

A PARADOX ON CORPORATE SOCIAL RESPONSIBILITY - CASE STUDY ON COCA COLA

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Abstract:

World Business Council for Sustainable Development defines Corporate Social Responsibility (CSR) as "The continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large." CSR, not only implies fulfillment of legal expectations, but also going beyond compliance and investing more into human capital, the environment and relations with stakeholders. The relationship between industry, society and the state compels the corporate to maintain and develop their brand image and operations through service to the society and also be highly responsible and responsive to its commitments. There are some inconsistencies noted here as PARADOX with the giant beverage manufacturer and MNC, the Coca Cola. Coca-Cola India being one of the largest beverage companies in India, realized that CSR had to be an integral part of its corporate agenda. According to the company, it was aware of the environmental, social, and economic impact caused by a business of its scale and therefore it had decided to implement a wide range of initiatives to improve the quality of

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life of its customers, the workforce, and society at large. This case is about Coca-Cola's corporate social responsibility (CSR) initiatives in India. It details the activities taken up by Coca-Cola India's management and employees to contribute to the society and community in which the company operates. This paper analyses the various paradox that are surrounding the beverage giant and its response to the brickbats and bouquets that will be useful for the knowledge society to understand and react.

Keywords: corporate social responsibility, MNC, paradox

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility (CSR) is becoming an increasingly important activity to businesses nationally and internationally. As globalization accelerates and large corporations serve as global providers, these corporations have progressively recognized the benefits of providing CSR programs in their various locations. CSR activities are now being undertaken throughout the globe. The term is often used interchangeably for other terms such as Corporate Citizenship and is also linked to the concept of Triple Bottom Line Reporting (TBL), which is used as a for measuring an organization's performance against economic, social and environmental parameters. The rationale for CSR has been articulated in a number of ways. In essence it is about building sustainable businesses, which need healthy economies, markets and communities.

The key drivers for CSR are:

- Enlightened self-interest
- Social investment
- Transparency and trust

- Increased public expectations of business

Company Profile

The Coca-Cola Company (NYSE: KO) is an American multinational beverage corporation and manufacturer, retailer and marketer of non-alcoholic beverage concentrates and syrups. The company is best known for its flagship product Coca-Cola, invented in 1886 by pharmacist John Stith Pemberton in Columbus, Georgia. The Coca-Cola formula and brand was bought in 1889 by Asa Candler who incorporated The Coca-Cola Company in 1892. Besides its namesake Coca-Cola beverage, Coca-Cola currently offers more than 500 brands in over 200 countries or territories and serves over 1.7 billion servings each day. The company operates a franchised distribution system dating from 1889 where The Coca-Cola Company only produces syrup concentrate which is then sold to various bottlers throughout the world who hold an exclusive territory. The Coca-Cola Company owns its anchor bottler in North America, Coca-Cola Refreshments. The Coca-Cola Company is headquartered in Atlanta, Georgia, United States. Its stock is listed on the NYSE and is part of DJIA, S&P 500 Index, the Russell 1000 Index and the Russell 1000 Growth Stock Index. Its current chairman and chief executive is Muhtar Kent.

The company has a long history of acquisitions. Coca-Cola acquired Minute Maid in 1960, the Indian cola brand Thums Up in 1993, and Barq's in 1995. In 2001, it acquired the Odwalla brand of fruit juices, smoothies and bars for \$181 million. In 2007, it acquired Fuze Beverage from founder Lance Collins and Castanea Partners for an estimated \$250 million. In 1982 Coca-Cola made its only non-beverage acquisition, when it purchased Columbia Pictures for \$692 million. In 2010 it was announced that Coca-Cola had become the first brand to top £1 billion in annual UK grocery sales.

Coca-Cola's Corporate Social Responsibility in India

With the accelerating pace of globalization and increasing competition, it becomes inevitable for companies to have clearly defined business practices with a sound focus on public interest. In India, the world's largest beverage maker Coca-Cola Inc. (Coke) was engaged in a number of community-focused CSR initiatives. These initiatives were further accelerated since 2003 following the various allegations and issues such as presence of pesticide residues in its beverages and water resource contamination issues that the soft drink giant faced in India. To address these issues and to rebuild its tarnished brand image in India, Coke engaged itself in a number of environment-focused CSR initiatives, like executing the eKO management system in 2003, under which it preserved local water resources. It also adopted measures to reduce water consumption in its production processes.

