

# Chapter 11

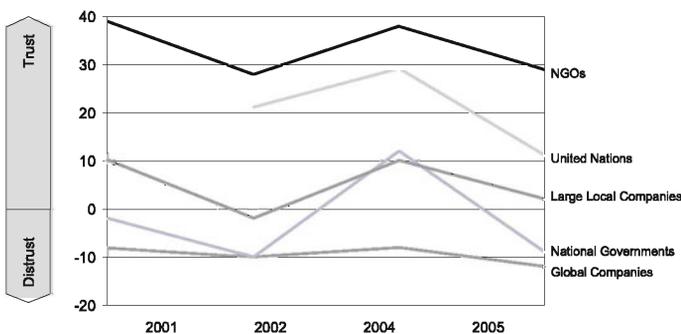
## Corporate Social Responsibility of MNCs

The interface between business and society is changing in a world in which new environmental and social risks emerge and the challenge of sustainability is apparent. The roles, responsibilities and functions of business, especially with regard to MNCs in the context of globalisation, have to be redefined. This discussion has led to the development of the concept of corporate social responsibility (CSR) in the last few years. In this Chapter models and instruments to explore and organise CSR within MNCs are presented.

### Loss of Confidence, Challenge of Responsibility and Sustainability

Global companies and even large local companies are suffering a crisis of confidence (see Figure 11.1). Contemporary society expects sustainability and responsibility from the companies, which means that the traditional role of companies (“the only business of business is to do business”, ascribed to Milton Friedman) has to be rewritten.

*Trust in Institutions (Average of 14 Tracking Countries)*



*Figure 11.1*

Source: World Economic Forum 2006.

“Corporations are challenged to go beyond the predominantly economic view and take into account a wider context” (Jonker/de Witte 2006, p. 2). Sustainability refers to the (external) environment and demands care in using resources, such as water, primary materials, energy, etc. Companies are not only held responsible for the environment. The new normative perspective includes topics such as human rights, child labour, etc. Organisations have to meet the needs of a wide range of internal and external *stakeholders*. A stakeholder can be defined, according to Freeman (1984, p. 46), as “any group or individual who can effect or is affected by the achievement of the organization’s objectives”. Stakeholders include customers, suppliers, stockholders, employees, banks, non-governmental organisations (NGOs), and the society in general.

## Corporate Social Responsibility and the Stakeholder View

### *Historical Roots*

The concept of corporate social responsibility has gained in importance in the last few years. In academic discussion, however, it is by no means a new idea: the concept itself and the debate about CSR dates back to the 1930s. For example, Dodd (1932, p. 1149) argues that managers are not only responsible to their shareholders but they are also responsible to the public as a whole because a company is “permitted and encouraged by the law primarily because it is a service to the community rather than because it is a source of profit to its owners”. Since then, the concept has developed and many more facets of responsiveness have been added to the understanding of CSR.

According to Mohr, Webb and Harris (2001, p. 47), corporate social responsibility relates to “a company’s commitment to minimizing or eliminating any harmful effects and maximizing its long-run beneficial impact on society”.

### Triple Bottom Line Concept

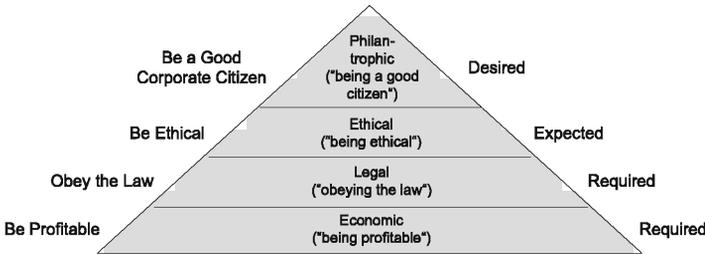
### *Profit, People, Planet*

Based on this approach, firms are becoming responsible for their social and environmental effects on society, in addition to generating profits. On the most basic level, the triple bottom line concept (TBL) “states that companies should simultaneously be held accountable for their social, environmental, and financial performances” (Mellahi/Frynas/Finlay 2005, p. 109; see Elkington 1997). In a catchy phrase, the triple bottom line concept refers to “profit, people, planet” and hence can be seen as the “PPP approach”.

**Pyramid of Corporate Social Responsibility**

Carroll (1979; 1991) developed the concept that has been widely used: the “pyramid of corporate social responsibility” (see Figure 11.2).

