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Business Development Strategies

What motivates a multinational company to implement a Corporate Social Responsibility strategy?

A discussion based on literature and the case of Unilever Indonesia

In this paper we discuss the different motivations of multinational companies that might lead them to act socially responsible. Our discussion is theoretically based on the Corporate Social Responsibility (CSR) pyramid of Carroll (1991) and supported by the case of Unilever Indonesia and some other practical illustrations. In the end, we see that CSR might be a prerequisite in the future to stay in business but is hardly synonym of making profit.

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1. Introduction

It seems that there is a trend toward the establishment of the huge influence that firms have today on the society, and especially those multinational companies (MNCs) that migrate in more and more countries and have to adapt to or get adopted by more and more cultures. This notion of social responsibility has been discussed since the 50s and is nowadays partly integrated in the public as well as private sector's strategies.

However, one should not naively think that these strategies are the application of the desire from managers and companies to do the right thing. In fact we even suspect that in most cases it is highly related with the creation of financial value for the company.

Those motives for MNCs to implement corporate social responsibility (CSR) strategies are the core of the discussion we are going to lead in this paper, which will be supported by the recent literature on business ethics and CSR, and illustrated by the Unilever Indonesia Case.

In a first place we are going to present a general framework of what CSR is. It will lead to an argued discussion on the pros and cons of a CSR strategy that will mainly focus on the case of Unilever Indonesia. Finally, we will propose personal consideration in our conclusion.

2. The Corporate Social Responsibility framework

The question for a business and society paradigm becomes more and more important nowadays. It appeared to be an important part of the discussion during the last World Economic Forum that gathered in Davos, Switzerland in January 2004 where global corporate responsibility and citizenship were the order of the day.

1. <u>What is a business for?</u>

Traditionally, a business needs to meet the expectations of the theoretical owners that are the shareholders. Since these owners are nowadays more and more investors – Richard Handy (2002) even call them "gamblers" in some cases – the main goal of a business is to make profit. The criterion of success is the shareholder value, which is measured by the share price. One should notice that this obsession with share price might sometimes lead to a shortening of horizons, especially when a company decides to cut or postpone expenditures that are geared to the future; these expenditures will have to be made in the future which will lead to a decrease in the share price. (Handy, 2002)

Little by little people appear to reject the capitalist and traditional idea of a society structured to make profit. In this way, the concept of human development appeared in the 1990s, where the human being is placed in the centre of the development process and not as a means for the achievement of other objectives such as the economic growth. It has been emphasized by the Nobel Prizes of economy Amartya Sen and Joseph Stiglitz in 1998 and 2001 respectively. The former conceived the human development concept as an expansion process of real freedoms that individuals enjoy while the latter conceptualized the development as a social transformation process where the participation of the affected parties is decisive. The concept has also been spread by the reports on human development from the United Nations Development Program in 1995 and the elaboration of the Human Development Index. (Lozano ***et al.***, 2002) The importance of human beings and their place in the society is then addressed.

In this scope, the aim of a business is not "to make profit" but "to make profit so that the business can do something more or better". This "something" would be the real justification for the business. Thus, the business needs to go further than only the creation of monetary value for the shareholders. One should not mistake the means with the end! (Handy, 2002) A company has to ensure that each primary stakeholder group continues as a part of the corporation's stakeholder system, mainly by creating and distributing economic but also social value (Hillman ***et al.***, 2001), which emphasizes not only the importance of shareholder value but also social issues.

2. <u>The Stakeholder Theory</u>

This evolution of thinking in the business framework has lead to the apparition of various theories. First of all, we can highlight the creation of the Stakeholder Theory in the late 1970s. Although there is no consensus on the interpretation this theory, mixing the contributions of various authors has lead to the following statements:

- It ***descriptively*** presents the organization within a network in opposition to the input-output model (cf. Figure 1);
- Stakeholder management is an ***instrument*** recommending attitudes, structures, and practices that can lead to relative success in conventional performance terms;
- Finally it is ***normative*** since it lies on ideas such that stakeholders are identified by their interests in the organization and that the interests of all stakeholders are of intrinsic value. (Donaldson ***et al.***, 1995)

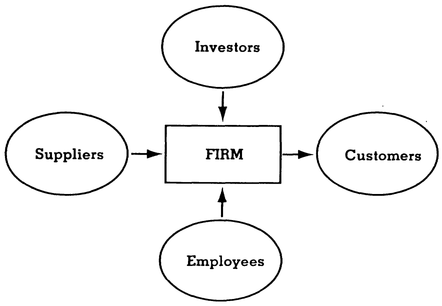


Figure 1a - The Input-Output Model (Donaldson *et al.*, 1995)

