Corporate Social Responsibility Within the Context of Profit as the Primary Objective

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1. Introduction:

In this research paper, the role of conflicts in the CSR policies of the Coca-Cola Company will be assessed. Besides, the role of CSR within the context of profit as the primary objective of the company will be evaluated as well. It is a question of debate at the present time about the suspicious use of CSR in increasing the brand image and profit of the company. Coca-Cola is the top one to be accused in this case.

Background and objectives:

Inter-brand has marked Coca-Cola as one of the best brands in the world for the last 11 years. This success of 11 consecutive years has made Coca-Cola well-known in the entire world. According to the year 2013, the integrated reports marked Coca-Cola as the company among the top three high-quality beverage companies. Besides this, Coca-Cola was among the ten companies that had the best reputation among the customers of the United States. The number of successes for Coca-Cola is not confined to the year 2013 only. In the year of 2014 (Casalo, Flavian, and Guinaliu, 2010), Coca-Cola stood out among the world's top-class corporate companies. Fortune rates this company as the sixth company being admired for its work throughout the entire world. Here, the actual questions arise about the role of Corporate Social responsibility in adding to the goodwill of the company. Due to these consecutive successes, many researchers named CSR as the reason for the increase in the profit and the goodwill of the company. However, Coca-Cola is one of the companies that reflects that CSR is a smart way of achieving success for the company. In this way, the company is able to be social reforms as well. There are concern concerns in this attempt of utilizing CSR for the profitability of the company. Global accumulation is one of the blessings of CSR. In this attempt, the companies try their best to keep out of the political conflicts to keep their company safe from the bad will due to political conflicts. This paper will cover the role of CSR, the profitability associated with and the use of the sustainability of the company, besides the conflicts the company has to face.

1.2 What is CSR All about?

In the year 1960s, CSR, known as corporate social responsibility, was introduced on the academic level. Carroll in 1991 (Staff, 2018) summed CSR as the combination of 4 different points. These points were formed from ethical, philanthropic, legal and economic viewpoints. All this information was presented by Carroll in the form of a pyramid.

Campaigns held by the company, the scandals the company is facing or even the environmental issues rolling in the company gather the undesirable attention of the media at times. This attention from the media gives hype to the issue of whether reputation damage is a fundamental inspiration behind the adoption of CSR strategies by multinationals.

2. Coca Cola Company:

2.1 Company's Profile:

In the year 1886, Coca-Cola started its business as a beverage company known throughout the world after some passage of time. This company started as a local company in Atlanta, Georgia. At that time the company was only selling nine sodas per day. By the year 1920 Werther and Chandler, 2015), the company started to expand its territory internationally as well. The products were first sold in Canada and Caribbean markets; afterward, in consecutive decades, the company started to sell its products in Asia, Europe, South America and the Soviet Union. This was not the end of the expansion of the company. Now, nearly every corner of the world is enjoying the products offered by the company. By the 20th century, the world knew what Coca-Cola was all about. Due to selling non-alcoholic beverages, the company became known as one of the largest manufacturers and sellers in the year 2005. Now being one of the good distributors as well, the company is listed on the New York stock exchange as well.

2.2 Coca-Cola's CSR policies and reporting:

After the considerable expansion throughout the world, the company embedded a positive sustainability framework in the entire company in 2007 at all levels, keeping no difference between the low-level and the high-level workers. This non-differential attitude was to maintain a positive environment in the company. Seven core ideas have been established in the CSR live policy of the company. The company has established goals and sustainability practices for the employees to achieve. The core areas defined by the company are the beverage benefits, healthy living style, community, energy, and climate of the areas, improving business goals and good sustainability practices (Cedillo Torres et al., 2012). The code of business conduct for the company aims at providing training to their employees as well.

The competition issues and the most important issue of corruption get overcome when the training is given to the employees. He CSR guidelines are acting globally for the entire company. Protection, respect, and remedy for the issues are the main points covered in the CSR policies of the company. The activities of the companies are included in a separate report as well. 'The Coca-Cola annual report is published every year, covering the major points and workings of the company. The last report published in the year 2016 (Smith, 2013) determined the activities of the companies in the years 2014 and 2015. A small section of the report is dedicated to the CSR section. This section highlights the initiatives taken by the company in different areas of the world. From providing a water facility to giving the facility light, the company has been spreading smiles on the faces of the people over the past year. Since 2001, Coca-Cola also annually publishes a separate report devoted to CSR called 'The Coca-Cola Company Sustainability Review.'

