make a positive social impact in said areas (Payne & Raiborn, 2001). Furthermore, as a company’s financial performance improves that company is better able to engage in corporate social responsibility (Preston & O’Bannon, 1997). Thus, there seems to be a possible relationship between power within the market and a company’s ability to engage in socially responsible programs (Husted & De Jesus Salazar, 2006).

2.5.3 Definition and Effects of Greenwashing

Greenwashing is when the level of corporate social responsibility a company claims to be achieving is not actually what the company is doing (Rowell, 2002). This term is most often used in terms of misleading policy statements and claims regarding a company’s environmental record (Rowell, 2002). The term greenwashing includes, but is
not limited to, company advertisements and commercials. The term greenwashing can also be used in regards to claims made within internal company documents such as the company’s annual or CSR reports (Rowell, 2002)\(^1\).

Accusations of greenwashing are especially damaging for a company as they make the company’s previous claims look insincere. Such a development can be damaging for any future claims and, as a result, cause the company to suffer permanent reputational damage (Cruz & Boehe, 2008). Accusations of greenwashing can be looked at as the most damaging type of negative news that can come out about a company’s attempts at being socially responsible (Detomasi, 2008). Not only does it damage the company that the accusation is made about, but it can also damage the reputations of any companies involved with the company, as well as any NGOs that have partnered with the company (Amaeshe, Osuji & Nnodim, 2008). In the end, greenwashing is about seeming to be concerned about being socially responsible without actually making the effort to be socially responsible.

The other problem with greenwashing is that it is a very subjective accusation. Thus, opinions regarding which companies are engaged in greenwashing can vary widely. Accusations of greenwashing can occur as a result of a company engaging in strategic attempts at corporate social responsibility (Joyner & Payne, 2002). The insincerity that is perceived when a company engages in strategic corporate social responsibility can lead to accusations of greenwashing. These accusations can also stem from a company having a bad reputation in terms of its attempts, or lack there of, to be socially responsible. After having a negative reputation for being socially irresponsible

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\(^1\) Greenwashing refers to the neglect of a specific aspect of corporate social responsibility, namely environmental responsibility. As an act it incorporates misleading the public regarding the extent of a company’s socially responsible activities regarding the environment. This act can be broadly applied he effects of a company exaggerating its claims of being socially responsible.
attempts at turning that reputation can be perceived as insincere marketing ploys and result in greenwashing accusations. Having examined the basis for how, and why, a company gets involved in corporate social responsibility, the remainder of the paper will examine the companies themselves and the way the mainstream media covers them.
3: Methodology

3.1 Content Analysis of Newspaper Coverage of CSR Activities

As much as corporate social responsibility is about business ethics, the difference between being ranked as a socially responsible company and a greenwasher is perception. This means that for a company to be considered to be serious about corporate social responsibility it must generate a positive image among the public, and various stakeholder groups. As such, examining how the mainstream media treats the issue of corporate responsibility is a key part of understanding the effects that socially responsible businesses can expect to generate. It is also important in understanding how much of a negative effect a company that is pretending to be socially responsible can expect if, and when, they are discovered. This development is important as the degree to which a company can expect to be found to be deceiving the public should determine how much a company practices to deceive.

The proclivity that the mainstream media, and in this case newspapers, show towards covering corporate social responsibility will show how much access the general public has to the corporate social responsibility policies of the companies chosen for this analysis. While four of six the companies chosen published at least one corporate social responsibility report, it is unclear how interested the public is in reading these reports. If the degree to which the public does not inform itself about major political issues (Muhlberger, 2005) is any reflection of the public’s willingness to generally keep itself informed, it is then unlikely that the public will avail themselves of these reports.
Therefore, the role of the mainstream media in covering the extent to which companies are socially active becomes even more important, as it would seem likely that they are one of the public’s chief sources of information on this subject.

The presence of third party sources that play the role of CSR watchdog provides an important potential source of information for the public, either via direct access or through use by the mainstream media. These sources of information, such as the Boston College Center for Corporate Citizenship and Spinwatch, provide information about which companies are actively engaging in corporate social responsibility and which are greenwashing. These sources can be incorporated by the mainstream media into their coverage and, as such, can indirectly influence the message the public receives. The relative ease of access of these sources by the public also means that they can play a significant role in informing the public if the public cares to find the information. That said, assessing just how important these other sources are, and what their role might be, still requires a better understanding of how the media covers corporate social responsibility and whether their coverage is sufficient, by itself, to convey the information necessary to reward truly socially responsible companies.

In other words, given the mainstream media’s big role, it is necessary to determine how much of their coverage on a specific company is related to corporate social responsibility. By doing this it is possible to ascertain the degree to which the media is interested in the socially responsible activities of companies. Furthermore, it will show whether the mainstream media covers companies that are actively pursuing corporate social responsibility differently than they do those who are simply pretending to be socially responsible. This is important because the mainstream media, as a major
source of information for the general public, can swing public opinion, especially in regards to corporate social responsibility. This huge influence of the mainstream media in this sense is due to the fact that corporate social responsibility is an important factor in determining how companies generate a positive public perception of themselves (Detomasi, 2008).

The mainstream media can play a major role in determining how much, and how likely, companies are to be socially responsible. If the mainstream media is not covering socially responsible business behaviour the mainstream media could be encouraging companies not to be socially responsible. Similarly, the mainstream media showing a keen interest in corporate socially responsibility would likely discourage companies from only presenting an image of being socially responsible. Thus, the mainstream media not only affects the amount of information available to the public regarding corporate social responsibility but it can also have an affect on the willingness of companies to be socially responsible.

3.2 Main Research Questions

This analysis of the mainstream media’s coverage will document how much attention the mainstream media devotes to the issue of corporate social responsibility as well as which issues are important in terms of that coverage. The content analysis of these articles will also be broken down in terms of whether the headlines and the body of the article cover positive, neutral or negative corporate social responsibility. This will enable the determination of whether there is a predisposition on the part of the media to cover a certain angle of corporate social responsibility. Looking at the angle the
mainstream media prefers in their coverage of socially responsible business practices, or the lack thereof, should help to determine what tact a business should take in engaging in, and publicizing, their socially responsibilities activities. It will also determine what image the public is likely to receive of the activities a business engages in, and the benefits that a business can expect to receive.