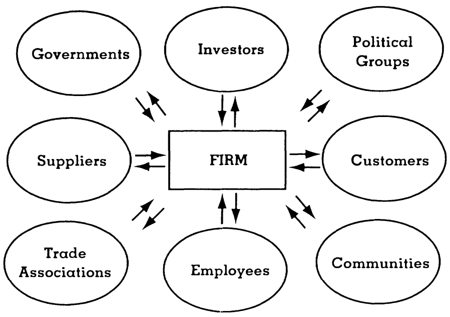


Figure 1b
The Stakeholder Model (Donaldson *et al.*, 1995)

The three aspects of the stakeholder theory have been justified by the fact that,

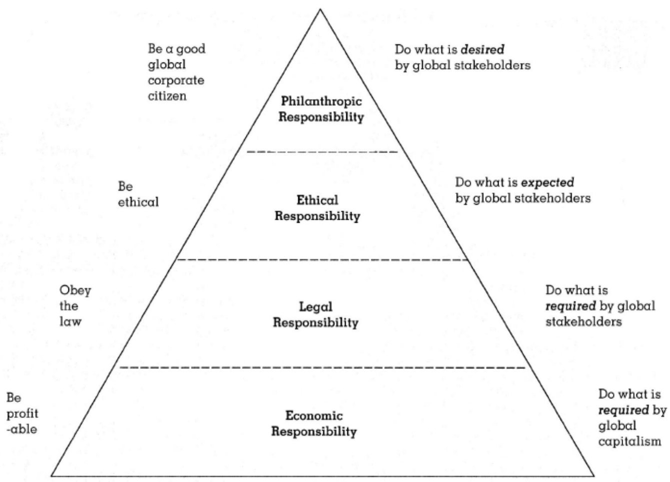
- First, it corresponds to observed reality;
- Second, there is a connection between stakeholder management and corporate performance – which has been tested more recently;
- Normatively, individuals or groups have rights, there is a social contract between a firm and its stakeholders; this ideological aspect is highly related to the utilitarianism movement (Utilitarianism webpage, 2005) created by Jeremy Bentham in the XVIIIth century.

This theory basically relies on taking into account all the major stakeholders – and not only the shareholders – in the business process which gives a lot of responsibility to managers to select activities and direct resources to obtain benefits for legitimate stakeholders – after defining who those legitimate stakeholders are. (Donaldson ***et al.***, 1995)

3. Businesses have responsibilities: what CSR is

The importance of taking care of the stakeholders' expectations goes in line with the CSR that has been introduced in firms' strategies. CSR refers to the obligation of the firm towards society, or more specifically the firm's stakeholders. Those stakeholders are defined as being affected by corporate policies and practices. (Smith, 2003)

Figure 2 - Pyramid of Global Corporate Social



Responsibility and Performance (Carroll, 2004)

Carroll has dug the topic and elaborated the Pyramid of CSR (cf. Figure 2) which is predicated upon the economic responsibilities of the firm and underlines the responsibility of management, besides making profit, to comply with regulatory and legal requirements, to act in accordance with the societies' ethics and to be a good corporate citizen by contributing to the community's quality of life. (Carroll, 1991) In the global framework, the pyramid is based on the author's assessment that "the social responsibility of business encompasses the economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organizations at a given point in time." (Carroll, 2004)

The literature displays the responsibilities of a firm as twofold. Hillman et al. differentiate ***stakeholder management*** – i.e. managing relationships with the primary stakeholders: shareholders, employees, other resource suppliers, customers, community, residents, natural environment, or in other words the responsibility for the stakeholders – from ***social issue participation*** that is defined as the responsibility outside the concern of primary stakeholders, that is for instance: avoiding nuclear energy, not engaging in 'sin' industries (alcohol, tobacco, gambling), refraining from doing business with countries accused of human rights violations, refusing to sell to the military, etc. (Hillman ***et al.***, 2001)

A lot of theory supports the use of CSR in strategies, especially in the case of MNCs since those firms have a colossal impact on their host countries. Although official standards are still limited, one should note the existence of voluntary recommendations created by supranational organizations like the ILO, the OECD, the EU and the UN.

