Mixing Business with Politics: Does Corporate Social Responsibility End where Lobbying Begins?

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Paper’s Core Research Question

• What is the relationship between transnational corporations’ political (CPA) and social responsibility activities (CSR)?

  – In what ways and to what extent do these two different modes of corporate political engagement interact and influence each other within individual firms (and under what conditions)?

  – We are particularly interested in the ways in which firms’ growing CSR commitments do (and do not) affect how they engage in the public policy processes (e.g. lobbying).
Business and Politics Literature

• To date the literature on business and politics has been divided into two broad areas of research:
  – Corporate political activity: corporate attempts to influence government policy in favourable ways through activity such as lobbying, campaign finance etc.: Hillman and Hitt 1999.
  – Corporate social responsibility: the (usually) voluntary activities that firms engage in to improve the impact and relations they have on the societies in which they exist and operate; Moon and Matten 2005. Generally includes community programmes, environmental and human rights activities.

• Until recently, very little work examined the interaction of these two different modes of political behaviour, in part because of the lack of developed CSR activity.
Work on CPA/CSR Interactions

• Management scholars have begun to examine the relationship between CPA and CSR.
  – Den Hond et al (2014) conceptualize the relationship as “aligned, non-aligned or mis-aligned”.
  – Beloe et al (2007) suggest that CPA and CSR activities and functions remain largely separate within most firms (non-aligned).
  – Anastasiadis (2013) and Guerard et al (2013) argue that firms in the auto sector often intentionally keep these functions separate as an explicit corporate strategy (mis-aligned; ‘organized hypocrisy’).
  – Other studies (Navarro 1998; Waddock and Graves 1997; Mattingly 2004) examine how CSR programmes create resources (e.g. better stakeholder relations, political allies, reputation) that enhance the effectiveness of their CPA activities (aligned).

• Little of this work examines our question:
  – In what ways do firms’ increased CSR commitments / activities influence the extent, nature or levels of transparency about their CPA behaviour?
  – The answer to this question lies at the heart of inquiries into how effective CSR can be as a policy instrument (greenwashing v. alignment of CSR/CPA).
How to answer this question?

• Part of a larger project that seeks to create a database of the political activity of 2000 large transnational corporations from across the globe. Database contains:
  – Publically-held data on lobbying activity of the individual firms in different legislatures (US, UK, Germany, EU); results of individual firm CPA from online survey
  – Firm participation in international CSR initiatives: UN Global Compact; Global Reporting Initiative; ISO 14001
  – Firm / industry characteristics
  – Political and social characteristics of home / host countries

• In addition to quantitative measures of CPA / CSR and determinants, we use a content analysis of 200 firms’ CSR reports to gauge the extent to which firms integrate lobbying into their CSR activities and policies.

• Finally we will conduct interviews with CSR and Government Affairs managers of 30-40 TNCs in Germany, UK and US.

• The data should help us determine extent and conditions under which CSR/CPA activity is aligned, mis-aligned or non-aligned within certain types of firms (and give insight into why).
Very preliminary results of content analysis pilot

Table 1: Number of firms reporting on lobbying activity: US / Europe compared
Table 2: Number of firms reporting on lobbying in policy areas: US / Europe compared
Table 3: Number of firms indicating the direction of lobbying activities: US /Europe compared

<table>
<thead>
<tr>
<th>Issue</th>
<th>USA</th>
<th>Europe</th>
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<tbody>
<tr>
<td>Climate Change</td>
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<tr>
<td>Taxation</td>
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</tr>
<tr>
<td>Other Environment</td>
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<td>Industry Issues</td>
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</table>
What do we learn about the relationship of CSR and CPA from these findings?

• A relatively high percentage of firms, 63.5%, incorporate their lobbying activity into their CSR reports, indicating they consider (at least rhetorically) their public policy influence to be a CSR issue.
  – This level of transparency suggests that firms are attempting *rhetorically* to align CSR and CPA.
  – Could be a reaction to increasing pressure for transparency by such global CSR schemes as the Global Compact and Global Reporting Initiative.

• Level of alignment and transparency is still minimal. Firms are still reluctant to report on the details, and particularly the direction, of their lobbying activity.

• US firms appear to be more likely than European firms to report on their lobbying activity.
  – This likely reflects differences in interest group systems and the more closed nature of business/politics relations in coordinated market economies.
  – It may also reflect that lobby registers and greater NGO activism in the US have forced US TNCs to align (again at least rhetorically) CSR and CPA to a greater extent than is the case in Europe.