Finally, by splitting the six companies (as described in the Sample section below) into those who engage in, or are thought (by third party watchdogs) to engage in, corporate social responsibility and those who are perceived to be greenwashers, this content analysis will examine any differences in the type of coverage each business receives. The natural assumption would be that companies that are socially responsible, or perceived to be so, would receive better coverage of their socially responsible activities, and that it would be in a more positive light. Furthermore, by dividing the six companies into groups of those that are socially responsible and those that greenwash, this analysis hopes to be able to shed some light on the reputational gains a socially responsible company can expect from the coverage they get from the mainstream media.

3.3 Sample: Choosing Six Companies

For the purposes of the content analysis, and for examining whether the public communications of companies that engage in corporate social responsibility, and those that greenwash are different, three companies of each type were chosen. The CSR companies are: Google, Campbell Soup Company and Johnson and Johnson (Boston College Center for Corporate Citizenship, 2008). The companies that greenwash are British Petroleum (BP), Chevron and Ford Motor Company (Spinwatch, 2005). The CSR
companies were the top three ranked companies over-all from the Boston College Center for Corporate Citizenship’s Corporate Social Responsibility Index CSRI. The companies in the CSRI are ranked based on the public’s perception of them as being the most socially responsible companies in the United States. The index focuses on the levels of corporate governance, employee relations and corporate citizenship within each of the companies in the index (Boston College Center for Corporate Citizenship, 2008). As the index not only takes account of what the companies do, but also how they are perceived by the public, inclusion in this index means that these are all companies that are deemed to be doing a good job of communicating their socially responsible deeds to the public, and the world at large. This being the case, it should be expected that the mainstream media would be aware of the corporate social responsibility programs that these companies are engaged in.

The three companies chosen to represent greenwashers come from Spinwatch’s list of “America’s Worst Greenwashers”. The companies chosen, Ford Motor Company, BP, and Chevron, appeared as the three worst corporate greenwashers on the list. Spinwatch compiled the list by comparing the claims these companies made in their advertisements against the actual socially responsible programs these companies participate in or have launched. Spinwatch is a non-profit organization that has dedicated itself to playing the role of watchdog over corporate America in order to ensure that corporate America is kept honest in their advertising and other claims. Spinwatch is made up of largely freelance journalists and writers as well as academics (Spinwatch, 2009).
3.4 Data Source: Selection of Newspapers

In order to measure the mainstream media coverage of issues regarding corporate social responsibility, seven newspapers were chosen. Two of the newspapers are national newspapers: the Wall Street Journal and USA Today. The other five newspapers are specific to a certain city: the Dallas Morning News, the Houston Chronicle, the Atlanta Journal Constitution, the Philadelphia Inquirer and the Washington Post. The national newspapers were picked because they would be read by a large proportion of the population, thus providing an understanding of the coverage available to the nation as a whole. Both the Wall Street Journal and USA Today have circulations of well over one million copies each (Audit Bureau of Circulations, 2009). As such, they are the largest national newspapers in the United States (Audit Bureau of Circulations, 2009) and should provide the best glimpse of the national newspaper coverage of corporate social responsibility.

The five city specific newspapers were chosen based on circulation within their respective cities and the number of companies within those cities with more than 500 employees. The minimum for 500 plus employee companies within the cities was set at 2700 based on the fact that there were at least eight cities with more than 2700 companies employing more than 500 employees (U.S. Small Business Administration, 2006). It was assumed that cities with a large number of companies with more than 500 employees could be considered places where business would be a bigger concern for the general population. Thus, the business sections in these cities and, therefore, the news regarding corporate social responsibility should be more widely read than in a city with mostly smaller companies or fewer large companies. New York, Chicago and Los Angeles were
not included because the largest newspapers in each of these cities, namely the New York Times, Los Angeles Times and Chicago Tribune, either have limited business coverage or charge for access to their older archived articles.

3.5 Content Analysis Methodology

3.5.1 Methodology for the Content Analysis of Newspaper Coverage

The newspaper coverage of corporate social responsibility was looked at based on the number of articles dealing with the corporate social responsibility efforts, and issues surrounding the perception of a company being socially responsible, of the specific companies chosen for this study. A search, by company name, was conducted for articles in each of the seven newspapers chosen. Articles were chosen for the analysis based on whether one of the companies was featured prominently in the headline, or in the body. Articles were chosen for the study because they prominently featured one of the six companies and were then broken down by the company the articles featured. The articles were analyzed in order to ascertain how many articles dealt with the issue of corporate social responsibility in their headlines, and then how many dealt with the issue in the body of the article. The determination of which articles to include was based on a subjective determination by the author based on the article being related to corporate social responsibility in the headline, or a significant portion of the body. Seven categories of topic were determined to be areas of corporate social responsibility: environmental, employee, charitable giving/sponsorship, ethics, human rights and the representation of shareholder interests. These areas were chosen because if done
sincerely they indicate to the public and stakeholder groups that the company is attempting to be socially responsible.

3.5.2 Methodology for the Content Analysis of Company Reports

The annual and CSR reports of each of the six companies were analyzed in order to ascertain substantial differences in the claims that each of the company was making about their corporate social responsibility efforts. The reports from each company were chosen to coincide with the newspaper coverage from January 1, 2008 to December 31, 2008. Only reports from 2007 and 2008 were analyzed in order to be able to match the claims in these reports with the coverage in the newspapers. The nature of the different industries is such that the claims were not measured based on strict similarity, but rather based on the broad claims in general areas of corporate social responsibility. Therefore, the various claims of being environmentally responsible, having strong employee and stakeholder group relations, and being committed to investing in local communities were examined. Areas related to public perception, such as advertising policy, within the reports was also examined.
4: CSR Communications

The first content analysis involved looking at the year-end financial reports and any CSR reports each of the companies published in 2007 and 2008. This provides a contrast to the coverage each company received in the mainstream media. Furthermore, by looking at how these companies portray themselves and operate it is hoped that distinguishing characteristics in terms of how they communicate their CSR efforts can be found that are similar within the two groups, but different between the two groups. How the companies portray themselves, and how they portend to operate, is important because this enable the determination of whether there exists a key difference, or belief system, between the two groups that dictates how they act.