3. Motivation for CSR

To analyze the motivations of MNCs to implement CSR strategies, we adopt the CSR framework developed by Carroll (1991) with its four levels of responsibility. Different viewpoints from the literature are discussed in parallel with our main illustration, the case of Unilever Indonesia (UI), as well as some other smaller examples.

1. Introducing Unilever Indonesia

Unilever was born in 1930 from the full business merger of the Dutch company "Margarine Unie" and the British "Lever Brothers". Nowadays it is a multinational company present in 150 countries all over the world, via its 31 brands. Even if one does not know Unilever itself, one knows for sure some of its brands that are divided into "Foods" – Lipton, Knorr, Becell, Bertoli, etc– and "Home and Personal Care" – Dove, Sunsilk, Axe, Omo, etc. Unilever is today one of the world's leading suppliers of fast-moving consumer goods. (Unilever 2005)

Unilever claims its mission as "adding vitality to life" by meeting everyday needs for nutrition, hygiene and personal care with brands that help people "feel good, look good and get more out of life", which is their slogan. Its strengths are said to be its strong relationship with consumers based on strong roots in local cultures and markets as well as an international knowledge and expertise brought to the service of local consumers. (Unilever 2005) Therefore, we assume that Unilever follows a multi domestic strategy.

Unilever's main aim is to create long term value for shareholders, but also for people and business partners. Thus, in 2004, the company realized a turnover of € 39.1bn despite a slowing down growth. The strategy of the group to bring this growth back up, in a very competitive market, relies on:

- A continual development of new and improved products
- A share of innovations and concepts with the company' businesses all around the world
- A strive to lower the cost of sourcing, manufacturing and distribution processes while still maintaining and improving the quality of the products. (Unilever 2005)

Despite the search of growth and profit to satisfy shareholders, the company appears to be fully engaged in the environment and CSR through various and numerous programs. As it appears in the annual report, "to succeed also requires, we believe, the highest standards of corporate behaviour towards everyone we work with, the communities we touch, and the environment on which we have an impact." (Unilever 2005)

Unilever's subsidiary in Indonesia was founded in 1933. By 2003 its sales of US$ 984m made it the thirteenth largest company in Indonesia and the fourth-largest company in the fast-moving consumer-goods (FMCG) sector. The same year, Unilever Indonesia (UI) spent US$ 254m for purchasing, most of it from local suppliers. Furthermore, production and sales take place in Indonesia which means that UI's supply chain is implemented locally (Clay 2005).

As UI has recently published a report in cooperation with the charity Oxfam, we will enhance our theoretical discussion about CSR with this real-life example. The journalist Jason Clay and two different organizations with often oppositional thoughts were working together on this research, so we expect the result to be quite objective. Still, we only have access to limited publications; but, at least, the advantages and limitations of UI's strategy become clear. In addition to UI's and Oxfam's report, we will also use other exampling cases to explain other motivations of CSR.

2. The Economic Level

When investigating CSR on the economic level, we see CSR in a business perspective. In this level, business is all about profit maximizing whereas when it comes to the environment "It's not our job (as businessmen) to fix that." (Zadek, 2004) One evaluates whether a CSR strategy is worthwhile in terms of business values it gives to a company.

a. Creation of Shareholder Value through Competitive Advantage

It is often argued in the literature that implementing CSR can lead to increased shareholder value. The direct concern of a business should be its theoretical owner, the shareholders. It would give support to building a CSR strategy if there is a positive effect on the shareholder value.

Shareholder value can be created by gaining more competitive advantage, which requires resources to meet four criteria: being valuable, rare, inimitable, and the organization must be organized to deploy them effectively. Thus, a company can differentiate itself in the market and hopefully outperform rivals. As a result, such resources include reputation, corporate culture, long-term relationships with suppliers and customers, and knowledge assets. (Hillman et al., 2001) By developing longer-term relationships with primary stakeholders like customers, suppliers, and communities, as well as present and future employees, firms expand the set of value-creating exchanges with these groups.