*Pyramid of Corporate Social Responsibility*



*Figure 11.2*

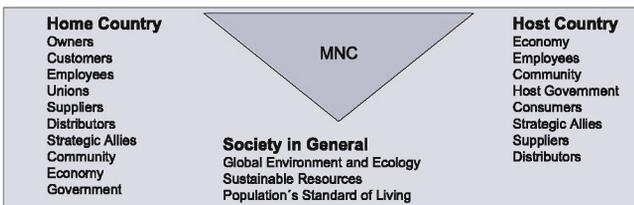
Source: Carroll 1991.

**Stakeholder Map of a MNC**

The concept of CSR is seen within the *stakeholder approach*. According to this view, a firm should not only maximise profit for *shareholders*, but should satisfy the aspirations of all stakeholders (Mellahi/Frynas/Finlay 2005, p. 107). The wide variety of stakeholders, which have different issues and concerns, are shown in Figure 11.3. Multinational firms have to pay attention not only to the stakeholders of their *home country* but also to the stakeholders of a multitude of *host countries*.

*Stakeholders and Shareholders*

*MNC Stakeholders*



*Figure 11.3*

Source: Adapted from Deresky 2008, p. 35.

## CSR Management Model

### CSR Activities

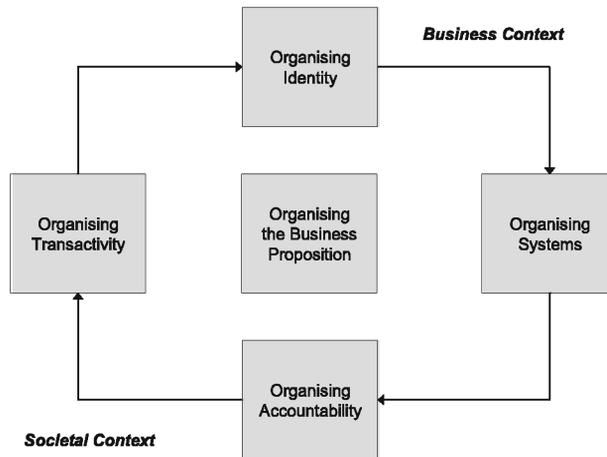
The variety of CSR activities or practices of companies can be classified in different ways (see, e.g., Wagner/Bicen/Hall 2008; Maignan/Ferrell/Ferrell 2005). According to Sen and Bhattacharya (2001) the activities can be categorised into six broad fields:

- community support (e.g. health programmes, educational initiatives)
- diversity (e.g. family-, gender-, disability-based initiatives)
- employee support (e.g. job security, safety concerns)
- environment (e.g. waste management, pollution control, animal testing)
- non-domestic operations (e.g. overseas labour practice, operations in countries with human rights violations)
- product (e.g. product safety, antitrust disputes).

The CSR activities or practices of a corporation have to be embedded in the organisation, i.e., linked to the business proposition and to every added value in the value chain (Jonker/de Witte 2006, p. 4). Based on this approach, an *integrated management model* can be developed (see Figure 11.4).

Figure 11.4

The CSR Management Model



Source: Jonker/de Witte 2006, p. 5.

The starting point of the CSR model is the *business proposition* of a company, comprising vision, mission and the overall competitive strategy. Under the “umbrella” of the business proposition four interlinked domains have to be defined in a business or competition context and societal context (Jonker/de Witte 2006, p. 6):

- *Organising identity*: This covers issues such as core values, branding, image and corporate identity.
- *Organising systems*: This refers to internal and external communication, design of primary and supporting processes.
- *Organising accountability*: This aspect is focusing on auditing, reporting, monitoring performance and standards.
- *Organising transactivity*: This includes developing partnerships, organising dialogues, etc.

## International Codes of Conduct

With regard to auditing and monitoring performance and standards (“*organising accountability*”), for instance, in production and sourcing, a considerable number of organisations have developed codes of conduct which provide consistent *guidelines* for multinational corporations.

### Business Social Compliance Initiative

As an example, the *Business Social Compliance Initiative* (BSCI) of the European *Foreign Trade Association* (FTA) can be used to demonstrate how retail and wholesale companies follow codes of conduct, implement and run audits and react by corrective actions in global purchasing:

- The BSCI Code of Conduct is built on internationally recognised labour standards protecting workers’ rights, in particular the *ILO Core Labour Conventions*.
- The practical implementation of the Code is controlled by independent auditing companies accredited by the international organisation *Social Accountability International* (SAI), which has issued the SA8000 standard. To control the BSCI process, the members share the results of the audits in a common database. This also avoids multiple audits thus reducing audit fatigue.
- The BSCI does not rely solely on audits but is based on a development approach. It aims at continuously improving the social performance of

**BSCI**

suppliers, encouraging them to apply for SA8000 certification. The BSCI develops follow-up measures such as implementation controls and training measures in order to support suppliers.