3. Conflicts present in the company:

In the report issued by the Indian NGO and the Center for Science and Environment in 2003, all the campaigns and the demonstrations carried out by the company were written in the report. In this report, one of the defaming components of the company was presented. It was written that the amount of pesticides present in the Coca-Cola products had exceeded the standard defined by the European Council. The Coca-Cola beverages present in India carried a large amount. A sample was tested. The amount of the sample was about a dozen of them and they showed 25 pesticides (Hills and Welford, 2005) in the samples. When this evidence came in front of the people, a legal notice was issued by the government to legally apply water standards to all the beverages in the company. After the issuance of this report, the media and public were diverted towards these issues. A lot of attention was given to these issues. The main accusation Coca-Cola had to face after the issuance of the report was the unacceptable level of pesticides, a large amount of groundwater present in it and the polluted water sources. These conflicts have been mentioned in the preceding sections of 3.1 and 3.2.

3.1 The presence of pesticides

After the allegation of the high amount of pesticides in the Coca-Cola beverages, the Indian government took a step forwards and involved the company in a high amount of investigations. These investigations were done with the help of a committee formed by the Indian Government. The committee issued the same kind of results as they were issued in the report published before. However, another result was mentioned by the committee as well (Hills and Welford, 2005). The committee mentioned that the amount of the pesticide was normal and safe under the local conditions. Hence it was proved that no local laws were violated by the company. However, the Indian government acknowledged the need to adopt appropriate and enforceable standards for carbonated beverages (Hills and Welford, 2005). The allegations, however, carried for about three years on the company. In 2006, the second test was carried out to observe the current state of the company. It was found that the current amount of pesticides was 24 times higher than the present time. However, the company was found to improve the standards in the upcoming years.

3.2 Water pollution and the over-extraction of groundwater:

The second accusation against the company was related to water pollution and water shortages in other areas of the country. Water pollution was caused by the discharge of contaminated water into the fields by the company. This discharge caused health issues to arise in the backward areas of the Indian Community. When the operations were begun by the company in 2000, the local people of Plachimada (Company et al., 2018) claimed that they were facing the issues of water scarcity in the area. By 2004, the company suspended its operation and started looking into ways to decrease water pollution as well.

3.3 Consequences associated with the conflicts:

Coca-Cola had to go through a long trial after the conflicts were aroused by the Indian NGO. After the consecutive trials, the company's reputation was affected badly. Customers started to lose their trust in the name of the company. Reputation was damaged both in India and abroad as well since the company had gained the attention of the media after the conflicts. After the release of the CSE report in 2003, overall sales of the company were also affected. The sales were dropped nearly to 40% of the total sales. Annual sales also suffered as a result. 1A 5% decline was observed in the annual sales as well. People started considering the company as the cooperate villain in India. Public health was believed to be at stake in the presence of the beverages sold by the Coca-Cola Company. However, the environment impacts revealed that CSR has not been helping in maintaining the old lost reputation of the company and getting the profit for it.

4. Reason for investing in Coca-Cola:

This is a known fact worldwide that Coca-Cola is one of the greatest examples of the first theatres of CSR's Priority generating that environmental and social values are not definitely the thing to create an economic return for the corporation. In the past years, the company has been coming up with social philanthropy policies. The policies have been availing intangible benefits for the company. These benefits are present in the form of social capital and brand awareness. These benefits are also giving profit to the company. However, CSR does not have the same kind of goals. In the present time, the situation of philanthropic CSR is typically costly since the company spends more money in making its position in the community and gets no reward in return for this. The reason for spending more money on corporate issues is to make the position of the company a charitable situation. Charity becomes a priority for the companies since it gains goodwill for the company. Besides this, CSR doesn't necessarily cope with community affairs by helping to solve the issues (Fan, 2015). The purest form of corporate social responsibility has its example in the purest form present in the form of charity and business expenditures.

Philanthropic CSR is the only side of the CSR where the company comes up with voluntary work for the community to be done. Here, the intentions of the company are pure and positive. In other cases, the company engages in charitable or social activities to make its societal position better and improved. Many times, there are times when the company launches campaigns that are philanthropic in nature so that the company can gain a reputation in society. After such situations, they are penalized or sanctioned for their regulatory infractions or unethical practices. Regardless of the incentives faced, the company indulged in CSR activities as the first step. This is one of the loosely connected activities with the business strategy but is good in gaining a well-known reputation. The proactive approach of the campaign connects the campaigns directly to the value and the business value associated with it.