Reputation and Trust with Partners and Customers

Reputation is an important issue of stakeholder management. Reputation and perceived value of the company among consumers does not only have a symbolic value. Consumers around the world are concerned about ethical and social matters. The reputation of a company has a direct impact on its future sales and profits (PWC Website, 2005-12-17). This reputation can be largely influenced by communication on the one hand, and the answer to pressure from stakeholders on the other hand. The public and various organizations put more and more pressure on companies to adopt such strategy. Doing so prevents the company from negative value creation. (Smith, 2003)

Moreover, it is argued that certain types of corporate social performance are manifestations of attempts to establish trusting, cooperative firm/stakeholder relationships and should be positively linked to a company's financial performance. (Jones, 1995) Indeed, trust is a central issue in business (DeTienne & Lewis, 2005) and there is an apparent mistrust nowadays in executives that are suspected to run their companies for personal ambition and financial gain (Handy, 2002). In order to gain trust, firms have to build up their reputation. Although firms may attempt to enhance their reputations by advertising or by being visibly generous or altruistic, such acts do not form the foundation of a good reputation. A good reputation generally must be earned by avoiding behaviour that discourages or dissipates trust. The Stakeholder Model is one way to help solving opportunism problems, increasing trust from stakeholders. Therefore, using this model may give a competitive advantage. (Jones, 1995)

Comment [MC1]: What is a « business value » ? Do you mean « financial » ?

Comment [MC2]: Sure about the references???

Reputation is especially worthwhile for customers. Zadek (2004) wrote that "beyond getting their own houses in order, companies need to stay abreast of the public's evolving ideas about corporate roles and responsibilities."; in other words, he suggested looking at the new customer's expectations.

Indeed, consumer surveys report that many people claim to be influenced in their purchasing decisions by the CSR reputation of firms. For example, a 1999 survey of 25,000 consumers in 23 countries found that 40% had at least thought about punishing a specific company over the past year they viewed as not behaving responsibly. (Smith, 2003) As a result, we see there is a need for companies to work on CSR since the customer matters.

Unilever has had a good reputation for many years. Thanks to its involvement in the environment and society, 21 awards/recognitions were granted to

Unilever in 2004, of which 2 concerned UI. Its efforts have been recognized. In order to bridge the company's effort in CSR to stakeholders' acknowledgment, Unilever publishes an Environmental Report and a Social Report yearly. In the reports, Unilever explains how it manages its environmental impacts responsibly and how it commits as a responsible corporate citizen. This method can help UI to gain trust and reputation from CSR. Customers would get satisfied when purchasing products of Unilever. (Clay, 2005)

Employee Motivation

CSR also has benefited firms through direct or indirect economic efficiencies. For example, Starbucks' employee turnover is said to be less than a third that of the average for the retail food industry. This result is attributed to Starbucks' socially responsible practices which offers a full benefits package to its part-time employees and provides staff recruitment and training. (Smith, 2003)

UI's business structure consists of a core workforce of about 5,000 people, of whom about 60 per cent are employees, most of them permanent, and just below 40 per cent are contract workers, employed directly or through contracting agencies. UI sets high standards for the treatment of its permanent employees. It adheres to the Unilever (global) Code of Business Principles. Pay and benefits are above what is required by law, positioning UI in the top quartile of Indonesian companies. In terms of policy and practice, commented in the joint report by Oxfam GB ***et al.***, (2005) UI observes high health and safety standards, good retirement and maternity benefits and workplace facilities, and a strong emphasis on training. All UI employees have a written contract, and there are clear procedures for negotiations between workers and management. (Clay, 2005) This can make employees more motivated and committed to UI.

Suppliers

In the Stakeholder Theory, suppliers are in the list of primary stakeholders. They are important in the way that a firm cannot produce without supplies. Thus, keeping suppliers satisfied can probably keep a long-term relationship success.

UI's main suppliers are from raw materials and packaging. It believes that "the company/supplier relationship is symbiotic: both parties need one another to achieve success. Wherever it operates, Unilever brings its wealth of knowledge not only to consumers, but also shares this knowledge with its suppliers in terms of training and technology transfer. In turn, the suppliers provide the company with materials that meet exacting specifications or sophisticated packaging that is integral to a brand's success." (Unilever, 2005)

In CSR aspects, UI encourages new businesses. In 2000, the company and the Indonesia Department of Industry and Trade signed a Memorandum of Understanding to create first generation Small and Medium-size Enterprises (SME) start-ups. Under the agreement, named Project Small, three pilot business projects were run, which in six months created around 90 first generation SME entrepreneurs. The project gives ordinary Indonesians access to skills, finance and a market place. This helped local suppliers, especially the SMEs which have limited knowledge, skills, and financial supports. (Unilever, 2005)

The business benefits to the suppliers are substantial: job creation; skills development; upgraded equipment; better quality, consistently-produced goods; and greater efficiency (Unilever, 2005). As the exchange in benefits is two-way, through a good relationship with suppliers, UI can ensure consistent, regular and good quality lines of supply.