- The whole BSCI process is accompanied by local and European stakeholder networks which bring their expertise to the initiative and help to ensure the long-term local ownership of the process. Cooperation with governmental authorities, trade unions, NGOs and associations also facilitates social acceptance and independence of the system.

### Social Accountability 8000 (SA8000)

The Social Accountability Standard 8000 (SA8000), published in late 1997 and revised in 2001, is a credible, comprehensive and efficient tool for assuring human rights in the workplace. The SA8000 system includes (Social Accountability International 2008):

#### Overview

- factory-level management system requirements for ongoing compliance and continual improvement
- independent, expert verification of compliance by certification bodies accredited by Social Accountability Accreditation Services (SAAS)
- involvement by stakeholders including participation by all key sectors in the SA8000 system, workers, trade unions, companies, socially responsible investors, non-governmental organisations and government
- public reporting on SA8000 certified facilities and Corporate Involvement Programme (CIP), annual progress reports through postings on the SAAS and SAI websites
- harnessing consumer and investor concern through the SA8000 Certification and Corporate Involvement Programme by helping to identify and support companies that are committed to assuring human rights in the workplace
- training partnerships for workers, managers, auditors and other interested parties in the effective use of SA8000
- research and publication of guidance in the effective use of SA8000
- complaints, appeals and surveillance processes to support the system's quality.

#### SA8000 Elements

The SA8000 Standard is based on the *international workplace norms* of the International Labour Organisation (ILO) conventions, the Universal Declaration of Human Rights and the UN Convention on the Rights of the Child.

The main elements of the SA8000 Standard are (Social Accountability International 2008):

- *Child Labour*: No workers under the age of 15; minimum age lowered to 14 for countries operating under the ILO Convention 138 developing-country exception; remediation of any child found to be working.
- *Forced Labour*: No forced labour, including prison or debt bondage labour; no holding of deposits or workers' identity papers by employers or outside recruiters.
- *Health and Safety*: Provide a safe and healthy work environment; take steps to prevent injuries; regular training of workers in health and safety; system to detect threats to health and safety; access to bathrooms and potable water.
- *Freedom of Association and Right to Collective Bargaining*: Respect the right to form and join trade unions and bargain collectively; where law prohibits these freedoms, facilitate parallel means of association and bargaining.
- *Discrimination*: No discrimination based on race, caste, origin, religion, disability, gender, sexual orientation, union or political affiliation, or age; no sexual harassment.
- *Discipline*: No corporal punishment, mental or physical coercion or verbal abuse.
- *Working Hours*: Comply with the applicable law but, in any event, no more than 48 hours per week with at least one day off for every seven-day period; voluntary overtime paid at a premium rate and not to exceed 12 hours per week on a regular basis; overtime may be mandatory if part of a collective bargaining agreement.
- *Compensation*: Wages paid for a standard work week must meet the legal and industry standards and be sufficient to meet the basic needs of workers and their families; no disciplinary deductions.
- *Management Systems*: Facilities seeking to gain and maintain certification must go beyond simple compliance to integrate the standard into their management systems and practices.

## CSR and Profitability

Many studies have addressed the impact of CSR activities on companies' performance with the focus, for example, on companies' market value or on corporate financial performance. Despite the number of studies on this rela-

*Conflicting  
Results*

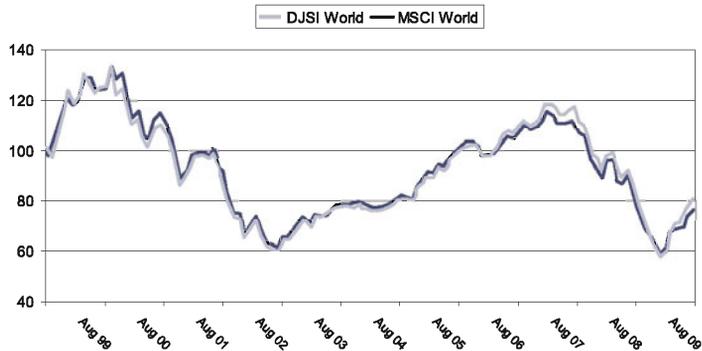
tionship, there still is limited understanding of whether and how CSR actions have a positive impact on firms' performance (Luo/Bhattacharya 2006). This is mainly due to the *conflicting results of empirical studies*. For example, Margolis and Walsh (2003) with their descriptive overview of empirical studies, as well as Orlitzky, Schmidt and Rynes (2003) and Wu (2006), show in their *meta-analyses* that the returns to CSR activities are positive in some studies but non-significant or negative in others. Wu (2006) argues that these differing results are mainly due to the lack of consistency regarding the conceptualisation of the CSR construct and due to the variability in measures that were used to capture financial performance in the different studies.

