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What Happens to Corporate Responsibility in a Worldwide Health Emergency?

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1.1 Introduction

Since the COVID-19 pandemic swept across the globe, corporate conditions have changed radically. The pandemic has caused a societal and economic crisis around the globe. Due to the uncertain but rapid course of the spread of infection, great efforts have been required from all

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countries in the management of this worldwide health emergency (Gehrke 2020). Efforts range from the medical management of the virus in the form of adequate access to healthcare, protective equipment and necessary treatment of patients, to the issue of financial sustainability of various organisation (Gehrke 2020), or the societal risks that businesses should undertake in times of uncertainty (Crane and Matten 2020). All these issues then raise questions about insecurity in society, the role that the businesses might play in avoiding or reducing such societal risk and the implications of uncertainty for economies. In addition, measures to limit the spread of infection differ significantly between countries, and the World Health Organization's recommendations adapted to the conditions and political governance of the various countries. For some industries, this has led to a sharp decline in sales, while other industries have seen a boost in their activities due to high demand for certain products and services.

Research on corporate social responsibility (CSR) expanded considerably before the pandemic, and some suggest it is one of the fields in business or management studies that is most read and cited (Crane and Matten 2020). CSR is theorised as dealing with the relationship between business and society, ensuring that businesses maintain their legitimacy, or social licence (Grigore et al. 2020, 2021). The European Commission defines CSR as "the responsibility of enterprises for their impacts on society", and they state that organisations "should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders". In a broader sense, CSR attempts to bring together the interests of commercial, not-for-profit, and governmental actors to do good in society (Stancu et al. 2011; Campbell 2007), and to build bridges between private and public sectors (i.e., UN Agenda 2030). However, Crane and Matten (2020) note that "the pandemic has clearly

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challenged a number of existing CSR assumptions, concepts, and practices". Indeed, COVID-19 has caused a sentiment of vulnerability and instability in business and in society, and the crises therefore put corporate responsibility to the test (Kramer 2020). Some of the questions raised are: Do businesses have a responsibility to help save lives? And does society have any responsibility to support businesses?

In a recent *Harvard Business Review* article, Kramer (2020) reminds us how 38 years ago, seven people in Chicago died from taking poisoned Tylenol pills. This was a rare and localised event, and Johnson & Johnson immediately pulled all Tylenol from their stores, taking a loss to avoid even a single additional death. Business should never cause such harm, regardless of the cost. This case study is still taught in business schools as it reminds us about the prioritisation of saving lives. People still talk about that decision, which is well alive in our collective memories. It is likely that the ways in which companies respond to this Coronavirus crisis will also be remembered for many years to come. Will they help to save lives, or insist on being saved? Organisations talk about having a social purpose and set of values driving their strategies, or about how much they care for their employees, customers, suppliers, communities and future generations. Now is the time for them to make good on that commitment. How do they respond to the crises? Who are they responsible to?

In other studies, we hear that businesses have faced major impacts from the pandemic (Manuel and Herron 2020). The pandemic affected societies and economies, and this then shapes the ways in which governments, businesses and people act (Donthu and Gustafsson 2020). Supply chain disruption, working from home, operational implications (for example, total or partial production shutdowns in the context of national state of emergency or high number of infected employees), and new costs related to decontamination are some of the most discussed impacts of this pandemic. Industries such as tourism, hospitality, airlines or travel are impacted due to travel restrictions and lockdowns, and therefore are losing customers and revenues, whilst e-commerce, home entertainment and social media platforms are booming. The customers have changed their purchasing behaviours and there has been a rapid increase in demand

for online shopping, which firms had to meet to maintain sales. So how do companies respond to such fluid times?

Some companies have reframed their visions and mission and repurposed their production lines or services to manage the effects of the pandemic. Immediate organisational responses include companies like Nissan, or McLaren Automotive joining the race to produce ventilators that could help patients with breathing problems (BBC 2020a; McLaren 2020), Luis Vuitton saying it wants to use its perfume production lines to start making hand sanitiser (BBC 2020b), whilst electronics giant Foxconn switched some of its production from Apple iPhones to make surgical masks (The Guardian 2020a). Other organisations had to redefine what is essential or non-essential in the workplace, and digital technologies afforded new opportunities for organising work from home. He and Harris (2020: 176) argue that the "Covid-19 pandemic offers a great opportunity for businesses to shift towards more genuine and authentic CSR and contribute to respond to urgent global social and environmental challanges".