Comment [MC3]: Source ??? Maybe change the « It » at the beginning of the sentence

Comment [MC4]: Shouldn't we define those letters?

b. Pressure from Publics

In addition to gaining a competitive advantage, one economic decision is to manage pressure from the publics. When it comes to public influence, medias play an important role in evaluating the good and bad doings of firms. They can act as a social issue observer. If they reveal that a firm has operations in an unethical way, they are likely to publish it.

Firms cannot ignore the public pressure. It could directly affect sales. The example of the Dutch Shell Group, which tried to dump an old platform into the sea in 1995, shows that the response from the public can be vigorous. Indeed, as a consequence, the group lost about 50% of sales. (Smith, 2003)

Even if the trend of public concerns to CSR is increasing (Idowu, 2005), UI manages to cope with the requirements of this public.

c. Competitive Disadvantage

On the other hand, CSR could also lead to competitive disadvantages. One direct effect is the increase of costs. Some writers argued that the gain in stakeholder value from CSR is not enough to cover the expenses cost by it. Mintzberg ***et al.*** believe that "greed has been raised to some sort of higher calling; corporations have been urged to ignore broader social responsibilities in favor of narrow stakeholder value..." In this sense, advantage will be given to those firms which do not implement extensive CSR measures, as overall their costs are lower. (Martin, 2002)

One milder criticism of CSR is that only social issue participation, as defined in the framework, which is not directly related to the stakeholders, could damage profitability (Hillman ***et al.***, 2001). They justified this result of an empirical study by the fact that social issue participation creates no competitive advantage in spite of costly investments. This leads to decreased shareholder value creation and, thus, damages the competitive advantage in terms of cost leadership.

Therefore, one should evaluate the coast and return of strategies before going for it. MNCs with lever brand recognize that even a CSR strategy is closely linked to the core business, communication with the public should be improved or efforts become obsolete while investment has already made.

In the activities where UI is involved in CSR, we can hardly find CSR measures that are not in relation to its core business and stakeholders. It is believed that Unilever has done a good job in choosing a CSR strategy. Yet, it is interesting to know that, Unilever, as a MNC, does not really have enough brand recognition. The public has stereotype on big brands that famous ones always have good social responsibilities, but Unilever is not recognized as one of them. (Femke, 2005) That could mean Unilever Indonesia is putting itself in disadvantage, not having recognitions from the public.[1]

3. The Legal Level

Besides the business aspects supporting or disagreeing with CSR strategies, there are, of course, also legal reasons for acting socially responsible. Regulations are made by local governments and are written down in codes like the German Handelsgesetzbuch or the Ordinances of Hong Kong which address topics like employment of children, minimum wage, and relations between customers and companies. Other law systems mainly trust on the history of law cases like, for example, in England.

Comment [MC5]: Reference !?!

Most companies comply these regulations without discussion as they have to act legally in order to stay in business or because they feel obliged with the law. According to Zadek (2004), the business' motivation is mainly driven by the need to fulfill laws. If the company does not stick to the law, it "realizes that it is facing a long-term problem".

Comment [MC7]: Are ?

From a CSR perspective, it is interesting to discuss whether companies should go further than the law in order to prevent later settled regulations. In general, Miles & Covin (2000) propose a positive association perspective towards compliance and suggests "a financial reward to superior environmental performance." If they do not stick to rules they might be "forced to pay punitive fines or charges, and/or may suffer erosion of competitive position due to reputational damage". That means that it is wiser in the long run to hold to a higher level of compliance than enforced by governments. A case in point is DuPont which avoided legal or regulatory sanctions by exploiting more environmentally friendly chlorofluorocarbon alternatives. (Smith, 2001)

Comment [MC6]: Why leadership ???

On the other hand, there are also arguments against the positive association aspect. Martin (2002) states that companies should not invite government review because they "may be hampered by costly regulations that impose onerous costs without generating meaningful societal benefits in return."