*DJSI World  
vs.  
MSCI World*

For example, Figure 11.5 illustrates a comparison of the development of the Morgan Stanley Capital International Index (MSCI World), which includes 1,500 stocks in 23 developed countries worldwide with no expressed commitment to sustainability, and the Dow Jones Sustainability Index (DJSI World). This index refers to more than 300 global companies that are committed to sustainable development. This comparison shows a (modest) advantage in total return for the second group. "Companies that balance the interests of multiple stakeholders do as well or better than their peers when it comes to financial performance" (Gossen 2007, p. 17; see also Scholz/Zentes 2006, pp. 288-300).

Figure 11.5

Development of DJSI World and MSCI World



Source: Sustainable Asset Management 2009, p. 17.

Environmental responsibility is a measure increasingly used in public rankings of companies. For example, Table 11.1 shows the ranking of the German DAX-30 companies with regard to sustainability. These rankings underline the growing public interest in the environmental and social activities of companies.

Sustainability Ranking of German DAX-30 Companies

Table 11.1

Rank 2009	DAX-30 Companies	Points	Rank 2009	DAX-30 Companies	Points
1	BMW	74.3	16	Daimler	58.7
2	Henkel	73.3	17	Inferion	58.8
3	Deutsche Telekom	71.4	18	Commerzbank	58.0
4	Münchener Rück	67.7	19	Siemens	57.6
5	Metro	67.6	20	Eon	57.3
6	BASF	66.9	21	Bayer	56.7
7	Lufthansa	66.6	22	K+S	56.3
8	RWE	66.4	23	Fresenius Medical Care	55.1
9	Adidas	64.9	24	Linde	54.6
10	Deutsche Bank	64.6	25	Beiersdorf	53.6
11	Merck	63.4	26	Deutsche Börse	53.6
12	Deutsche Post	62.0	27	Thyssen-Krupp	52.0
13	Volkswagen	61.8	28	Fresenius	48.4
14	Allianz	61.1	29	MAN	47.4
15	SAP	59.9	30	Salzgitter	44.0

Source: Sustainalytics.com.

## CSR and Corporate Governance

Corporate social responsibility is an important aspect in the field of *business ethics*. Besides the responsibility towards the environment and the observance of human rights, other ethical issues refer to the appropriate moral behaviour with regard to *bribery* (corruption), especially in the international arena of competition (see e.g. Deresky 2008, pp. 41-47), and to good and responsible *governance*.

*Corporate governance rules* clarify the rights of shareholders with regard to the general meeting (of stockholders), the supervisory board, and the management board, they establish guidelines for *transparency* and the treatment of *conflicts of interest* in order to promote the *trust* of investors, customers, employees and the general public in the company's management and supervision. For example, the "German Corporate Governance Codex" comprises the following rules concerning these conflicts with regard to the supervisory board:

- Each member of the Supervisory Board shall inform the Supervisory Board of any conflicts of interest which may result from a consultant or directorship function with clients, suppliers, lenders or other business partners (Article 5.5.2).
- Advisory and other service agreements and contracts for work between a member of the Supervisory Board and the company require the Supervisory Board's approval (Article 5.5.4).

## Conclusion and Outlook

### *New Societal Balance*

Under a variety of headings, such as corporate social responsibility, corporate citizenship, stakeholder engagement or corporate governance, lively debates emerge worldwide, referring to the roles, functions and balance of and between institutions in contemporary society (Habisch/Jonker 2005, p. 1). In this context, the acceptable *social behaviour* of companies will be redefined in order to achieve a new *societal balance*.

This is of great importance for MNCs, which operate not only in their developed home country, but also in a multitude of host countries, frequently in less developed (transition) countries with low wages and low standards with regard to environment and labour conditions.

### *Opportunistic Behaviour*

*Ethical behaviour* of MNCs, in the sense of corporate social responsibility, raises the problem of potential competitive disadvantages due to the *opportunistic behaviour* of competitors. *Non-compliance* of social and environmental standards can lead to advantages with regard to costs and therefore better competitive positions in the global arena.