Objectives:

1. Analyze the CSR strategy adopted by Coca-Cola India.
2. Understand the issues and challenges faced by Coca-Cola
3. Analyze the underlying reasons for the growing criticism against Coca-Cola in India and explore ways in which the company can address this issue.
4. To examine the rationale behind Coke's corporate social measures in India

Key Issues & Lessons Learned

The company came in for severe criticism from activists and environmental experts who charged it with depleting groundwater resources in the areas in which its bottling plants were located, thereby affecting the livelihood of poor farmers, dumping toxic and hazardous waste materials near its bottling facilities, and discharging waste water

into the agricultural lands of farmers. Moreover, its allegedly unethical business practices in developing countries led to its becoming one of the most boycotted companies in the world. Notwithstanding the criticisms, the company continued to champion various initiatives such as rainwater harvesting, restoring groundwater resources, going in for sustainable packaging and recycling, and serving the communities where it operated. Coca-Cola became water neutral in India by 2009 as part of its global strategy of achieving water neutrality. However, criticism against the company refused to die down. Critics feel that Coca-Cola is spending millions of dollars to project a 'green' and 'environment-friendly' image of itself, while failing to make any change in its operations. They said this was an attempt at green washing as Coca-Cola's business practices in India had tarnished its brand image not only in India but also globally. So in order to overcome these criticisms Coca-Cola India implemented its new CSR strategy in the country.

CSR strategies of Coca Cola

“Companies are encouraged to design and implement programmes that help improve the health and hygiene of the various communities that are “adopted.”

1. Live positively' campaign

Coca-cola has overhauled their image with the slogan "Live Positively" to reflect their plans to ensure that all aspects of their business are geared towards sustainability. The campaign, launched just ahead of the Shanghai World Expo 2010, is a coordinated effort between Coca-Cola and its three bottling partners in China,

Swire Beverages Ltd, COFCO Coca-Cola Beverages Ltd, Coca-Cola China Industries Limited and individual bottler Zhuhai Coca-Cola Beverage Co Ltd. Coca-Cola's sustainability efforts start with delivering a quality product to the customer. The newly opened Global Innovation and Technology Center in Shanghai creates products that are tailored to the preferences of Chinese consumers. As part of this new campaign, Coca-Cola system has introduced a range of programs in different areas of the business that address healthy living, water resources, packaging, climate, community and the work place. In China, all Coca-Cola bottling operations will ensure that 100 percent of the waste water from its manufacturing operations is treated so that it can support aquatic life if discharged directly into nature. In addition, over 30 million yuan on water recovery and treatment equipment has been invested in all Coca-Cola bottling plants to improve water usage and management to reduce water consumption. Packaging has been redesigned to help prevent waste. By 2015 Coca-Cola will improve its packaging efficiency by 7 percent versus 2008 levels, equivalent to saving 55,000 metric tons of packaging materials. Regarding energy conservation and climate protection, Coca-Cola is committed to decrease its energy use and reduce the carbon intensity of its manufacturing by 40-45 percent compared to 2004 by 2020. The company will also get more active on a local level. It plans to introduce environmental, education, and active living programs that will benefit more Chinese people. Coca-Cola plans to invest over 200 million yuan in this program by 2012.

As well as its commitment to environmental protection, Coca-Cola makes contributions to charity.

Coca-Cola has sponsored WWF since June 2007 to help protect the world's seven most important fresh water river basins.

During the period when the earthquake hit Sichuan province two years ago, Coca-Cola sent over 20 million bottles of water to the disaster-hit areas.

2. Cleaning up the Yangtze

Coca-Cola's partnership with WWF(World Wildlife Fund) in China is a good case study. The Yangtze is Asia's longest river and it is also one of the most polluted rivers in the world. Three Gorges Dam, the world's biggest hydel power station is being constructed on the river and has received an almost steady stream of criticism. The extinction of the Baiji or the Yangtze river dolphin is also another tragedy in conjunction with this mighty river. China's massive economic development has certainly taken a toll on this river and its [biodiversity](#) which is the lifeblood for millions of Chinese.

Coca-Cola operates 39 bottling plants along the river and in its newest strategic CSR initiative, has tied up with WWF to improve water quality. The partnership will engage in watershed management projects in two upper Yangtze tributaries. One of the projects involves working with farmers to encourage them to convert pig waste into bio-gas instead of dumping it in the river. It has also launched an education program to engage with communities along the river basin about environmental issues.

