

# COVID -19 AND THE ‘RESETTING’ OF CORPORATE SOCIAL RESPONSIBILITY

## A PREVIEW OF WHAT IS COMING NEXT

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### ABSTRACT

*The rampaging Covid-19 pandemic raises profound questions on whether humans and corporations have done enough to prevent this catastrophe. It fundamentally challenges the rightness of our corporate social responsibility we once thought superior. Surely, many are pondering if we have brought the catastrophe upon ourselves and it is ourselves to blame. While many bemoan the devastating impact of the pandemic, we write and echo the urgency to reset our expiring knowledge on corporate social responsibility. The pandemic clearly indicates that our social responsiveness is grossly inadequate and no amount of corporate responsibility can compensate the damage corporations produce. In this paper, we argue three tectonic shifts in corporate social responsibility. We call for a more robustly responsive corporation instead of one that pays lip service to business ethics.*

**Keywords:** Covid-19, Corporate Social Responsibility, Resetting

### INTRODUCTION

Corporate Social Responsibility (CSR) assume the forefront of management studies in the past two decades. Never has there been a call so ardent in academia and practice for corporations to shoulder their corporate citizenship and recompense the society they extract. From the inception of Bowen’s iron law to the rise of social enterprise, CSR has become an institutional rudiment in business practice. The combination of national and supra national regulations ensure that corporations faithfully report their ethical practices annually and pat themselves for unifying shareholders and stakeholders’ interests.

Despite success, Covid-19 raises the toxic rhetoric if our current understanding and CSR practice is inadequate. It offers an opportunity to reset what we previously conceive of CSR, as Prince Charles rightly observes, “We have a unique but rapidly shrinking window of opportunity to learn lessons and reset ourselves on a more sustainable path... a golden opportunity to seize something good from this crisis. Its unprecedented shockwaves may well make people more receptive to big visions of change” (Inman, 2020).

Drawing from these points, we argue that the pandemic ‘resets’ our understanding of CSR. It uncovers our misguided understanding of its conceptual taxonomies. In this article, we expound these misconceptions, hoping to highlight what has gone wrong and what we could do to realign our CSR philosophies in future.

### Resetting Positivistic CSR – The Quest for Responsive Corporations

A great deal of CSR is positivistic, which posits two significant characteristics. First, it requires corporations to proactively measure and report their CSR activities and outcomes in their sustainability and or annual reports (Bittle & Snider, 2015). Corporations quantify and

advocate their CSR through predefined parameters and standards (Basu & Palazzo, 2008). Resembling a content meta-analysis, corporate reporting institutes a causal link between CSR implementations and corporate social performance (Orlitzky et al., 2003), corresponding to the swelling stakeholders' demands for transparency. Of course, investors place emphasis on corporations' strategies and their CSR commitment measured through empirical statistics (Basu & Palazzo, 2008). The Global Reporting Initiatives (GRI) is a good example requiring firms to categorically exemplify their sustainability performance through numerical presentation. A standard GRI report includes among others the key performance indicators and a comprehensive report on the firm's social, environmental and economic performance.

This sort of positivistic CSR movement is expiring. Covid-19 heightens the paradox that corporations are the 'source' and 'victim' of the pandemic they account for (Crane & Matten, 2020), and there is urgency for corporations to deploy responsive CSR rather than simplistically showing off their superlative report contents. As the virus is 'first discovered' at a Wuhan wet market, it prompts us to question the role of humans and corporations as the 'cause' of the pandemic. Box ticking CSR in business as risk moderator is no longer appealing. Pragmatic legitimacy is expiring but instead, the pandemic reinvigorates the call to centralize CSR at the core of business values in exchange for their moral charter to exist.

Second, corporations assume total control on designing, planning and executing shortsighted CSR finely determined by a cost, benefit calculus (Frederick, 1994). Covid-19 annihilates this candid assumption. Nothing is 'under control' in Covid-19. Governments run dry of options, corporations begging for aids, international trade ceases, flights grounded and society in destitute. Covid-19 decenters corporations and distort their strategies and no amount of proactive CSR could compensate the destructions corporations produce.

We argue that positivistic CSR is swiftly expiring. In a proactive mode, corporations perceive social problems as a marginal corporate concern (Frederick, 1994), and implement CSR to cushion themselves from hostilities (Crane & Matten, 2020). On the contrary, Covid-19 reinstates the urgency for corporations to centralize CSR as their core business ideal. In doing so, corporations must sense make, respond to stakeholders' demands, and posit them as antecedent to profit (Frederick, 1994).

The pandemic unveils that no amount of CSR planning and corporate aforethought can adequately prepare a firm for an increasingly turbulent world. Corporations must discard the misperception that they 'have things under control'. Instead of underscoring the proactive ability of firms in 'managing' social expectations, Frederick argues a firm should radically respond to social demands. CSR managers are not benchmarked on how well they plan, but how best they adapt to shifting social demands (Fieseler, Fleck & Meckel, 2010). The transpose to corporate social responsiveness implicates a philosophical and technical reposition, requiring managers' to be open and receptive of external demands (Frederick, 1994). Instead of placing centrality on purposefully engineered CSR, the focus shifts to fulfilling social demands, an indispensable prerequisite of moral legitimacy in business (Sethi, 1979).