4.1 The CSR Companies

4.1.1 Google Inc.

Google is a technology firm that has become synonymous with the term search on the Internet. Google has become the preeminent search engine on the Internet and a dominant force on the Internet as a whole. Google has become such a large and significant force through monetizing the use of the search engine on the Internet. In becoming the dominant Internet search engine Google has also become the dominant force in Internet advertising. Programs such as Google AdWords and Google AdSense
are used by Google to match the right company with the consumer based on Google’s famous algorithm (Google, 2009).

On Google’s corporate website they claim to be involved in programs based around being green and diverse. Google claims to be making an effort to reduce its carbon footprint by being more energy efficient, using cleaner energy and investing in programs to offset the emission of greenhouse gases that Google causes through its everyday business practices (Google, 2009). Google claims to show its commitment to diversity, first by trying to make Google accessible in 40 languages and available in more than 70 countries worldwide. Google also encourages diversity through its employment practices by being an equal opportunity employer. Furthermore, Google also combines the two ideals by trying to involve their diverse workforce in their attempts at corporate social responsibility (Google, 2009).

4.1.2 Campbell Soup Company

Campbell was originally a soup company that has now branched off into other food product areas as well. Campbell now includes brands such as V8, Prego, Pace and Pepperidge Farms. Cambell now supplies food products that range from fruit and vegetable drinks to pasta sauces and crackers. Internationally, the list of brands that have come to reside under the Campbell Soup umbrella is even larger. This large range of brands, and the number of countries Campbell Soup Company does business in, has helped to make Campbell the seven billion dollar portfolio of brands that it is today (Campbell, 2009).
Campbell’s website claims that the company is committed to multiple areas of corporate social responsibility from offering safe and healthy products to engaging in sustainable business practices. Campbell Soup Company has engaged in projects around the world such as building green playgrounds, and providing its employees with a safe place to work and a commitment to diversity. Campbell is dedicated to multiple areas of corporate social responsibility because of the number of places in the world that it touches, as well as the number of areas in which it could have an affect on the lives of its stakeholders (Campbell, 2009).

4.1.3 Johnson and Johnson

Johnson and Johnson was founded in 1886 in New Brunswick, New Jersey and has since grown into many different areas. After starting as a medical supplies company specializing in the provision of surgical supplies, such as souchers and bandages, Johnson and Johnson has grown into a global pharmaceuticals conglomerate. Much of Johnson and Johnson’s recent expansion has come through the acquisition of other companies, while much of its early expansion came from its own innovation, and exploiting the opportunities provided (Johnson & Johnson, 2009).

Johnson and Johnson proclaim its efforts to protect the environment, work on social issues and provide for its employees. Johnson and Johnson has been setting goals for protecting the environment for the last 15 years. Most recently, this has included ideas such as creating more renewable energy and creating less waste. Johnson and Johnson has also been active in attempting to tackle social issues such as ensuring that there are enough nurses in the United States through its involvement in the Discover
Nursing program. Johnson and Johnson has also taken an active role in improving access to medication for more than 400,000 individuals in the United States who otherwise may not have been able to get such medications (Johnson & Johnson, 2009).

4.2 The Greenwashers

4.2.1 Ford Motor Company

The Ford Motor Company has an iconic place in business history largely due to the views and practices of its founder Henry Ford. Ford is regarded as a key innovator in business operations as the developer of the assembly line. Ford is now one of the largest automakers in the world, although currently in trouble. Ford still produces the Ford, Lincoln and Mercury brands. Ford is the only of the big three American automakers not to take the federal bailout offered by the federal government. Ford instead has chosen to recapitalize some assets and sell others in an attempt to get itself out of trouble (Ford, 2009).

Henry Ford was an innovator, not only in the development of the assembly line, but also in the idea that paying employees well would make them more dedicated to the company. This is evident in the raise Ford gave his employees in 1914. In doing so Ford more than doubled their wages as he began to pay them five dollars an hour. Today, Ford’s efforts at corporate social responsibility come in the manufacturing of more environmentally responsible vehicles, such as smaller more fuel-efficient cars and the sale of their own brand of hybrids. Continuing in the spirit of Henry Ford’s 1914 raise, Ford has joined the United Nations Global Compact (UNGC) in an agreement to align its practices and operations with basic human rights doctrine (Ford, 2009).
Ford is included in this list because of their claims regarding their move to hybrids and over-all environmental responsibility. These claims are made by Ford but the ranking suggests that these claims are only occurring on the margins and that Ford’s over-all level of social responsibility is still lagging far behind its claims. The ranking suggests that Ford needs to incorporate its new turn toward environmental responsibility into a company-wide direction instead of just moving there in bits and pieces (Don’t Be Fooled, 2005).

4.2.2 British Petroleum

BP is the only non-American company looked at in this project. As an energy company BP has grown from a local gas company to a global company providing varying sources of energy. BP includes various brands of gas station across the world, most prominently featured in North America are Amoco and Arco. BP has also grown into convenience stores such as AM/PM and motor oil production, through Castrol. BP is also investing in other forms of energy, many of which are renewable in nature. As much as BP has gone away from its roots as a gas company it is still heavily involved in the exploration and exportation side of the oil and gas business (British Petroleum, 2009).

Many of BP’s corporate social initiatives revolve around the development and refinement of renewable sources of energy. In doing so BP not only reduces its own dependence on oil and gas, but also takes a step forward in providing energy for the future. The alternative sources of energy that BP is currently working on include solar, wind and the development of biofuels. BP is also working on carbon capture technology that would allow it to generate energy in a cleaner fashion. While BP claims to be on the
forefront of the development of alternative sources of energy, it cannot claim the same in terms of its safety record. BP has suffered major catastrophes in recent years at two of its refineries. In one these incidents, in Texas City, 15 were killed and BP was forced to settle for $50 million for its negligence (British Petroleum, 2009).

