

CORPORATE SOCIAL RESPONSIBILITY AND CONFLICTING STAKEHOLDER INTERESTS: USING MATCHING AND ADVOCACY APPROACHES TO ALIGN INITIATIVES WITH ISSUES

**Zinaida Taran, Penn State Harrisburg
Stephen Betts, William Paterson University**

ABSTRACT

Corporate Social Responsibility (CSR) is a topic of great interest at many levels. To society, CSR can be instrumental in moving toward sustainability and achieving other social goals. For organizations it is a way to do good while improving organizational reputation and brand equity. For an organization's various stakeholders, social responsibility may be interpreted in narrow and specific ways. It is ideal for organizational CSR activities to align with the interests and concerns of the organization's stakeholder groups. However choosing particular CSR activities and directions can be rather challenging if stakeholder groups have interests at odds with one another. In this paper we examine these conflicts and use reactive matching and proactive advocacy strategies to provide prescriptions to practitioners. This paper closes a gap in the literature by examining stakeholder groups heterogeneity and conflict with as well as among the stakeholder groups in combination with ambiguity and uncertainty of CSR decision making.

INTRODUCTION

As the new millennium progresses, organizations are escalating their commitment to “do good” by practicing Corporate Social Responsibility (CSR) (Peloza & Shang, 2011) with such things as donating money to various charities, promoting social and environmental issues, changing their business practices and products to be greener, more humane, and so on. Frequently companies consciously responding to social pressures and striving to achieve sustainability in economic, social, and environmental sense, find ways to positively include their efforts as part of an explicit competitive strategy to increase company reputation (Du, Bhattacharya & Sen, 2007). However conflicting beliefs and concerns among the key stakeholders groups can make it a challenge when choosing particular CSR activities.

Situations where stakeholder interests are at odds abound. It could be as simple as some residents in a town feeling strongly that they need a new school, while the rest of the town feeling as strongly that they really wish for the land to remain wooded and undeveloped. The Cape Wind project, a proposed offshore wind farm, stalled for many years because of such conflicts and resulting lawsuits and appeals whereby property owners did not want to have the ocean view obscured, environmentalist groups wanted to see the green energy, yet other environmentalist groups questioned the effect of the project on the marine ecosystem, etc.

(Cassidy, 2014; Fraser, 2011). Wal-Mart's CSR charitable efforts directed at several charities in New York City (such as the New York Women's Foundation, and Bailey House, which distributes groceries to low-income residents) are not directly conflicting with the interests of activist groups and local government that objected to them (Culvert, 2014). In this case the objection was to Wal-Mart building a store in their community and claimed that the retail giant had no real interest in those charities but were just using them to gain favor in the community.

Stakeholder management literature discusses reconciling the interests of multiple stakeholders as part of business functioning (Bridoux & Stoelhorst, 2014). However, it does not deal specifically with choosing CSR actions and directions. Moreover, it is common to divide stakeholders into functional groups (consumers, suppliers, etc.) and analyze their interests as a whole group with an implicit assumption of homogeneity within each group. However, there can be distinct subgroups within each group, with their own and conflicting interests. For example, some consumers might feel strongly about green energy while others are concerned about particular impact on local butterfly species, which the green energy project might hurt.

This paper contributes to the literature by explicitly addressing the different interests and resulting inter-group conflict between the major functional stakeholder groups concerned with corporate CSR activities, an area not previously examined. It closes this gap by suggesting a framework of reactive matching and proactive advocacy for approaching practical decision making addressing the conflict within and between the stakeholder groups, and the ambiguity and uncertainty surrounding CSR decisions caused by stakeholder heterogeneity.

In this paper we will briefly present the concept of Corporate Social Responsibility (CSR) and some of the ways in which it manifests itself in organizations. Next we will address the response of stakeholders to CSR. This is followed by the discussion of the problem of conflicting interests and objectives and interests of stakeholder groups. Finally we present some prescriptions for directing CSR activities.

CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility are a company's "actions that appear to further some social good, beyond the interests of the firm and that which is required by law" (McWilliams, Siegel & Wright, 2011). This rather broad description allows for a great variety of different internal and external objectives and related activities to fall within CSR. Some of the major categories that CSR activities can be divided into are those related to: philanthropy (cause-related marketing, cash donations, statements of support for charities, promotion of a social issue, etc), business practices (for example, environmental protection practices), and products (products that generate less pollution, organic, etc.) (Peloza & Shang, 2011).