This opportunistic behaviour is probably a short-term approach, because corporate social responsibility is an investment in the competitiveness of companies, true to the motto "What is good for society, is also good for business" (Jack Welch, the former CEO of *General Electric*).

## Further Reading

GODFREY, P.; HATCH, N. (2006): Researching Corporate Social Responsibility: An Agenda for the 21st Century, in: *Journal of Business Ethics*, Vol. 70, No. 1, pp. 87-98.

HABISCH, A.; JONKER, J.; WEGNER, M.; SCHMIDPETER, R. (Eds.) (2005): *Corporate Social Responsibility Across Europe*, Berlin, Springer.

JONKER, J.; DE WITTE, M. (Eds.) (2006): *Management Models for Corporate Social Responsibility*, Berlin, Springer.

## Case Study: Goodyear<sup>1</sup>

### Profile, History, and Status Quo

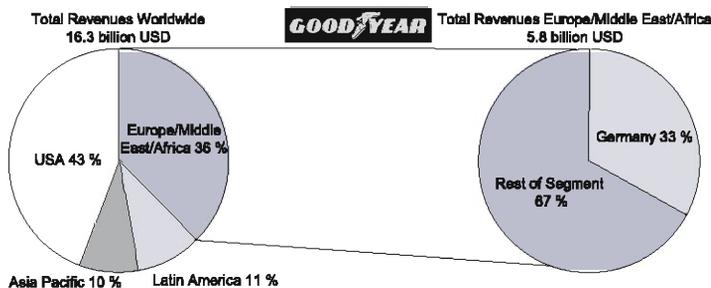
The *Goodyear Tire & Rubber Company* was founded in 1898 by Frank A. Seiberling in East Akron, Ohio. With just 13 employees, *Goodyear* began production on 21 November 1898, with a product range of bicycle and carriage tyres, horseshoe pads and poker chips.

Today, *Goodyear* reaches sales of nearly 16 billion USD, being the market-leading tyre company in North and Latin America, as well as the second largest in Europe. The US market, accounting for about 43 % of sales, is still responsible for the largest part of *Goodyear's* revenues (see Figure 11.6). The European Union is *Goodyear's* second largest market. *Goodyear Dunlop Tire Germany* is the clear market leader in the German tyre industry, and accounts for about 33 % of *Goodyear's* sales in the Europe/Middle East/Africa segment.

*Goodyear* employs 69,000 people and has more than 50 production facilities in 23 countries all over the world (see Table 11.2). It develops, manufactures, markets and distributes tyres for automotive and off-road applications. In 2009, 167 million tyres were produced for motor cars, trucks, tractors, aircraft and other vehicles. About 23 % of these (39 million tyres per year) are original equipment units, while the largest part (128 million tyres per year) is meant for the replacement market. Through four strategic business units, *Goodyear* products are sold in more than 185 countries worldwide (*Goodyear* 2010a).

### Products

*Sales by Region 2009*



*Figure 11.6*

Source: Goodyear 2010a.

<sup>1</sup> Information used for this case study includes various annual reports, press releases, the web site <http://www.goodyear.com> as well as explicitly cited sources.

Table 11.2

Goodyear's Worldwide Facilities 2009

Country	Locations
United States	Akron, Asheboro, Bayport, Beaumont, Carson, Danville, Fayetteville, Gadsden, Houston, Huntsville, Kingman, Lawton, Niagara Falls, Pompano Beach, San Angelo, Social Circle, Statesville, Stockbridge, Tonawanda, Topeka, Union City, West Amherst
Canada	Medicine Hat, Napanee, Valleyfield
France	Amiens, Mireval, Montlucon
Germany	Fürsterwalde, Fulda, Hanau, Phillipsburg, Riesa, Wittlich
Luxembourg	Colmar-Berg
Netherlands	Tilburg
Poland	Debica
Slovenia	Kranj
United Kingdom	Birmingham, Wolverhampton
Brazil	Americana, Santa Barbara, Sao Paulo
Chile	Santiago
Colombia	Cali
Peru	Lima
Venezuela	Valencia
South Africa	Ulkenhage
Turkey	Adepaşari, Izmit
China	Dailen, Shanghai
India	Aurangabad, Ballabgarh
Indonesia	Bogor
Japan	Tatsuno
Malaysia	Kuala Lumpur
Taiwan	Taipei
Thailand	Bangkok

Source: Goodyear 2010a.