BP gets included in this ranking for their portrayal of themselves as the ideal energy company by aligning themselves with third party views. In doing so BP presents a false image of themselves as being already accepted as a company that is making the right strides towards being socially responsible. The ranking suggests that BP makes claims that place its environmentally responsible projects at a significantly higher level of importance than they actually are (Don’t Be Fooled, 2005).

4.2.3 Chevron

Chevron is an American oil and gas company founded and based in California. Chevron now includes three major brands: Chevron, Texaco and Unocal. Chevron is now one of the largest energy companies in the United States. Chevron is active in energy production in more than 20 different countries around the world. Its activities allow it to produce more than 2 million barrels of oil a day, which it refines and distributes to its more than 22,000 retail stations, spread over six continents. Chevron has also begun to venture out into the production of other sorts of energy (Chevron, 2009).

Part of Chevron’s engagement in corporate social responsibility is in the development and refining of new sources of energy. To this end Chevron is involved in the creation of hydrogen fuel power systems and the development of nano materials. Chevron is also involved the production of other sources of renewable energy. Chevron
has also focused its attention on becoming a safer and better place to work for its employees. Chevron has been able to reduce its level of work-days-missed to a level that ranks among the best in the industry (Chevron, 2009).

Chevron gets included in this ranking because it makes claims about partnerships that are exaggerated in their scope. As such Chevron claims to be working closer with stakeholder groups than it actually is and, in doing so, gives the impression that they are better accepted by those stakeholder groups than they actually are. The ranking further suggests that Chevron does not engage in these partnerships out of legitimate concern for the environment but merely as a means to exploit the potential reputational effects. As evidence, the ranking shows that Chevron only enters into environmental partnerships where it will not have to sacrifice anything for the good of the environment (Don’t Be Fooled, 2005).

4.3 Differing Claims of CSR Companies versus Greenwashers

Each of the six companies, whether ranked as socially responsible or as a greenwasher, espoused many of the tenets of Stakeholder Theory. This was evident in their respective annual reports and CSR reports, where available. There are four key areas where the tenets of Stakeholder Theory are apparent in all of the companies. The first of these areas is that all of the companies claim to be legitimately concerned about the environment and the effect they are having on it. This stated concern for the environment was especially apparent in the cases of BP and Chevron. The efforts of both companies to reduce emissions and improve their practices were very much on display. However, it was not just the two energy companies that showed their commitment to the
environment. Even Google, the Internet search engine, made a point of putting on display their concern for their environment and their attempts to reduce their carbon footprint (Google, 2009). This shows that concern for the environment is important for companies involved in traditionally dirty industries as well as for those companies involved in traditionally clean industries.

Another area of Stakeholder Theory that shows up in all six of the companies’ reports is a commitment to communicating with stakeholder groups. All six of the companies recognized the importance of maintaining open communication with the various stakeholder groups that can affect their operations. Each of the companies claims to be concerned about how they manage their relationships with these groups. This commitment is a part of a stated larger commitment to maintaining better open communication in general for most of the six companies. Johnson and Johnson for example is committed to engaging stakeholders in real discussions in order to involve those groups in Johnson and Johnson’s decision-making process (Johnson & Johnson, 2007). BP, one of the companies listed as a greenwasher, also states its commitment to involving stakeholders. For BP, a major focus is involving stakeholders in the development of new projects in order to alleviate concerns that local groups might have about forthcoming projects. BP points to examples in Alaska and Colorado, as well as their holding of annual stakeholder reviews in Papua, Indonesia (British Petroleum, 2008). Ford does mention stakeholder involvement, but not at the level of the other five companies. For Ford stakeholder involvement does not necessarily mean groups outside of it immediate business relationships. When Ford mentions stakeholder development it
is largely in terms of working with suppliers and utility groups than with concerned
groups outside of its business circle (Ford, 2008).

Community development also plays a role for all six of the firms, although for
some it is much bigger than others. By engaging in community development the
companies claim to be giving back to the communities they are involved in. For some of
the companies this directly relates to an improved class of employee in the communities
that they invest in. Chevron, for example, emphasizes the $119 million that they directed
towards community development in terms of spending on education, basic needs and
supporting local commerce. This investment can occur domestically in the United States
or overseas, as it did in Nigeria (Chevron, 2007). Chevron provides an example of a
company rated as greenwasher that is committed to engaging in community development,
however, Campbell Soup Company also shows the same characteristic in a program
called “Nourishing Our Neighbours”. For Campbell Soup Company this commitment to
community development is broken down into four separate parts: improving local quality
of life, improving the health of local communities, supporting local food banks and
supporting education programs (Campbell, 2007). Similar programs and commitments
can be observed in all six of the companies.

An area of Stakeholder Theory that is observable in five of the six companies is a
commitment to their employees. This varies from company depending on the type of jobs the
company provides. Thus, whereas Google is focused on providing a more enjoyable and
comfortable workplace environment, the two energy companies are focused more on ensuring
that their employees are well trained, and that the projects they work on are safe. BP has had
trouble in the past in the area of employee relations, one such instance, the Texas City accident
directly affected the newspaper coverage they received in 2008. In order to deal with the
repercussions of this accident, and to improve their future record, BP has implemented a new operations management system that emphasizes safety requirements at each company facility (British Petroleum, 2008). In terms of a company ranked high in corporate social responsibility, Campbell Soup Company is a good example of employee engagement. For Campbell it is not as much about safety as it is about employee involvement and development (Campbell, 2007). Campbell focuses on these two factors because given Campbell’s area of business they have more of an affect than safety does. Ford could be considered the exception to this commitment to employee relations. This can be seen in the large cuts that Ford required its employees to take during 2008 (Ford, 2008). In fact this is largely the only time that Ford mentions its employees in its annual financial reports.

