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

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Abstract

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. There is currently a debate about the suspicious use of CSR to increase the company's brand image and profit. Coca-Cola is one of the main companies 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 reports from 2013, Coca-Cola was ranked among the top three high-quality beverage companies. Besides this, Coca-Cola was among the ten companies with the best reputation among customers in the United States. The number of successes for Coca-Cola is not confined to the year 2013 only. In 2014 (Casalo, Flavian, and Guinaliu, 2010), Coca-Cola stood out among the world's top corporate companies. Fortune rated this company as the sixth most admired company in the world. Here, 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 a social reformer as well. There are concerns in this attempt to utilize CSR for the profitability of the company. Global recognition is one of the benefits of CSR. In this attempt, companies try their best to stay out of political conflicts to protect themselves from the ill will caused by such conflicts. This paper will cover the role of CSR, the profitability associated with it, the use of sustainability in the company, and the conflicts the company has to face.

1.2 What is CSR All about?

In the 1960s, CSR, known as corporate social responsibility, was introduced at the academic level. Carroll, in 1991 (Staff, 2018), summarized CSR as a combination of four 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, scandals the company is facing, or even environmental issues within the company sometimes attract undesirable media attention. This media attention raises the issue of whether reputational damage is a fundamental motivation behind the adoption of CSR strategies by multinationals.

2. Coca Cola Company:

2.1 Company's Profile:

In 1886, Coca-Cola started as a beverage company and became known throughout the world over time. This company started as a local company in Atlanta, Georgia. At that time, the company was selling only 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, as one of the major distributors, the company is also listed on the New York Stock Exchange.

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 company's code of business conduct also aims to provide training to its employees.

Competition issues and, most importantly, corruption can be overcome when employees are given

training. The CSR guidelines apply globally throughout the company. Protection, respect, and remedy for the issues are the main points covered in the CSR policies of the company. The company's activities are also included in a separate report. The Coca-Cola annual report is published every year, covering the major points and operations of the company. The last report, published in 2016 (Smith, 2013), described the company's activities in 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 providing lighting facilities, 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:

The report issued by the Indian NGO and the Center for Science and Environment in 2003 described all the campaigns and demonstrations carried out by the company. In this report, one of the damaging allegations against 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. Coca-Cola beverages sold in India contained large amounts of pesticides. A sample was tested. About a dozen samples were tested, and they showed 25 pesticides (Hills and Welford, 2005). When this evidence became public, the government issued a legal notice to apply water standards to all of the company's beverages. After the issuance of this report, the media and public turned their attention to these issues. A lot of attention was given to these issues. The main accusations Coca-Cola faced after the report was issued were unacceptable pesticide levels, excessive groundwater use, and 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 allegations of high pesticide levels in Coca-Cola beverages, the Indian government took action and subjected the company to extensive investigations. These investigations were done with the help of a committee formed by the Indian Government. The committee issued results similar to those in the previously published report. However, another result was mentioned by the committee as well (Hills and Welford, 2005). The committee stated that the amount of pesticide was normal and safe under 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 on for about three years against 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 company began operations in 2000, local people in Plachimada (Company et al., 2018) claimed that they were facing 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 raised by the Indian NGO. After the consecutive trials, the company's reputation was badly affected. 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. Sales dropped by nearly 40%. Annual sales also suffered as a result. A 5% decline was also observed in annual sales. People started considering the company as the corporate 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 environmental impacts revealed that CSR had not helped restore the company's lost reputation or generate profit for it.

4. Reason for investing in Coca-Cola:

It is widely known that Coca-Cola is a prominent example in debates about CSR, showing that environmental and social values do not necessarily create an economic return for a corporation. In the past years, the company has been coming up with social philanthropy policies. The policies have provided intangible benefits for the company. These benefits are present in the form of social capital and brand awareness. These benefits are also generating profit for the company. However, CSR does not have the same kind of goals. At present, philanthropic CSR is typically costly because the company spends more money establishing its position in the community and may receive no direct reward in return. The reason for spending more money on corporate issues is to establish the company as a charitable organization. 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 is exemplified by charity and business expenditures.

Philanthropic CSR is the aspect of CSR in which a company undertakes voluntary work for the community. Here, the intentions of the company are pure and positive. In other cases, the company engages in charitable or social activities to improve its position in society. At times, the company launches philanthropic campaigns so that it can gain a positive 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 activities loosely connected with the business strategy, but it is useful for gaining a positive 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 initiative was undertaken by the company to achieve the following purposes:

- 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 past years, it was observed that corporate activities also affected the legal actions associated with them. Later, companies started using environmental concerns to make a strong comeback 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 for the company to generate revenue from this; however, recognition is an outcome in this situation. Strategic investment in programs that improve the company's situation is necessary. The company has also highlighted its significance. Strategic program investment helps the company enter the competitive market strongly. Collaboration with the well-known NGO 'Save the Children' gave the company a strong reputation worldwide. To gain success, Coca-Cola first needs access to clean water, electricity, and roads for easy transportation. Since the company currently has its largest sales in Africa, it is providing opportunities to employees and people there. People gain better living conditions in this case. Benefitting developed countries are 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 its profits work while also gaining goodwill. The company believes that the upcoming generation will generate new ideas and provide an innovative basis for future campaigns. Achieving the defined social purpose will make it easier for the company to survive in the competitive

market. In this situation, it is important that the company's stakeholder relations are also managed. 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 it faced in the 2003 trial. 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 established guidelines but also developed a way to manage its operations. Guidelines for managing future conditions were also included. The loss of trust in the company was managed accordingly. Better resources were identified for the company. Water pollution issues were controlled in the guidelines as well. The company also focused on becoming socially responsible and active (Idemudia, 2011). The company has denied many of the allegations against it; however, the report cannot be ignored. Without accepting the allegations, the company investigated the issues. Damage-control measures were implemented in all sections of the company to address the decline in its reputation.

6. How Does Coca-Cola See Sustainability?

Sustainability is an important concept used in marketing strategies. Coca-Cola is attempting to gain sustainability so that the company gains a manageable position in the market. Healthy communities gain the right kind of position in the market. The sustainability of the company depends on the healthy communities it currently serves. By 2020, it was expected that the company would reach a higher level 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 in CSR than it invests in strategic plans. More investment and fewer financial results are obtained from CSR activities. However, in certain cases, CSR activities are important in gaining fame for the company. This recognition strengthens the company's position and makes CSR activities an important part of its operations. 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. Its approach is helping the company increase profitability by gaining a positive 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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