At the moment, there are no international standards for CSR. However, authors argument that these are needed. According to DeTienne and Lewis (2005), "laws and models surrounding the reporting of operating practices have yet to be established, but ... [it] has drawn out the underlying ethical considerations for disclosing this kind of information

[1] According to Femke, this is not easy as there is often a lack of trust and people mix brand recognition with a brand's social performance: "While the public focuses on companies with high brand recognition (Coca-Cola, IBM, Johnson & Johnson, Nestle, McDonald's, Microsoft, Sony), sustainability experts recognize BP, The Body Shop, DuPont, IKEA, Interface, Novo Nordisk, Shell, Toyota and Unilever, as good corporate citizens." This makes it hard to communicate CSR (2005).

and has brought national attention to the need for standards."

In the Unilever Indonesia case, we assume that it is not discussed whether to accept the legal situation. Without acting according to the local laws and regulations, UI would soon be out of business. A case in point for UI's compliance with the law is its public stand against corruption for which they received credit by NGO (Clay 2005).

4. The Ethical Level

On the ethical level, companies behave like they are commonly expected. These expectations go beyond economical and legal motivations and are built on the ethical environment in which a company operates. (Caroll, 1991) For example, in the so-called Western Hemisphere, views on ethics were mainly driven by notions from Hippocratic[2], the Bible, and modern philosophers.

Nike serves as an example how a company can act with and without this ethical level. Its shoe production involved the employment of children. Due to public protests and, thus, a fear that its image might be damaged, Nike accepted the society's expectations and set working standards (Zadek, 2004). This move was not required by local laws but was expected by consumers. This case also shows that ethical and economic behavior might be mingled as the trigger was an economic pressure. In Nike's case, the company later realized that its ethical behavior gave it a competitive advantage and tried to convince other company's to act similar (Zadek, 2004).

However, doing something ethical must not pay off – it can also backfire. Coca-Cola earned protests when "signing contracts with public school districts in the U.S. that provide millions of dollars of much-needed support for educational purposes in exchange for exclusive distribution rights." (Smith, 2001)

Ethical responsibility seems to motivate UI a lot to implement a CSR strategy. This becomes already clear in the report's foreword where Patrick Cescau, the MNC's group chief executive, explains his company's motivation to do the report: "First, our business engages in many ways with poor people around the world as producers and consumers. Second, the Millennium and Johannesburg Declarations[3] (2000, 2002) place poverty eradication at the center of global strategies for sustainable development." In the report, Clay states that MNCs create positive and negative impacts and this gave UI the reason to start a research together with Oxfam to investigate "to what extent, and how, the wealth generated by the local operating company of a multinational company in a developing country is translated into poverty impacts in one particular country." (Clay 2005)

This shows that UI seems to see that their impact implies a responsibility. It also makes clear that MNCs' motivations to act socially can considered to be twofold: there's a business reason and an obliged feeling which makes these companies addressing poverty.

If MNCs are aware that their impact can successfully go into a more ethical direction, this could motivate to act in line with CSR. Therefore, we would like to list the positive aspects and the limitations which Unilever and Oxfam found in their research (Clay 2005):

- From Unilever earnings, 25 per cent are reinvested into the local businesses, which means that both UI and the Indonesian economy have possibility to grow. Besides, 30 per cent are given to the state as taxes and 45 per cent to stakeholders that mostly live abroad.
- The number of people making their livelihood from UI's value chain (the so-called full-time equivalent) reaches about 300,000. It means that Unilever has created many jobs that bring a lot of people out of poverty. Furthermore, through the job creation, also skills are developed which can be used in other fields and create virtual value.
- As stated in the section "Employee, Motivation" above, UI has a core workforce of about 5,000 people from which 40 per cent are contract employees. Thus, Oxfam is concerned that the contract employees have fewer labor standards than direct employees, e.g. illness and

2 The Hippocratic Oath is, for example, available on http://www.pbs.org/wgbh/nova/doctors/oath_classical.html

3 The 37 ideas of the The Johannesburg Declaration on Sustainable Development are published on http://www.johannesburgsummit.org/html/documents/summit_docs/1009wssd_pol_declaration.htm

pregnancy could result in loss of employment for female workers.

- UI's engagement in Indonesia raises, of course, also problems for poor people. Unilever questions whether companies like UI “may be creating rather than meeting needs for poor consumers, and over time turning luxuries into necessities through advertising and promotion.”
- A limitation of UI's becomes obvious among the poorest people. The farmers, as the most granular element in the supply chain get usually little money as several layers of middlemen bargain between them and Unilever. Thus, these farmers still get little money. UI tried to establish a supply chain without middlemen to save costs and have a better impact on the producers' income. This seems to be a good but complex way.