The major difference between the CSR companies and those ranked as greenwashers is the approach the companies take to marketing their products, and similarly their corporate social responsibility efforts. The companies ranked as being committed to corporate social responsibility all concern themselves with ethical marketing, while the companies known as greenwashers make no mention of ethical marketing, and little mention of marketing as a whole. Campbell Soup Company is best at explaining its goal in relation to its marketing. Campbell refers to this as a “responsible advertising” in laying out how they will advertise their products as well as which products they will advertise. These practices include whom Campbell will market to, as well as what products Campbell will market. Campbell’s marketing policy goes as far as laying out what kind of images Campbell will show in its advertisements. This policy extends to ensuring accuracy in all of the claims that Campbell makes in its advertisements (Campbell, 2007). Similar practices can be found in the 2007 Johnson and Johnson corporate social responsibility report. Google on the other hand does not
have a specific policy regarding ethically advertising its own product. Google, however, is different because of the nature of its business, namely that its product is its advertisement. Therefore the ethical policies relating to what appears on the website is in essence Google’s advertising policy. Thus when Google’s policy is to provide links based on searches rather than based on paid rankings it is in essence enacting an ethical marketing practice (Google, 2009). The greenwashing companies, on the other hand, paid no attention to ensuring that their advertising policies were ethical. While there was mention of advertising in the reports for Ford, BP and Chevron it was only very briefly.
5: Media Content Analysis

5.1 Newspaper Coverage of CSR Companies

The newspaper coverage of the three CSR companies is perhaps the most indicative measure of the importance the mainstream media place on covering issues of business social responsibility. As table 5.1 reports, over the seven newspapers covering the three different companies, there were 558 articles about the three companies; 421 on Google Inc., 53 on Campbell Soup Company and 84 on Johnson and Johnson. Of the 558 total articles on the three companies only 145 of the articles mentioned issues of corporate social responsibility in the headline, accounting for only 25.99% of the total articles. Furthermore, 157 of those articles covered corporate social responsibility, meaning that 28.14% of the articles covered corporate social responsibility in the body of the text.

Table 5.1 Articles Related to Corporate Social Responsibility on CSR Companies

<table>
<thead>
<tr>
<th></th>
<th>Number of Articles</th>
<th>CSR Related</th>
<th>% Related to CSR</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headline</td>
<td>558</td>
<td>145</td>
<td>25.99</td>
</tr>
<tr>
<td>Body</td>
<td>558</td>
<td>157</td>
<td>28.14</td>
</tr>
</tbody>
</table>

It is further telling that the bulk of the coverage by the mainstream media of the CSR companies is negative, as shown in Table 5.2. Of the 157 articles that had corporate
social responsibility topics in the body of the article, 92, or 58.60%, of those articles covered the activities in a negative manner. This is compared to the 42 articles, or 26.75% of the total number of corporate social responsibility related articles, that covered the socially responsible activities in a positive light.

Furthermore, few of the articles actually covered programs that the CSR companies were engaged in to be more socially responsible. The vast majority of the articles on the CSR companies were about ethical issues for the company. This presence of ethical issues in these articles was so prevalent that it was featured in 128 of the articles, or 81.53%. Ethical issues of corporate social responsibilities were issues where the behaviour of the company featured in the article reflected on the ethics of the company. Included in this category were issues such as product recalls, government imposed or company suggested, antitrust cases and other legal and government related issues. While these ethical issues could be considered as related to corporate social responsibility programs they were never specifically tied back to company policies or programs. As such, while they reflected poorly on the behaviour of the companies, they could not be tied directly to greenwashing or misleading behaviour without prior knowledge of specific company policy.

Table 5.2  Direction of Articles on CSR Companies

<table>
<thead>
<tr>
<th></th>
<th>Number of CSR Related Articles</th>
<th>Positive</th>
<th>Neutral</th>
<th>Negative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Topics in Body</td>
<td>157</td>
<td>42</td>
<td>23</td>
<td>92</td>
</tr>
<tr>
<td>Percentage</td>
<td>26.75</td>
<td>14.65</td>
<td>58.60</td>
<td></td>
</tr>
</tbody>
</table>
The slant of the newspaper coverage towards covering corporate social responsibility activities in a negative light is also evident in terms of the issue of corporate sponsorship and charitable giving. In fact it was featured so rarely that it was only mentioned in 12 of the 157 articles, or 7.64%. This statistic is important because charitable giving and corporate sponsorship is an easy way for a company to generate good will and become associated with a socially responsible cause. The under-representation of corporate sponsorship and charitable giving is also indicative of the lack of coverage that was dedicated to corporate social responsibility programs, and projects, of the individual companies, as charitable giving, and corporate sponsorship, is a very overt form of corporate social responsibility. Thus it is the most readily apparent and accessible company policy relating to corporate social responsibility. This is important because claims of being socially responsible are not just based on events such as a lack of product recalls, but also on the activities the company engages in such as sponsorship, environmentally friendly innovations and community development programs.

Only one of the three CSR companies actually received generally positive coverage of their corporate social responsibility activities. That company was the Campbell Soup Company; of the 53 articles that they were featured in, 78.57% of the corporate social responsibility related articles were positive. While the percentage of positive articles about the Campbell Soup Company seems like a good sign, it only represented 11 articles, as only 14 of the 53 total articles, or 26.41%, were related to corporate social responsibility. Of the articles related to corporate social responsibility 12 were about Campbell’s ethical practices. This translates into 85.71% of the corporate social responsibility related articles being about the ethics of Campbell Soup Company.
This is one of the few instances where a company’s attempts at being socially responsible were featured prominently in the mainstream media’s coverage. For Campbell much of this coverage revolved around their attempts to make their food products healthier.

As good as the articles about Campbell Soup Company were, the articles about Johnsons and Johnson were just as bad. Johnson and Johnson has an abnormally high percentage of the articles written on it related to corporate social responsibility. Of the 84 articles written about Johnson and Johnson, 45, or 53.57%, of the headlines were related to corporate social responsibility, while 51 of the articles, or 60.71%, had issues of corporate social responsibility in the body of the article. For one of the CSR companies Johnson and Johnson had a really high percentage of the corporate social responsibility articles about them cover negative aspects of their attempts at corporate social responsibility. For Johnson and Johnson this occurred to the extent that 37 of the 51 articles on corporate social responsibility, or 72.55%, were negative. This is compared to only 7 of the articles, or 13.73%, of the articles going in a positive direction. For Johnson and Johnson much of this negativity regarding their corporate social responsibility attempts was related to drug recalls. This shows the mainstream media’s focus on events, largely negative, as opposed to attempts to determine whether a company is actually doing what its corporate social responsibility reports state that they are doing.