Different studies have shown different results regarding CSR during the COVID-19 pandemic. In a recent study, 47 per cent of the companies surveyed also stated that the company's sustainability budget had not changed, and 14 per cent said that it had actually increased during the pandemic (LRF 2021). Another study has shown that the Covid-19 pandemic will have a negative impact on companies' sustainability work. That is the opinion of global sustainability experts. Almost half of the respondents, or 49 per cent, answered that sustainability will be prioritised down as a result of the pandemic, which consumes much of companies' energy and resources (FAR 2020). The fact that CSR and sustainability issues have increased in importance is partly due to the fact that they afford opportunities to contribute to a better society, and also because customers demand sustainability commitments. As such, it has become even more important to primarily take care of their employees during this time (LRF 2021).

However, in the first few weeks of the lockdown we heard how Richard Branson faced backlash over plea for a £500m bailout to help his Virgin Atlantic airline survive the Coronavirus pandemic (The Guardian 2020b). Many pointed out that the entrepreneur has paid no personal income tax

since moving to the tax-free British Virgin Islands 14 years ago (The Guardian 2020b). We also heard about furloughed Sports Direct employees claiming they have been asked to work at least once a week (McCulloch 2020). And this controversy came after owner Mike Ashley pressed the government to allow Sports Direct stores to stay open arguing that selling fitness equipment is essential to people stuck at home (although we might suspect the actual motive was profit). These examples have been met with public anger and frustration, which, one might argue, stem from the apparent hypocrisy of organisations that have avoided corporate social responsibility yet expect society to make concession to *them* in a time of crisis. This is a strange reversal towards claims for societal business responsibility in a crisis. As the third lockdown starts to end, we further see all sorts of organisations in the UK, for example, asking for it to do so more quickly. People may be dying still, but businesses want a return to "normal" even if that normal risks lives.

If we think about the aforementioned Tylenol example, the ways in which organisations respond will be remembered and might hinder or enhance the organisational reputation. Now, if we take the question of who organisations should be responsible to, we can draw from previous research. Previous CSR studies suggest several approaches regarding the responsibilities of corporations: business, stakeholder and societal approaches (Grigore et al. 2017). Briefly, the business approach argues that a corporation should maximise profit survival, and its responsibility is, first and foremost, to its shareholders (Friedman 1970). The stakeholder perspective (Freeman 1984) contends that corporations are responsible to groups beyond shareholders who are impacted by and can impact the corporation. The societal approach suggests that corporations have commitments to society at large and that the polyvocal (or multivocal) nature of society, not the corporation, determines what is right and proper (Waddock 2004). So, organisations may want to ask these questions about how they meet their responsibility to various actors during the Coronavirus crises. Do they attempt to ensure profitability for shareholders regardless of societal impact and risk? How about the responsibilities to their employees, do organisations have a workplace health and safety risk assessment, or do they continue to pay salaries? How about suppliers—are companies giving advance payments to small suppliers?

And how about the responsibility to community and vulnerable groups—do they provide food, deliveries to the vulnerable? Such dilemmas will be addressed and dealt with in the chapters of this book.

1.2   Corporate Responsibility and COVID-19: International Perspectives

We seek to understand how society and businesses are affected by and respond to the Coronavirus crisis in various parts of the world. We aim to explore: (1) new CSR perspectives given the pandemic situation, (2) SME perspectives and responsibility during the early stages of the pandemic and (3) how large companies responded to the crisis. Overall, then, the book asks readers to reflect on what the current crisis means for businesses, markets, communities and society more broadly. It has a global reach and includes conceptual or empirical studies from Spain, Mexico, Sweden, Nigeria, Ghana and Kuwait, from various sectors and it also explores both small and large organisations/companies. The common ground is that the pandemic has hit on a global level and all businesses around the globe are affected.

1.2.1   COVID-19 and New CSR Perspectives

In Chap. 2, Arroyo, Sanchez-Asin, Valls-Pasola and Hormiga tackle the role and relevance of the Coronavirus makers network in the context of CSR's situation in Spain during the crisis in the first half of 2020. It analyses how the network emerged, how it was organised, its results and social impact, and the key factors that explain its success and its relations with large companies.

Then, in Chap. 3 Díaz-Pichardo and Sánchez-Medina analyse the evolution of the CSR initiatives of Mexican enterprises during the first six months of the pandemic. Authors demonstrate how enterprises have shown an evolution in the types of initiatives proposed, starting from helping the population in need to satisfy their immediate necessities and to help others retake their economic activity in the "new normal".

However, with hundreds of thousands of businesses closing and millions of people unemployed and in poverty, Mexico is facing its worst economic crisis in history. The authors reflect on the current situation in Mexico.

In Chap. 4, Surdu and Nardella problematise the outcomes of corporate social irresponsibility (CSI). Their work reveals how and why the assumptions that corporate irresponsibility leads to negative organisational outcomes, such as negative impacts on reputation or financial performance, are not always supported. The authors show that there is a disconnect between what the CSI theory assumes and what happens on the ground, or the CSI practice. The chapter is ripe with examples of corporate irresponsibility during the pandemic from various sectors and how these led to mixed outcomes for organisations and society. Finally, the authors end the chapter by presenting managerial implications and they also discuss the role of policy in managing corporate social irresponsibility.