As we can see, there are several positive and negative aspects for a society due to Unilever's engagement. Being aware of the problems, UI has at least the possibilities to act ethically.

5. The Philanthropic Level

The philanthropic level is hardly undistinguishable from the ethical level. By definition, this level includes aspects which are not expected, but desired by stakeholders (Carroll, 1991). We assume actions to be philanthropic driven if they go beyond the expected behavior. According to Handy (2002), this engagement goes beyond meeting the legal requirements regarding the environment, conditions of employment, community relations, and ethics.

The impact of the philanthropy into business and people seems to increase recently. The Financial Times (Dec 16, 2005) published an issue about philanthropy with the title “***The new world of effective giving***” addressing topics like relationships to NGO, positive effects of giving and individual giving.

Smith (2003) calls this motivation the “normative case” which shows the expression of a desire to “do the right thing”. Such practices lead to stakeholder management and social issue participation (Hillman ***et al.***, 2001).

A case in point for a religious driven philanthropic behavior is the German shoemaker Deichmann Inc. KG which supports the charities like Wort&Tat and churches. The founder and CEO of Heinz-Horst Deichmann follows a vision that a company has to serve people (***Handelsblatt***, Dec 1, 2005)[4]. This note of “people serving company” can be seen as adapted by companies acting on the philanthropic level.

Acting philanthropically can, however, trigger problems. For a manager, it might be problematic to stick to a higher level than the expected one. Criticizers of the CSR approach are troubled because personal visions influence company visions for which they use then other people's money, namely the company's shareholders' money. For example, Jean-Pierre Garnier, the CEO of GlaxoSmithKline, proposed a vision for his company in which he developed the picture of a company going beyond profit-maximization: “The pharmaceutical industry today sells 80% of its products to 20% of the world’s population. I don’t want to be a CEO of a company that caters only to the rich... I want those medicines in the hands of many more people who need them.”[5]

Furthermore, Hillman ***et al.*** (2001) demonstrate that a CSR strategy which goes that far might lead to negative shareholder value creation. However, if one considers that for a business surviving or even prospering is not enough, ethical acts are a way to leave a footprint in the sands (Handy, 2002).

UI seems not to be acting on a philanthropic level. Of course, it does not mean that Unilever is a company which does not want to further help – their engagement just does not to go beyond ethical expectations. We think that companies on a philanthropic level are rather rare and, due to the pressure of investors, only realizable by enterprises in private hands or charities.

4 Originally words by Deichmann: “Die Firma muss dem Menschen dienen.”

5 Jean-Pierre Garnier’s speech to GSK employees shortly after the merger of Glaxo Wellcome and SmithKline Beecham. Smith and Duncan, op. cit., p. 1

4. Conclusion

Overall, UI seems to be a socially responsible company and we can justify their strategies on economical, legal, and ethical levels. UI does not seem to act on the philanthropic level: these engagements would go too far from the core business.

Our discussion about the motivations of CSR strategies showed that CSR is important for a company's survival in the future. Like other aspects – for example, sticking to the law –, social responsibility seems to become a precondition for staying in business. There are strong financial aspects for acting socially responsible, and CSR challenges companies to focus on the reputation and to find sensible ways to communicate that they are a "caring company". In addition to these reasons and legal regulations, there are ethical and philanthropic views which can further motivate a business to implement CSR strategies.

This paper also explained the limits of CSR:

- It is hardly usable to make profit (Zadek, 2004)
- It is hard to communicate (Femke, 2005)
- It is limited by local economies, e.g. the middleman case (Clay, 2005)
- It can backfire (Smith, 2001)
- It can reduce shareholder value (Hillman ***et al.***, 2001)

Because of these limitations, one solution could be a commitment of companies to social responsibility and to ensure ethical behavior. Zadek (2004) claims that "companies [should] promote collective action to address society's concerns". Others see a demand for international standards (DeTienne & Lewis, 2005).

Robert J. Aumann, this year's Nobel Memoriam prize winner, claimed in his Nobel lecture on Dec 13, 2005 at the Uppsala University that rational behavior created ethical behavior in an evolutionary way. In his opinion, people understood over time that they have to behave ethical if they want to make profit. This is questionable because it assumes homo economicus and an evolution of ethics rather than a revelation through religion and thoughts.

To conclude, it seems to be very reasonable that profitability and ethics are highly depending on each other and MNCs have good motivations to implement CSR strategies.

Comment [MC8]: Maybe a « might » would be nice here…

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