Google Inc. was the most covered of the three CSR companies. Google accounted for 421 of the 558 articles about the CSR companies, meaning that it accounted for more than three quarters of the articles. As such, the results for Google have a much larger impact on the overall results for the coverage of the more socially responsible companies. Google had a similarly low rate of corporate social responsibility
coverage to Campbell, as only 91 of the headline and 92 of article texts, or 21.62% and 21.85% respectively, covered corporate social responsibility. Google was the top ranked corporate social responsibility in the CSRI but despite this only had 27 articles, 29.67%, written about it that were positive as opposed to 53 articles, or 57.61%, that were negative. This means that there were almost twice as many negative articles related to corporate social responsibility written about Google than were positive articles. For Google, the primary focus of the corporate social responsibility related articles was ethics as 75 articles, or 81.52%, had something to did with this issue. This primarily had to do with antitrust and competition issues surrounding Google’s dominance as an Internet search engine. Again the coverage of Google featured very little about their corporate social responsibility programs, instead focusing primarily on political issues that surround Google’s expansion and attempted takeovers. In two of the three examples of the three CSR companies more than half of the articles related to corporate social responsibility were negative. This suggests that these companies must be doing something to counter the impression that the mainstream media portrays of the activities of these companies as their ranking in the CSRI means they are both engaging in corporate social responsibility and perceived publicly as socially responsible.
Table 5.3  \hspace{1cm} Results of Media Analysis for CSR Companies

<table>
<thead>
<tr>
<th></th>
<th>Google</th>
<th>Campbell</th>
<th>Johnson Company</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total # of Articles</strong></td>
<td>421</td>
<td>53</td>
<td>84</td>
<td>558</td>
</tr>
<tr>
<td><strong>CSR Related Headlines</strong></td>
<td>91 (21.62%)</td>
<td>9 (16.98%)</td>
<td>45 (53.57%)</td>
<td>145 (25.99%)</td>
</tr>
<tr>
<td>Positive</td>
<td>27 (29.67%)</td>
<td>5 (55.56%)</td>
<td>6 (13.33%)</td>
<td>38 (26.21%)</td>
</tr>
<tr>
<td>Neutral</td>
<td>11 (12.09%)</td>
<td>1 (11.11%)</td>
<td>8 (17.78%)</td>
<td>20 (13.79%)</td>
</tr>
<tr>
<td>Negative</td>
<td>53 (58.24%)</td>
<td>3 (33.33%)</td>
<td>31 (68.89%)</td>
<td>87 (60.00%)</td>
</tr>
<tr>
<td><strong>CSR Related Body</strong></td>
<td>92 (21.62%)</td>
<td>14 (26.42%)</td>
<td>51 (60.71%)</td>
<td>157 (28.13%)</td>
</tr>
<tr>
<td>Positive</td>
<td>24 (26.09%)</td>
<td>11 (78.57%)</td>
<td>7 (13.73%)</td>
<td>42 (26.75%)</td>
</tr>
<tr>
<td>Neutral</td>
<td>15 (16.30%)</td>
<td>1 (7.14%)</td>
<td>7 (13.73%)</td>
<td>23 (14.65%)</td>
</tr>
<tr>
<td>Negative</td>
<td>53 (57.61%)</td>
<td>2 (14.28%)</td>
<td>37 (72.55%)</td>
<td>92 (58.60%)</td>
</tr>
<tr>
<td><strong>Categories</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environment</td>
<td>2 (2.17%)</td>
<td>0</td>
<td>0</td>
<td>2 (1.27%)</td>
</tr>
<tr>
<td>Employee Relations</td>
<td>5 (5.43%)</td>
<td>0</td>
<td>3 (5.88%)</td>
<td>8 (5.10%)</td>
</tr>
<tr>
<td>Charitable Giving and</td>
<td>5 (5.43%)</td>
<td>2 (14.29%)</td>
<td>5 (9.80%)</td>
<td>12 (7.64%)</td>
</tr>
<tr>
<td>Sponsorship</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethics</td>
<td>75 (81.52%)</td>
<td>12 (85.71%)</td>
<td>41 (80.59%)</td>
<td>128 (81.53%)</td>
</tr>
<tr>
<td>Local Group Relations</td>
<td>3 (3.26%)</td>
<td>1 (7.14%)</td>
<td>2 (3.92%)</td>
<td>6 (3.82%)</td>
</tr>
<tr>
<td>Human Rights</td>
<td>9 (9.78%)</td>
<td>0</td>
<td>2 (3.92%)</td>
<td>11 (7.01%)</td>
</tr>
<tr>
<td>Shareholder Relations</td>
<td>2 (2.17%)</td>
<td>0</td>
<td>0</td>
<td>2 (1.27%)</td>
</tr>
</tbody>
</table>
5.2 Newspaper Coverage of Companies Perceived to be Greenwashers

The three examples chosen as being representative of greenwashing companies received more coverage in general, as there were 666 articles in the seven newspapers over the year. These companies also had almost twice as much of the coverage of them relate to their corporate social responsibility activities as 255 headlines, or 38.29%, and 393 of the articles texts, or 59.01%, referred to these issues. This means that companies perceived as being greenwashers had well over twice as many articles written about their corporate social responsibility activities than did the CSR companies. Ford was rated as the worst of the three greenwashers and, in turn, had the most articles written about it at 310, while BP had 194 and Chevron had 162. Again there is one company that has the capability to drive the results but in this case much less was written about Ford’s corporate social responsibility activities as a percentage of the total articles than the two energy companies.

| Articles Related to the Corporate Social Responsibility of Companies Perceived as Greenwashers |
|---------------------------------------------------------------|-----------------|-----------------|
| **Number of Articles** | **CSR Related Articles** | **% Related to CSR** |
| Headlines | 666 | 255 | 38.71% |
| Body | 666 | 393 | 59.01% |