4.1 Incentives in Spending In CSR Activities

Aqueduct Alliance was one of the steps taken by Coca-Cola after the company went through the lawsuit and lost the consumer's trust as well (Vilanova, Lozano, and Arenas, 2013). This move was taken to make the position of the company strong. Besides this, this move made by the company was another way of making personal liability a separate thing in future concerns for the groundwater. The Aqueduct Alliance move was taken by the company for achieving the following purposes by the company.

- General society and the shareholders
- Evading any type of personal liability involved.
- Making the organization strong against all kinds of future allegations related to groundwater consumption.

This showed that the enhancement in the ecological transparency and the shareholder value of the organization environment was becoming profound as a result of the move made by the company. Coca-Cola's involvement in the Aqueduct Alliance was a source of raising the reputation of the company in different ways. Addressing the ecological issues made the company resonate with the expectations of the stakeholders involved. In the past years, it was observed that the activities of the corporations make the legal actions associated with it to be affected as well. Later on, companies started using environmental concerns to come back with a boom in market competitiveness.

According to the Coca-Cola Company, improving the reputation of the company is associated with involvement in social activities. It is not necessary that the company generates revenue by this; however, fame is an outcome in this situation. Investing strategically in the programs that make the situation of the company better is necessary. The company has also highlighted its significance. Diplomatic program investment makes the company jump into the competitive market with a bang. Collaboration with one of the well-known NGOs, 'Save the Children,' gained the company a well-known reputation that is not hidden from any person in the world. For gaining success, Coca Cola's first need is to have access to clean water, electricity, and roads for the easy transportation of the workload. Since the company at this moment is having the largest sales in Africa, hence the company is giving opportunities to the employees and people over there. Better living conditions are earned by the people in this case. Benefitting developed countries is an addition to the investment in CSR so that more customers are attracted to the company.

Progress has been made by the company recently as well. The company is working on combining purpose and profit to make their profit work and gain goodwill as well. The company believes that the upcoming generation will be a great way of generating new ideas and an innovative basis for the upcoming campaigns of the company. Reaching the social purpose defined will make the survival of the company in the competitive market easy. In this situation, it is important that the stakeholder behavior of the company is also handled. Increased innovation, increased trust, and engagement of employees in the business will prove to be a plus point for the company's working. 86% of the future leaders (Anthon, 2018) will have the talent to give the company a competitive edge over other companies operating in the market.

5. Coca-Cola's CSR policies post-conflict

Coca-Cola took some steps after the conflicts they had to face in the trial of 2003. Two years before the conflict in the country of India, Coca-Cola was following certain guidelines. These guidelines did not cover the code of conduct for the future and the implications associated with the company. Afterward, the company not only decided guidelines for the company but also made a way through which the working of the company could also be managed. Guidelines for making the future conditions work were also included in the guidelines decided further. The loss in the trust of the company was managed accordingly. Better resources were figured out for the company. Water pollution issues were controlled in the guidelines as well. Also, the company also focused on making the company socially responsible and active as well (Idemudia, 2011). The company has denied many of the allegations lying on it; however, the report cannot be denied. Looking into the issues and without accepting the allegations, the company looked into all the issues. Damage control measures are implemented in all sections of the company to overcome the reputation drop down issue in the company.

6. How Coca Cola See Sustainability?

Sustainability is an important term being used the marketing strategies. Coca-Cola is attempting to gain sustainability so that the company gains a manageable position in the market. Health communities gain the right kind of position in the market. The sustainability of the company depends on the health communities that are being handled at the present time. In the year 2020, it is accepted that the company will be reaching a higher value of sustainability (Herrick, 2009).

7. Conclusion

To conclude, this research has highlighted that CSR is not the only way to reach high profitability for the company. Besides this, in certain cases the company may need to invest more than the company invests in the strategic plans. More investment and less financial results are obtained from CSR activities. However, in certain cases, CSR activities are important in gaining fame for the company. This fame makes the position strong and makes the company an important part of the CSR activities. Besides, health sectors are important for gaining sustainability in the companies. When the health sectors are satisfied, the company will gain a good position in the market. The company has a good approach to CSR. Their approach is giving the company to increase profitability by gaining reputation. For this, performance evaluation is strictly done. The CSR approach of Coca-Cola has a good functional strategy for stakeholders as well. There is a good social impact on the people as well.

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