This approach to classifying CSR directions is reflected in developing systems of CSR ratings and guidelines. For example, the database 'Socrates: The Corporate Social Ratings Monitor', also known as KLD, uses a classification scheme that separates CSR activities into six broad categories: community support, diversity, employee support, environment, non-US operations, and product (Sen & Bhattacharya, 2001). This spirit has been retained as KLD got acquired by MSCI (MSCI, 2011), even though it appears that MSCI has been de-emphasizing social support of community and other external stakeholders. MSCI's index rests on three main

pillars: social, governance and environmental. Consulting organizations such as London Benchmarking Group (LBG) is providing a slightly more detailed, but consistent with KLD approach to classifying actions as Education, Health, Economic development, Arts and Culture, Social welfare, and Emergency Relief (KLD's/MSCI's social and environment index).

Organizations organize and coordinate their CSR activities according to these categories (Tencati, Perrini & Pogutz, 2004). For example, many organizations consider sustainability (e. g. Hult, 2011; Hunt, 2011) a useful category of CSR activities: "Companies can contribute to the sustainable development of communities through socially responsible activities if the values they adopt through CSR coincide with those of sustainable development and, especially, if CSR is incorporated into a company's long-term strategies" (Jucan, 2011).

A very common approach in defining and operationalizing CSR is to do so through the concept of stakeholders (Clarkson, 1995). The idea is to expand the business' objectives to serving the stakeholders other than shareholders and customers in their direct roles and thus pursuing the triple bottom line of "People, Profits and Planet." (Elkington, 2004). Typically, stakeholders are divided into functional groups based on the nature of their relationship with the company as employees, customers, suppliers, local community, government, etc. (Clarkson, 1995).

MULTIPLE AND CONFLICTING CSR OBJECTIVES AND ACTIVITIES

An almost unlimited number of possible CSR activities and programs are available for organizations to pursue. For example, let us consider just one category of CSR - charitable giving. In 2014 there were 966,599 public charitable organizations registered in the US (National Center for Charitable Statistics, 2014). With the great number of possible CSR activities, each with its own impact, there is significant potential for conflict between different initiatives. Normative descriptions for choosing which objectives to pursue may be at odds. A categorization scheme of the issues that can cause difficulty in making CRS decisions, as well as general solution approaches are presented in Table 1.

Table 1		
SOURCES OF CSR DECISION DIFFICULTY		
TYPE OF ISSUE	DIFFICULTY	SOLUTION APPROACH
Ambiguity	Social issue that is being addressed is overly complex, beyond the manager's expertise	Secure an expert's opinion
Change	New information, reasoning and/or evidence has been uncovered since the issue became prominent	Secure an expert's opinion, education, advocacy, advertising
Information	Uninformed/misinformed stakeholders with unclear and conflicting expectations	Education, advocacy, advertising

Different organizations provide standards and guidelines in different areas helping companies systematically outline broad areas of important concern and choose objectives that matter to society. London Benchmarking Group (LBG) is one of several international entities that have emerged dedicated to providing standards and guidelines in the areas of sustainability (Tencati, et al., 2004). They provide members with a very detailed set of guidelines (for

example, “Don’t count the advertising expenses of a cause related marketing campaign. Only count the amount that the charity actually receives.” (London Benchmarking group, 2010, p.11) The LBG model can be presented as a matrix juxtaposing why, where and toward which objective (arts & culture, environment, etc.) various inputs (cash, time, in kind, etc.) are being donated. LBG’s influence extends beyond the 300 companies that it counts as its members because its guidelines are being followed by other organizations such as Dow Jones Sustainability Index (Dow Jones Indices, 2010). Multiple research efforts are mounted to attempt to forge tools for evaluating CSR impacts on relevant stakeholders (for example, Chang, Kim & Li, 2014; Parsons & Moffat, 2014)

However, the combinations and permutations regarding choices of CSR activities can still present a considerable challenge. Some of the objectives at odds with or completely contrary to other objectives, even within the same broad category of objectives, for example: keeping jobs in the local community/ alleviating world poverty by building jobs elsewhere; overall reducing consumption/raising capital for significant technological innovations; abandoning electric operated devices such as soap dispensers to save energy/producing health hazards through germ transference; switching from animal to soy products by “health/environment conscious” individuals leading to rain forest depletion because people there burn them to make soy fields, and so on (Cooper, 2011).