There were significantly more articles written about the three companies perceived as being greenwashers than there were about the three companies ranked highly in terms of corporate social responsibility. The direction of the articles however is very similar as there were 102 positive articles, or 25.95%, and 240 negative articles, or
61.07%. This shows that the direction of the articles related to corporate social responsibility is pretty much the same regardless of whether a company is ranked high in corporate social responsibility or perceived as a greenwasher. The breakdown of the issues covered in the articles related to corporate social responsibility is well spread out as four different issues each received at least 10% of the coverage. The leader was ethics at 169 articles, or 43.00%, as it encompasses a lot of different aspects, but in terms of these companies ethical issues were largely related to the use of government funds or the perceived inappropriate use of record profits. Treatment of employees and concern for the environment were also well represented in the coverage of these companies as they each accounted for 100 articles, or 25.45%. Some of this congruence between the two subjects is due to the fact that two of the three companies are in the same industry. Relationship with local groups is also featured in the newspaper coverage of these three companies as it shows up in 57 articles, or 14.50%.

Table 5.5 Direction of Articles on Corporate Social Responsibility on Companies Perceived as Greenwashers

<table>
<thead>
<tr>
<th># of CSR Related Articles</th>
<th>Positive</th>
<th>Neutral</th>
<th>Negative</th>
</tr>
</thead>
<tbody>
<tr>
<td>Body</td>
<td>393</td>
<td>102</td>
<td>50</td>
</tr>
<tr>
<td>Percentage</td>
<td></td>
<td>25.95%</td>
<td>12.72%</td>
</tr>
</tbody>
</table>

Ford Motor Company was rated as the worst greenwasher of the three companies chosen for the content analysis. Of the 310 articles that featured Ford 157, or 50.65%, were related to corporate social responsibility. The coverage of Ford was predominantly negative as 82, or 52.23%, of the articles related to corporate social responsibility were
negative. This is compared to 60, or 38.22%, of the corporate social responsibility articles being positives. The coverage of Ford was fairly evenly split between three different categories. The most prominent category was ethical based articles as they accounted for 53, or 33.76%, of the articles related to this issue. This was primarily due to vehicle recalls and the federal government bailout, both these issues featured prominently in the coverage of Ford. The environment also played a large part in the mainstream media’s coverage of Ford, as there were 51, or 32.48%, articles on this subject. These articles focused on the development of hybrid cars and other more environmentally friendly vehicles. Treatment of employees was also a major focus of the newspaper coverage of Ford accounting for 47, or 29.94%, of the corporate social responsibility related articles.

There were 162 articles written about Chevron, but it was the company whose corporate social responsibility was most extensively covered, as 113 articles, or 69.75%, covered this subject. The coverage of Chevron was predominantly negative as 66, or 58.41%, of the corporate social responsibility related articles went in this direction. Conversely the positive coverage of Chevron was fairly sparse as only eight articles, or 13.79%, portrayed Chevron in a way that showed them as trying to be socially responsible. What makes Chevron an interesting example is that it was the only company to have its charitable giving and sponsorship efforts account for at least 10% of the coverage it received. Chevron sponsorship of the Houston Marathon featured prominently in six, or 46.15%, of the 13 corporate social responsibility articles in the Houston Chronicle. This is the only instance where corporate sponsorship or charitable giving shows up to this extent in the coverage of any of the six companies. The other
main topics for Chevron were ethics, 55 articles for 48.67%, environment, 26 articles for 23.01%, and relations with local groups, 45 articles for 39.23%. A key part of the focus on Chevron was the record profits it made and the use of those profits, Chevron was made out to be hoarding its profits and not giving back in terms of investing enough in alternative sources of energy.

The final company is BP, the only company of the six not to be based in the United States, it was written about 194 times, 123, or 63.40%, were related to corporate social responsibility. Of these 123 articles 92, or 74.80%, portrayed BP negatively in terms of them being socially responsible. BP also enjoyed the least positive coverage of the six companies as only 17 articles, or 13.82%, mentioned actions of BP that could be considered socially responsible. The coverage of BP was so negative because of the prevalence of coverage regarding the aftermath of a refinery accident at a BP plant in Texas City. This coverage resulted in ethics and employee relations dominating the coverage of BP as the handling of the accident and the settlement kept the accident in the headlines as much as two years later.
Table 5.6  Results for Companies Perceived as Greenwashers

<table>
<thead>
<tr>
<th></th>
<th>Ford</th>
<th>BP</th>
<th>Chevron</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total # of Articles</td>
<td>310</td>
<td>194</td>
<td>162</td>
<td>666</td>
</tr>
<tr>
<td>CSR Related</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Headlines</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Positive</td>
<td>120 (38.71%)</td>
<td>77 (39.69%)</td>
<td>58 (35.80%)</td>
<td>255 (38.29%)</td>
</tr>
<tr>
<td>Neutral</td>
<td>16 (13.33%)</td>
<td>22 (28.57%)</td>
<td>10 (17.24%)</td>
<td>48 (18.82%)</td>
</tr>
<tr>
<td>Negative</td>
<td>61 (50.83%)</td>
<td>50 (64.94%)</td>
<td>40 (68.97%)</td>
<td>151 (59.22%)</td>
</tr>
<tr>
<td>CSR Related Body</td>
<td>157 (50.65%)</td>
<td>123 (63.40%)</td>
<td>113 (69.75%)</td>
<td>393 (59.01%)</td>
</tr>
<tr>
<td>Positive</td>
<td>60 (38.22%)</td>
<td>17 (13.82%)</td>
<td>25 (22.12%)</td>
<td>102 (25.95%)</td>
</tr>
<tr>
<td>Neutral</td>
<td>15 (9.55%)</td>
<td>14 (11.38%)</td>
<td>21 (18.38%)</td>
<td>50 (12.72%)</td>
</tr>
<tr>
<td>Negative</td>
<td>82 (52.23%)</td>
<td>92 (74.80%)</td>
<td>66 (58.41%)</td>
<td>240 (61.07%)</td>
</tr>
<tr>
<td>Categories</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environment</td>
<td>51 (32.48%)</td>
<td>23 (18.70%)</td>
<td>26 (23.01%)</td>
<td>100 (25.45%)</td>
</tr>
<tr>
<td>Employee Relations</td>
<td>47 (29.94%)</td>
<td>45 (36.59%)</td>
<td>8 (7.08%)</td>
<td>100 (25.45%)</td>
</tr>
<tr>
<td>Charitable Giving and Sponsorship</td>
<td>6 (3.82%)</td>
<td>3 (2.44%)</td>
<td>13 (11.50%)</td>
<td>22 (5.60%)</td>
</tr>
<tr>
<td>Ethics</td>
<td>53 (33.76%)</td>
<td>61 (49.59%)</td>
<td>55 (48.67%)</td>
<td>169 (43.00%)</td>
</tr>
<tr>
<td>Local Group</td>
<td>2 (1.27%)</td>
<td>10 (8.13%)</td>
<td>45 (39.82%)</td>
<td>57 (14.50%)</td>
</tr>
<tr>
<td>Relations</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Human Rights</td>
<td>0</td>
<td>0</td>
<td>3 (2.65%)</td>
<td>3 (0.76%)</td>
</tr>
<tr>
<td>Shareholder Relations</td>
<td>0</td>
<td>11 (8.94%)</td>
<td>1 (0.88%)</td>
<td>12 (3.05%)</td>
</tr>
</tbody>
</table>
6: Conclusion