### Global Alliance with Sumitomo Rubber Industries

In 1999, *Goodyear* formed a global alliance worth 1 billion USD with *Sumitomo Rubber Industries Ltd.*, which holds the rights to the Dunlop tyre brand in most of the world. Six joint ventures were formed in Europe, Japan and North America. Besides *Goodyear* and *Dunlop*, the company also produces and manages several other brands such as Fulda, Sava and Debica.

### “Protect Our Good Name” as Basic Principle

*The Goodyear Tire & Rubber Company* is listed on the New York Stock Exchange and for that reason has to comply with a number of rules concerning principles of corporate governance. *Goodyear* has realised, though, that, for a global company, fulfilling the legal requirements concerning corporate responsibility does not suffice by far. Therefore, the company has developed its own environmental, health and safety (EHS) standards which in many respects exceed by far the requirements of the national legislation as well as those of the New York Stock Exchange.

Since 1915, *Goodyear’s* activities have followed the credo “Protect Our Good Name”. The good reputation of the company is to be defended towards all stakeholders, that is to say, customers, associates and shareholders, as well as suppliers and the communities where the company is operating. *Goodyear* is constantly striving to be a good corporate citizen in all the local markets in which it operates. Therefore the company always strictly complies either with the highest legal standards concerning corporate responsibility or – where legal requirements are insufficient – with the company’s code of conduct.

*Goodyear’s* ethical business conduct is based on a number of core values that are the foundation of the company’s activities all over the world. The first set of values is directed towards all stakeholders, and comprises the company’s dedication to responsible and ethical conduct on a global basis. The other three sets of core values refer to the particular importance of *Goodyear’s* customers, employees and associates as well as shareholders. Based on these core values, global EHS principles have been formulated (see Table 11.3).

### *Goodyear’s Global EHS Principles*

**Table 11.3**

<b>Goodyear Environmental, Health and Safety Policy</b>
<i>Goodyear is committed to protecting the environment, as well as the health and safety of our associates, our customers and the communities in which we operate. As a global, socially-responsible corporate citizen, we shall conduct our business in accordance with the highest applicable legal and ethical standards and strive to contribute to economic development and environmental protection, while seeking to improve the quality of life for our associates, families, communities and society in general. We want our associates to have a work environment where they feel safe and secure.</i>
<i>To accomplish this we shall</i>
... comply with all applicable environmental, health and safety laws and regulations as well as Goodyear’s global EHS standards,
... establish environmental, health and safety management systems based on recognized standards, and set company-wide goals and objectives that seek to obtain continuous improvement,
... integrate environmental, health and safety considerations into all continuous improvement efforts and key business decisions, including the design, production, distribution and support of our products and services,
... work with suppliers and customers to promote responsible use of our products,
... reduce environmental impact and conserve natural resources by minimizing waste and emissions, reusing and recycling materials and responsibly managing energy use,
... encourage and educate all associates to take personal accountability for protecting the environment and maintaining a safe and healthy workplace.

Source: Goodyear 2010b.

On the basis of the core values and the EHS principles, specific guidelines for ethical behaviour have been deduced. These guidelines are summarised in the “*Goodyear Business Conduct Manual*”, which serves as a reference point for all employees. A copy of the Business Conduct Manual is given to all associates and everyone must agree to act in accordance with it. The first chapter in the Business Conduct Manual is dedicated to the commitment to protecting the workforce, the workplace and the environment. These are the

three main issues that are also dealt with in the EHS standards and that *Goodyear* considers its prime responsibility.

## Corporate Responsibility in a MNC

The fact that *Goodyear* is a truly global company, producing in as many as 23 countries and exporting to as well as sourcing from many more, poses unique challenges to the company's corporate responsibility activities that would not be encountered in a national context. On the one hand, legal requirements concerning business activities that affect the environment or the society vary considerably. Especially in developing and transition countries, laws concerning the behaviour of MNCs towards their employees, as well as towards the communities in which they are located, are frequently missing or make only very basic requirements. Even where such legal requirements are in place, they might not be pursued and enforced with the necessary vigour. On the other hand, a society's views and expectations towards the responsible conduct of MNCs has been found to be strongly influenced by cultural aspects (Jamali/Mirshak 2006, p. 245).

### Global Policy

*Goodyear* strives to be the leader in EHS matters and a good corporate citizen in all the communities it calls home. The company has therefore developed its own corporate environmental, health and safety standards that meet international guidelines. These standards are applicable for all facilities worldwide. The company always enforces either legal or corporate requirements, depending on which are more stringent. In many countries, these corporate standards are stricter than the legislation adopted by governments (Rondinely/Berry 1998, p. 78).