The range and scope of social and environmental problems which require solutions and could possibly benefit –or not- from the managerial actions in the form of CSR activities is enormous, with many aspects unknown or unknowable (Margolis & Walsh, 2003). The situation becomes even more complicated if we look at the whole set of social problems as a system with multiple interconnections. As the businesses are increasingly expected to cure social ills, the managers may find themselves ill-equipped to handle the complicated and ill-specified task.

STAKEHOLDER CONFLICT

When formulating CSR objectives and activities it is important to establish a dialogue with all the important stakeholder groups and carefully evaluate issues raised by different groups (Pederson, 2006; Maignan, Ferrell & Ferrell, 2005). Some have proposed a stakeholder model (Maignan, et al. 2005) presenting a simplified picture of the key stakeholder groups (consumers, government, community), however we propose expanding this model by adding heterogeneity among the key groups, in particular, customer and community. We divide stakeholder conflict into those between different stakeholders (external conflict) and those between stakeholders and the organization’s position (internal conflict). Table 2 shows the difficulties presented by these stakeholder conflicts and general solution approaches.

Table 2 STAKEHOLDER CONFLICT		
TYPE OF CONFLICT	DIFFICULTY	SOLUTION APPROACH
Stakeholder External Conflict	Potential for conflicting group interests among stakeholders	Social responsibility matching strategy (CSR pull)
Stakeholder Internal Conflict	Potential for conflicts between stakeholders interests and organization’s positions	Social responsibility advocacy strategy (CSR push)

It has been noted that “the fundamental dilemma of stakeholder theory is how to prioritize the myriad and diverse stakeholder claims from the broad range of actors involved. “ (O’riordan, & Fairbrass, 2014, p. 123). Identifying all the actors involved and the complexity of their interrelationships with other stakeholders can be a daunting task. Each stakeholder group has a set of interests, and each of these interests can be aligned with, unrelated to or in conflict with the interests of any other group. When one group is for an issue and the other is against, conflict arises. At this point the company should consider the relative importance and power of different customer and other groups, as well as the legitimacy of their stands (Maignan, et al., 2005).

Recently members of City Council of New York has protested Walmart’s charitable contributions to area organizations including \$1 million to the New York Women’s Foundation, which offers job training, and \$30,000 to Bailey House, which distributes groceries to low-income residents; the Council members demanded that the charitable contributions be stopped and possibly even returned (Culvert, 2014). Well known is the multiple long-standing conflicts among local residents, environmentalists, various governmental and industry groups and other stakeholders surrounding the off-shore wind energy project Cape Wind (see, for example, Cassidy, 2014).

CSR activities will result in increased reputational equity only if stakeholders are aware of these activities and believe them to be of benefit (Lai, Chiu, Yang & Pai, 2010). However perceptions of key stakeholder groups can be at variance or even in conflict with their own long-term interests. What consumers believe is ‘good’ may be different than what more informed thinking and evidence suggests. For example, if the customers believe that a company that sells sweetened drinks using only sugar and equivalent sweeteners is irresponsible and contributes to obesity in society, the company has a problem. Customer biases and ignorance of current reasoning, technology and evidence may penalize the company’s CSR efforts. There is an additional danger when the law follows such outdated consumer beliefs, leading to laws that are obsolete and inaccurate when they are enacted. They follow the lobbies which misrepresent popular misconceptions or short-term industry interests (i.e. no sugar soft drinks in vending machines).

Sometimes the company’s key stakeholders may hold beliefs that are mutually contradictory and the company cannot meet all of them. For example, environmental and social perspectives on sustainability emphasize efficiencies in use and minimization of waste of resources, which oftentimes is contrary to popular takes on sustainability that are often associated with beliefs in anti-globalization, anti-large business, pro-small local business. Organizations cannot accommodate such self-defeating contradiction in logic. Another potential problem is that some causes and issues become disproportionately prominent in public eye, some at the expense of other, more worthy issues. For example, 80% of the world spending on ‘neglected diseases’ goes to three diseases (HIV/AIDS, tuberculosis, malaria) (Moran et al. 2009) while they account for less than 10% of the burden of disease (WHO, 2008). In some cases, long-term issues may be simply at deep odds with the short-term considerations. For example, some researchers argue that even “green” products when over consumed will lead to

exacerbation of current environmental problems; thus addressing overconsumption should be integral to organization's sustainability-oriented marketing (Sheth, Sethia & Srinivasan, 2011). However, reduction in consumption may undermine the company's ability to pursue other objectives, including developing cleaner, healthier technologies.