Stakeholder Theory has become prevalent within society as a whole and the business community. The idea of corporate social responsibility permeates companies thought to be socially responsible as well as those thought of as greenwashers. Even companies that are thought to be greenwashers make claims of being concerned about the environment, their employees and the communities they have projects in. These companies even claim a commitment to involving stakeholders in their decision-making process. Given that so many companies seem to be committed to corporate social responsibility it is logical to think that the mainstream media would be more interested in covering whether these claims are true. Instead the mainstream media seems to take a generally negative approach to all companies and issues that as it relates to corporate social responsibility.

The media covers events instead of covering the policies and programs that companies enact in the name of corporate social responsibility. Even though events may indicate whether the company is keeping its word in some areas, with no tie to company policies, there is no indication of how true a company’s claims are to their initial policies. Given this type of coverage by the mainstream media, the public is hard pressed to make an informed judgment about which companies are greenwashing and which are committed to corporate social responsibility. Furthermore, this paper has shown a propensity on the part of the mainstream media to cover issues surrounding corporate social responsibility with a negative slant. The combination of these two factors, events
based coverage and slant toward negativity, make the mainstream media coverage of acts of corporate social responsibility problematic at best.

The way the mainstream media covers issues of corporate social responsibility, predominantly negatively, means that it can be largely taken out of the picture as to how a company should act. This means that it comes down to the image a company is able to generate with the public through its own advertising. Companies with ethical marketing policies will be able to create a fit between their products and public expectation and, therefore, will be able to achieve this positive public perception. Companies unconcerned with ethical marketing will be unable to achieve this fit and are better off not marketing their corporate social responsibility activities at all. However, when they do market them, the lack of an ethical marketing policy will increase the likelihood that these companies will make claims that do not fit with their image and do not fit with the programs they are involved in. Therefore, the characteristic difference of the presence of an ethical marketing plan can be said to be a significant determinant for the general public as to a company’s commitment to corporate social responsibility as it indicates the commitment the company feels to being honest to its consumer.

This makes the ability of a company to communicate its policies, and the projects it is involved with, of critical importance. This ability becomes the differentiating factor between companies that are perceived as greenwashers and those that are engaging in corporate social responsibility. Furthermore, a company’s ability to communicate with the consumer enables it to differentiate itself from its competition and achieve high levels of reputational capital. As such, if a company is unable to communicate effectively to its
consumers the degree to which it is involved in acts of corporate social responsibility, the benefit of those acts disappears.

The ability of a company to accurately and effectively communicate its socially responsible activities becomes more important when taken in combination with the existence of third party groups that have the potential to directly affect the public’s perception of the company. While the mainstream media does not seem to cover the corporate social responsibility policies of the companies, these third party groups do. Groups like Spinwatch and Boston College Center for Corporate Citizenship have a demonstrated interest in the willingness and ability of companies to follow through on their claims of social responsibility. This being the case, there is a source of information for the public to access that will better enable them to distinguish the two types of companies.

The presence of these third party groups makes it harder for companies to escape the attention of the public when they are misleading, or less than accurate, in their claims. Therefore, even though the mainstream media is lagging behind in covering corporate social responsibility, these groups attempt to pick up what the mainstream media misses. These groups, however, do not have the same reach of the mainstream media and require more active interest on the part of the general public. Thus, unless there is a significant appetite on the part of the public to actively search out this information it is very possible that they will never realize it exists. The example of the Australian banks given by Pomering and Dolnicar suggests that issues of social responsibility are not first and foremost in the minds of the public. This calls into the question the willingness the public has to become informed about which companies are greenwashing.
The third party groups can still have an effect if they are able to make their way onto the radar of the mainstream media. If they are able to generate publicity or excitement about an issue they can potentially force the mainstream media to take notice. In doing so these groups can gain a larger audience in the general public by way of the mainstream media. By gaining access to the general public through the mainstream media these groups can inform without anyone having to actively search for their information. Thus the third party group can still have a major effect on the ability of the public to distinguish between those companies that are committed to corporate social responsibility and those that greenwash.

These groups monitoring not just the activities of the companies claiming to engage in corporate social responsibility, but their claims to this effect as well, means that companies cannot expect to get away with greenwashing. Thus it is important that companies adopt ethical marketing policies in order to ensure that their claims match the policies that they have in place. By engaging in ethical marketing, companies can lessen the opportunities for third party groups to accuse them of greenwashing, and negate the affects of their socially responsible activities. This becomes as important as actually engaging in corporate social responsibility as it helps to maximize the benefits companies can achieve.
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