### Local Implementation

Underneath the common roof of the global EHS standards, *Goodyear* has the policy of being a good corporate citizen in all communities where the company has facilities through local activities which demonstrate corporate responsibility. Efforts concerning corporate responsibility are carried out on a regional as well as on a national and a local level. Every employee is encouraged to engage in local community initiatives and every branch supports national social and environmental programmes.

### Environmental Responsibility

#### External Corporate Responsibility

*Goodyear's* corporate responsibility activities are directed towards internal as well as external stakeholders. As rubber manufacturing and processing requires the use of various environmentally hazardous materials, protecting the environment is one of *Goodyear's* key concerns in terms of corporate responsibility. Natural and synthetic rubber mixes are used in manufacturing rubber products, and the processing can result in volatile organic com-

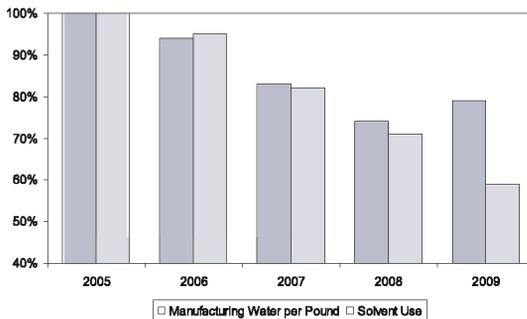
pound emissions. Organic solvents that need to be used in tyre production also cause a considerable threat to the environment, so that *Goodyear* continuously seeks to reduce the usage of these perilous substances in the manufacturing process.

Solvent usage and waste to landfill are tracked globally as key indicators for minimising the company's environmental impact. Pursuing the goal of eliminating disposal in landfill completely, *Goodyear* is using the 3-R Principle (reduction, reuse, recycling). All potential waste is assessed first in terms of reduction, then reuse, and finally recycling. Only if none of these options is available is material sent to landfill. By the end of the year 2007, 55 of 58 *Goodyear* plants had already achieved the goal of zero waste-to-landfill. In 2008, *Goodyear* achieved zero waste to landfill and has maintained this goal since (Goodyear 2010b, p. 31). Using a number of different principles, for example Six Sigma, *Goodyear* also managed to reduce the usage of water and solvent in the production process (see Figure 11.7).

### 3-R Principle

Continuous Reduction in Manufacturing Water per Ton and Organic Solvent Use

Figure 11.7



Source: Goodyear 2010b, pp. 31-33.

*Goodyear* operates a number of further programmes in order to protect the environment. Aside from diverse energy conservation initiatives that are in place in all *Goodyear* locations, various product stewardship programmes are maintained to address the potential health and environmental concerns of customers, associates and communities related to all operations and products. These programmes include showing preference for suppliers that meet strict guidelines for effectiveness and purity. *Goodyear* is always searching for and testing potential substitute materials that have less impact on health and the environment without compromising product quality (2010b, pp. 28-29).

*Auditing Processes*

By this means, the company shows responsibility not only for its own operations, but also for the actions of partners in the global supply chain.

In order to assess the plants' environmental efforts independently, since the late 1990s *Goodyear* has been continuously undergoing various auditing processes. On top of the quality management principles of ISO 9000, the manufacturing facilities apply ISO 14001 as their formal environmental management system. As a supplement to the ISO 14001 environmental management systems audit process, *Goodyear* has voluntarily chosen to analyse comprehensively all processes that assure the continual manufacturing of high-quality products at high standards of environmental and workplace safety. In 2000, the company developed its own product and process quality audit (PPQA) system to address aspects such as engineering, training and communication, rubber mixing, component preparation, building and curing, final finish, product testing and analysis of the technical organisation that serves customers (Goodyear 2007, p. 25).

*Social Responsibility*

Concerning the social aspect of corporate responsibility, *Goodyear* is striving to be a good and active corporate citizen in all the communities where the company has facilities. As a multinational enterprise, the company's headquarters only give general guidelines about which kind of initiatives are supposed to be supported. *Goodyear* typically fosters programmes that improve cities, social programmes, and educational opportunities in communities where *Goodyear* associates live and work. The initiatives in question, however, usually take place at a very local level and therefore every regional, national and local office is responsible for actively putting the company's social responsibilities into practice.

**Internal Corporate Responsibility**

While *Goodyear* carries out and supports a large number of activities to live up to its responsibility to customers and communities, the company also has a strong focus on showing responsible behaviour to its internal stakeholders, i.e., its employees or associates.