Having identified the issues and stakeholder groups supporting them, especially possible conflict areas, the company can then pursue two different strategies in determining their CRS plans. In situations where the company has no strong apriori position, they can choose to match the aspirations of their current customers (and other stakeholders). If the company has a strong position, they can choose to advocate and attempt to change the stakeholder beliefs to match those of the company. The former can be called a matching or CSR Pull, and the latter an advocacy or CSR Push strategies. The matching strategy recommends pursuing causes on which the stands of external stakeholder groups match, and avoid the areas of conflict. Alternatively, the advocacy strategy can be pursued. The company may choose to educate and persuade the customers and other stakeholders when they are slightly at variance with the company's own views, and avoid or even reject the customers who are actively opposed to what the company stands for (remembering, however that "dialogue is possible even in situations with conflicts of interest if the conflict can be regulated and/or the stakeholders will acknowledge the potential for a fruitful cooperation" (Pederson, 2006).

CONCLUSIONS

Strategically designed and implemented CSR can help further worthwhile social causes while increasing corporate reputation and brand equity (Du, et al., 2007).. The impact of CSR on the organization depends on the stakeholders' perception of the alignment of the interests between themselves and the organization. Conflicting stands and aspirations of different stakeholder groups regarding the societal, environmental and economic issues that are pertinent to the organization present a challenge that needs to be addressed. An analysis of issues of concern to various stakeholders can help the company appropriately choose to avoid some of the more contentious directions, concentrate on the areas of consensus (matching), or persuade, educate and possibly even reject some of the groups (advocacy).

It is important to remember that the commonly discussed functional groups of stakeholders (consumer, employees, etc.) (Clarkson, 1995) are not homogeneous and may have subgroups with conflicting interests and aspirations, adding a layer of complexity to the ambiguity marred CSR decision-making.

As corporate social responsibility initiatives continue to grow, it will be increasingly important for organizations to align their efforts with stakeholder interests and for researchers to continue to develop mechanisms for helping to achieve these objectives. It may be of use to look at the distribution of stakeholder attitudes toward an issue in terms of its center on the continuum from extreme opposition to enthusiastic support (mean and skewness), spread (dispersion), and tails (kurtosis). Further research directions should also include providing models of sustainability-driven CSR given stakeholder conflicts and ambiguity and empirical research of conflicts that companies encounter in their CSR activities.

This paper closes a gap in the literature by examining heterogeneity among stakeholder groups and conflict with as well as among the stakeholder groups in combination with ambiguity and uncertainty of CSR decision making. In addition, the paper provides reactive matching and proactive advocacy strategies to develop prescriptions to practitioners. Implications of this paper for practical decision making are in providing the framework to guide their decisions regarding CSR in light of carefully identified and considered stakeholder interests as well as the company's own stand on issues.

REFERENCES

- Bridoux, F., & J.W. Stoelhorst (2014). Microfoundations for stakeholder theory: Managing stakeholders with heterogeneous motives. *Strategic Management Journal*, 35(1), 107-125.
- Cassidy, P. (2014, Jun 03). Wind farm opponents fight lawsuit dismissal. *McClatchy - Tribune Business News*.
- Chang, K., I. Kim & Y. Li (2014). The heterogeneous impact of corporate social responsibility activities that target different stakeholders. *Journal of Business Ethics*, 125(2), 211-234.
- Clarkson, M.E. (1995). A stakeholder framework for analyzing and evaluating corporate social performance. *Academy of Management Review*, 20(1), 92-117.
- Cooper, B. (2011). GM cloud hangs over responsible soy scheme. *Bromsgrove: Aroq Limited*. June 2011. <http://www.just-food.com>, last accessed Oct. 15, 2014.
- Culvert, J. (2014). City Council members rip Walmart's charity of 'dangerous dollars. *New York Post*, accessed at <http://nypost.com/2014/06/04/city-council-members-rip-walmarts-charity-of-dangerous-dollars/>, June 4, 2014.
- Dow Jones Indexes (2011). *DJSI Review 2010*, Accessed at http://www.sustainability-indexes.com/djsi_pdf/publications/Presentations/SAM_Presentation_101104_Review10_1.pdf June 28, 2011.
- Du, S., C.B. Bhattacharya & S. Sen (2007). Reaping relational rewards from corporate social responsibility: the role of competitive positioning. *International Journal of Research in Marketing*, 24(3), 224-241.
- Elkington, J. (2004). Enter the Triple Bottom Line, in Adrian Henriques and Julie Richardson (eds) *The Triple Bottom Line: does it all add up?*, EarthScan: London, UK.
- Fraser, D. (2011). Whale sightings alarm cape wind foe", United States, Washington: *McClatchy - Tribune Information Services*, April 28.
- Hult, G.T. (2011). Market-Focused Sustainability: Market Orientation Plus! *Academy of Marketing Science Journal*, 39(1), 1-6.