WWF will also work with Coca-Cola's bottling plants in the Yangtze basin to develop best management practices for water use and water stewardship. The Yangtze still provide 35% of fresh-water to people in spite of its heavily polluted status. This ties in with the company's CSR initiatives to move their plants towards 'water neutrality'. As one of the largest beverage companies with operations in over 200 countries, Coke uses more than 290 billion litres of water a year. This is one of the key areas of CSR that is strategically important to the company. The company controls half the cola market share in China and sales increased 20% last year whilst falling 1% in the States. To ensure that its operations are sustained, water security must be address especially because its product line is composed almost entirely of water.

Coca-Cola is being especially prudent with water management as it does not want a scandal like the one in 2004 where it was forced to shut down one of its largest bottling plants in the Indian state of Kerala after it was accused of causing water shortages. The cola giant is also extending its CSR activities to help clean six other rivers on the 10-worst list with WWF. It is also investing \$4.5 million to improve the water recycling equipment in all its plants.

Through the Better Sugar Cane Initiative, the company in partnership with WWF is finding an entry point to work with the Chinese sugar market. The company uses 4% of the world's sugar and it is working with sugar farmers to improve production methods and reduce water use. By ensuring the reduction of water along its supply chains, the company is ensuring its strategic CSR interests.

Within China, the company also promises to improve packaging efficiency. They propose to reduce the weight of cola bottles which could reduce carbon emissions of over 16,000 tons if

a billion bottles are sold annually. Where all those light-weight plastic bottles will finally go is anyone's guess.

3. Rainwater Harvesting Project (RWH)

On January 20, 2009 SOS Children's Villages of India, The Coca-Cola Foundation and Coca-Cola India announced a partnership to implement water conservation projects for a better life for children. This partnership will collaborate to ensure sustainable water resources by undertaking rainwater harvesting (RWH) projects at 39 SOS locations spread across the country. The partnership will also support creating or improving the awareness on Water conservation and artificial recharge.

In the beginning of 2008, a pilot project was initiated in SOS Children's Village, Bawana, to collect rain water to replenish groundwater by using funds from SOS-India budget. Coca-Cola India stepped in to fund this project and helped SOS save funds from its budget for other use. The success of the project in terms of professional implementation and impact on quality of life of SOS children prompted The Coca-Cola Foundation and Coca-Cola India to join hands with SOS for undertaking RWH projects in the remaining 39 SOS locations.

Further, The Coca-Cola Company in India has been recognized for its community programs and environmental practices by prominent global organizations such as the Red Cross and has won prestigious Indian environmental awards for environmental practices. The rainwater harvesting technology it has established at many locations (including the plants at Plachimadain Kerala, Kaledera in Rajasthan and Varanassi in UttarPradesh). State Government figures have confirmed that since a Coca-Cola plant has been built, in some areas (including Kaladera in Rajasthan) groundwater levels have shown lower levels of depletion than other areas and in some areas

(including Varanassi in UP) water levels have actually risen since the plants were built. We believe this is due, in part, to the rain water harvesting technology employed at these plants In Kerala, where ground water levels have certainly decreased, the rainfall has been well below average for several years. The Kerala State Ground Water Department has said that any depletion in groundwater was due to poor rainfall and could not be attributed to the plant. The Central Ground Water Authorities have also confirmed there were no abnormal changes in groundwater levels around the plant that can be attributed to the Coca-Cola operation. Most recently the interim report of the Centre for Water Resources Development & Management (CWRDM) groundwater depletion and the Coca-Cola plant in Kerala. Coca-Cola is one of the few companies in India to have made any contribution to recharging groundwater in India and uses less water, more efficiently, than many other industries in India and yet a small number of politically motivated groups have still chosen to target just The Coca-Cola Company, using the Coca-Cola brand name for the furtherance of their own anti-multi-national agendas.

Conclusion

The Coca cola maintains a considerable involvement in philanthropy and in volunteering. It is considered to be an active participant in the Indian Corporate Social Responsibility field and received Award for CSR in 2007. When the companies are serious about social change, the numbers speak for themselves. For the Coca Cola, Corporate Social Responsibility (CSR) is not just a duty. It's the unique way they work and live. The Coca cola focuses on the environment issues. They have taken several steps i. e. Abhyaasa Project, Green washing etc. in its efforts to perform their responsibility towards society and they are successful in their effort.

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