*Global Human Rights and Diversity*

First of all, the company has a very strict policy on global human rights that spans associates in all its global operations. The basic principles of this policy strictly reject all forms of involuntary employment and child labour. *Goodyear* also grants all its employees freedom of association as well as the right to refrain from joining organisations. These rights, which might sound self-evident for an American company, are highly important to protect employees in less developed countries. *Goodyear* also has a zero-tolerance policy towards any form of harassment or discrimination. A global company like *Goodyear* that is working in a diverse marketplace has to embrace the advantages that can be gained from a diverse workforce. Therefore, it is *Goodyear's*

policy to support actively an inclusive workforce throughout all its facilities worldwide. In pursuit of common objectives, personal bonds are to be created beyond racial, ethnic or cultural differences, so that it is possible to conduct business successfully in multi-cultural marketplaces.

Of utmost importance in a company where most employees work in manufacturing is the safety of the workplace and the protection of the health of the workforce. In late 2004, *Goodyear* therefore launched an initiative to change and improve its safety culture worldwide. The goal is to drastically reduce injuries and health threats in the workplace, so that by the end of 2007 the self-evident goal of the programme, “No One Gets Hurt”, will be achieved. While for the most part there is strict government regulation on working conditions and workplace safety in the USA and other developed countries, such legislation is not as detailed, or even existent at all, in developing and transition countries. “Local leadership is held accountable to include safety goals as part of annual operating plans, and make on-the-spot corrections of unsafe conditions and acts” (Goodyear 2006, p. 2). Site visits by *Goodyear’s* executive leadership team focused attention and resources on how to reduce incidents occurring at locations around the world. Since launching the “No One Gets Hurt” safety initiative, *Goodyear* has driven a steady improvement in reducing global incidents each year, and the trend continued in 2009. *Goodyear* achieved a 22 percent decrease in the number of incidents of illness and injury compared to 2008 (Goodyear 2010b, p. 25).

*Workplace Safety*

## Organisational Integration and Communication of CSR

In an organisation that is as complex as *Goodyear*, adoption and enforcement of ethical business practices all through the company poses a challenge to management. This is why in 2005 *Goodyear* established a Department for Compliance and Ethics, responsible for compliance, ethics and privacy issues on a global basis. To maintain accountability, the Committee on Corporate Responsibility and Compliance of the Board of Directors is updated on a regular basis on ethics and compliance activities. Committee members are expected to take an active role in reviewing the activities and processes designed to uphold commitment to ethical behaviour.

Since all employees are requested actively to pursue responsible corporate behaviour, a central ethics hotline, called “The Network”, has been established. The Network is an independent telephone answering and intake service that has been engaged for this purpose. Associates from anywhere in the world can call this hotline 24 hours a day, seven days a week. They can report anonymously any actual, suspected or potential misconduct or raise any question they might consider relevant for the company’s ethical business conduct. Every allegation is investigated to make sure that every employee

*“The Network”*

has the chance to take part in the active pursuit of *Goodyear's* corporate responsibility.

Any company has to make sure that its activities and efforts in terms of corporate responsibility are communicated openly to internal and external stakeholders. This serves the purpose of fostering employees' identification with their employer and aligning their efforts concerning ethical behaviour, on the one hand. On the other hand, the trust of external stakeholders in the company is increased and the company's image benefits. While *Goodyear's* Business Conduct Manual serves to communicate the ethical standards to employees, the company also summarises its global CSR activities in a yearly Corporate Responsibility Report. This report conveys achievements as well as future objectives to the global workforce as well as to the public.

## Questions

1. In September 1970, the *New York Times Magazine* published an article by the economist Milton Friedman titled, "The Social Responsibility of Business is to Increase its Profits". Discuss Friedman's statement critically. What does social responsibility mean in the context of business? Does CSR really contradict profit-maximisation? How can corporate responsibility support *Goodyear's* business objectives?
2. *Goodyear* is headquartered in the USA with Europe as its second largest regional market. How does the understanding of CSR differ between North America and Europe? What impact can these different perceptions of the concept have on *Goodyear's* corporate responsibility activities?
3. *Goodyear* is operating in a large number of countries all over the globe. What particular challenges do MNCs face concerning their CSR activities? How does *Goodyear* accommodate the different stakeholders whom MNCs have to take into account? Consider the fact that *Goodyear* is operating in industrialised as well as in transition and developing countries.

## Hints

1. See Friedman 1970. Consider the evolution of CSR activities over time.
2. See Matten and Moon 2008 for the concepts of "implicit" and "explicit" CSR.
3. See, e.g., Blowfield 2005 for the role of CSR in developing countries.