- Hunt, S.D. (2011). Sustainable Marketing, Equity and Economic Growth: A Resource-Advantage, Economic Freedom Approach. *Academy of Marketing Science Journal*, 39(1), 7-20.
- Jucan, C.N. (2011). Social Responsibility, Crisis and Sustainable Development. *The Business Review*, 17(1), 149-156.
- Lai, C., C. Chiu, C. Yang & D. Pai (2010). The Effects of Corporate Social Responsibility on Brand Performance: The Mediating Effect of Industrial Brand Equity and Corporate Reputation. *Journal of Business Ethics*, 95(3), 457-469.
- London Benchmarking Group (2014), *LBG Guidance Manual*, v. 1, <http://www.lbg-online.net/> accessed June 28, 2014
- Maignan, I., O.C. Ferrell & L. Ferrell (2005). A Stakeholder Model for Implementing Social Responsibility in Marketing. *European Journal of Marketing*, 39(9), 956-977, 1217, 1219.
- Margolis, J.D. & J.P. Walsh (2003). Misery loves companies: Rethinking social initiatives by business. *Administrative Science Quarterly*, 48(2), 268-305.
- McWilliams, A., D. Siegel & P.M. Wright (2011). Corporate Social Responsibility: a Theory of the Firm Perspective. *Academy of Management Review*, 26(1), 117-27.
- Moran, M., J. Guzman, A-L. Ropars, A. McDonald, N. Jameson, B. Omune, S. Ryan & L. Wu (2009). Neglected Disease Research and Development: How Much Are We Really Spending? *PLoS Med*, 6(2) <http://e1000030>. doi:10.1371/journal.pmed.1000030
- National Center for Charitable Statistics at the Urban Institute (2014). *Quick Facts About Nonprofits* <http://nccs.urban.org/statistics/quickfacts.cfm>, last accessed on November 23, 2014.
- O'riordan, L., & J. Fairbrass (2014). Managing CSR stakeholder engagement: A new conceptual framework. *Journal of Business Ethics*, 125(1), 121-145.
- Parsons, R. & K. Moffat (2014). Integrating impact and relational dimensions of social licence and social impact assessment. *Impact Assessment and Project Appraisal*, 32(4), 273-282.
- Pederson, E.R. (2006). Making Corporate Social Responsibility (CSR) operable: how companies translate stakeholder dialogue into practice. *Business and Society Review*, 111(2), 137-163.
- Peloza, J. & J. Shang (2011). How Can Corporate Social Responsibility Activities Create Value for Stakeholders? A Systematic Review. *Academy of Marketing Science Journal*, 39(1), 117-135.

Sen, S. & C.B. Bhattacharya (2001). Does doing good always lead to doing better? consumer reactions to corporate social responsibility, *Journal of Marketing Research*, 38(2), 225-243.

Sheth, J.N., N.K. Sethia & S. Srinivas (2011). Mindful consumption: a customer-centric approach to sustainability, *Academy of Marketing Science Journal*, 39(1), 21-39.

Tencati, A., F. Perrini & S. Pogutz (2004). New tools to foster corporate socially responsible behavior, *Journal of Business Ethics*, 53(1/2), 173-190.

World Health Organization (2008). *The global burden of disease: 2004 update*. Geneva: World Health Organization.