## Resetting the Stakeholders

The pandemic challenges the equitability of the current stakeholder analysis and questions if we had fairly typified the stakeholders. It prompts us to revisit Freeman's 'interests and power grid' model of stratifying stakeholder (Fassin, 2010). Freeman's model provides strong and succinct schemata of visual graphics that fanned many academic criticisms but the pandemic unveils the redundancies of Freeman's stakeholder model. Freeman's model captures mainly stakeholders of power and influence leaving weaker and less commanding stakeholders disregarded. Freeman's model, pervasive in analyzing existing stakeholders, performs poorly for identifying potential stakeholders that do not yet exist (Mitchell, Agle & Wood, 1997).

Powerful non-governmental organizations, lobbyists and environmentalists are some influential stakeholders, but the pandemic exposes a more mundane and modest group. It is the frontliners, who keep the economy afloat when social distancing limits interaction and economic

exchange. Doctors, nurses and delivery are some of the unsung heroes rising to the occasion during the pandemic. They risk their lives in keeping the social momentum thriving. These groups never possess any powerful influence on the economy and seemingly discreet in the stakeholder radius. They are not represented nor do they deliver powerful speeches in congregations. Yet, they are underpaid and underappreciated. A revised model to capture this underrepresented group is desperately necessary and the pandemic accelerates just the need to do so.

The pandemic repeatedly drills a discreet but powerful message that humans must reverentially coexist with the environment, hitherto another stakeholder least represented in Freeman's model. Humans extract without limit the natural resources, depletes biodiversity and singlehandedly intensify global warming. Although the origin and source of Covid-19 is still controversial, scholars and scientists believe that the pandemic, just like prior outbreaks of SARS and H1N1, is a result of unrestrained wildlife trade (McNeely, 2021). Yet, the world seemingly embarks an inchoate effort to stamp global warming. Snail pace green technologies, flip flopping government policies and toothless international regulatory bodies are critical reasons for repeating zoonotic contagions. The urgency to fundamentally reinstate environmental protection as a prime agenda cannot be further delayed.

### **Retreat of Democratism, Resetting the Role of the State, and the Rise of Paternalism**

It brings us to the final point that the pandemic exposes the fundamental weaknesses of capitalism and strains the already polarized rift between democracy and autocracy. Democracies crawling response to the pandemic displays the struggles of balancing between protecting lives and livelihood. While the democrats are still cautiously pondering their next move, autocratic nations are already imposing draconian measures in containing the virus. The world condemn and witness in horror the extent paternalism annihilates freedom as China imposes military lockdowns and compulsive isolation.

The novel coronavirus is reportedly 'first detected' at a Chinese wet market located at the city of Wuhan of the Hebei province on 12 December 2019. Since then, the world has been frantically imposing lockdowns and quarantines in a race to contain the virus. The Chinese President Xi Jin Ping branded it as the "people's war" (Tian, 2020) and imposes extraordinary but draconian 'Mao' style measures containing it. The Chinese Government began locking down Wuhan in January 2020 and other provinces subsequently, which affected approximately 750 million citizens. Flights were suspended, there were extensive contact tracing, door to door temperature checking and compulsory quarantines.

The world swiftly condemn the ambushing lockdowns strip freedom and eradicate human rights (Huang, 2020), a 'weapon' exclusive only to autocratic nations. Le Monde in March 6 2020 reports that, "There is no question to adopt measures of strict confinement which China — this non-democratic regime — imposes on its population. In France, it would be unimaginable" (Cheibub, Hong & Przeworski, 2020). AlJazeera in their editorial page headlines, "China's approach to containing coronavirus cannot be replicated. China has gotten a grip on its coronavirus outbreak by deploying authoritarian methods of containment" (Cheibub, Hong & Przeworski, 2020).

Yet, the rampaging pandemic converts even the most ardent democrats and capitalists into autocrats, imposing their own freedom-defying lockdowns. No other catastrophes in the world has so profoundly reverse democracy and defy its capitalist ideal. A week after China's lockdown, the French authorities banned all social activities and restricted public movements. Other countries follow suit. Italy imposes their own lockdowns and Prime Minister Giuseppe Conte ordered all non-essential shops shuttered and banned social activities, imposing a fine of \$230 for defiance. India orchestrates the largest lockdown in history involving its 1.3 billion citizen, completely restraining their people from stepping outside their homes. At the zenith of the pandemic, we see New Zealand re-imposing nationwide lockdown for just one single Delta

infection. In a pandemic of this calamity, we observe a swift retreat of democracy and the upsurge of infantilizing paternalism (Marneffe, 2006).

Covid-19 promotes the need to radically reconsider the government's role during a crisis. Capitalism becomes dysfunctional in a pandemic of this magnitude. Suddenly, state policies and their interventions become crucial in keeping the economy and livelihood afloat. Those who condemn state interventions as a mockery, insult and encroaching human rights must reconsider their disposition. Clearly, corporations and the capitalist ecosystem of which they are part of, retard in crisis, and the governments' resurging role of upholding social welfare in calamity become prominent.

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**Received:** 30-Dec-2021, Manuscript No. JLERI-21-9046; **Editor assigned:** 02-Jan-2022, PreQC No. JLERI-21-9046(PQ); **Reviewed:** 14-Jan-2022, QC No: JLERI-21-9046; **Revised:** 23-Jan-2022, Manuscript No. JLERI-21-9046 (R); **Published:** 30-Jan-2022