These chapters address CSR during the pandemic from an organisational perspective focused on network as well as how companies are helping people during the pandemic. The chapters could be useful for different organisations and society to show how policies can be useful in CSR implementation.

1.2.2   CSR, SMEs and COVID-19

In Chap. 5, Sörensson, Bogren and Schmudde investigate the case of the Swedish tourism industry during the first six months of the COVID-19 crisis. Using data from 100 SMEs in three sectors of the tourism industry—accommodation and restaurants, culture and entertainment, and travel agencies—they analyse the effect of the pandemic on firms with focus on their sustainability values. They note that the impact of the pandemic on individual segments and firms vary, but overall, the tourism industry is struggling. Consequently, there is a shift from sustainability values of the firms towards economic sustainability values. Authors also note that tourism firms which have managed to create higher sustainability value for their customers have higher prospects for survival.

In Chap. 6, Tesfaye and Lundström gain insight into how SMEs manage the COVID-19 pandemic from both economic and CSR perspectives. The results indicate that the impact of the COVID-19 pandemic is related to the state of the industry in which the case companies are located, and the pre-crisis status of the companies. The perceptions of the entrepreneurs also differ. Some entrepreneurs perceive the crisis as a threat to the business, while others see opportunities for innovation. These perceptions likely guide the strategic choices and managerial practices of the entrepreneurs. Digitalisation is a common denominator with regard to social responsibility. However, the primary focus is on socially responsible practices for health and safety of employees.

In Chap. 7, Boter, Lundström and Sörensson analyse how Swedish small companies have been affected by the pandemic. The data consists of interviews with 1200 small companies from four different industry segments and the results show different outcomes. Some company groups have had, and still have, significant negative effects, while other categories have only been marginally affected. There are a small group of companies that has noticed growing sales and occasionally also signals from the market that new products and services are needed in the near future.

These chapters address mainly small businesses and how they have been affected by the pandemic and their work with CSR. It is clear that companies in some industries have been affected more than others. The clearest impact is the tourism industry, which has been hit hard during the pandemic.

1.2.3   CSR in Large Companies During COVID-19

Chapter 8 by Okoye and Nwagwu explores illustrative cases of large multinational enterprises (MNE) response—Lafarge in Nigeria, and Unilever in Nigeria and Ghana—in terms of their approach to and practice of corporate social responsibility and sustainability during the pandemic, and their response to the COVID-19 crisis in a complex environment marked by deepening poverty and climate change issues. These examples are chosen as indicative of MNEs active in the West African region.

In Chap. 9, Goyal, Kakabadse and Kakabadse argue that when dealing with uncertain or complex situations—such as a global-wide pandemic—board members turn to their backgrounds and experiences when making decisions. Specifically, by drawing on depth interviews with 42 board members, the authors demonstrate the importance of religious beliefs in interpreting available information and the shaping of their values, as well as organisations' strategic aspirations. They conclude by discussing the implications of board members' religious beliefs on decision-making during the COVID-19 crises.

In Chap. 10, Al-Husaini explores how corporate social responsibility has grown in the state of Kuwait. The chapter discusses CSR best practice in a global crisis based on the three pillars seen in the work of Kuwait's Oil Sector during COVID-19. The Kuwait Oil Sector, led by Kuwait Oil Company (KOC), took responsibility for providing Kuwait's Ministry of Health with urgent aid through CSR projects such as building the largest quarantine facilities in the country, constructing the Kuwait Field Hospital and developing several media campaigns to highlight such extensive efforts to the general public and promote individual responsibility during COVID-19.

These chapters address how large companies are reacting to the pandemic and CSR. Different perspectives are discussed as well as different countries with specific contexts. The chapters show how CSR still is useful during the pandemic in these countries.

1.3 Concluding Thoughts

The book invites readers to further reflect on new areas for CSR research, especially in times of crises. Whilst previous research deals with new theories or models post-financial crises (see "Corporate social responsibility in the post-financial crisis era" by Theofilou, Grigore and Stancu, 2016, as one example, Theofilou et al, 2016), little is known about the impact that a worldwide health crisis might have on businesses, organisations, society and CSR research. Crane and Matten (2020) suggest that COVID-19 might help us imagine new ways of theorising private enterprises, for example, or might push our thinking beyond CSR to identify

alternative modes of organising or new models of the firm where businesses' purposes are truly aligned with societal goals.

The COVID-19 pandemic has generated a global health, economic and social crisis that requires the collaboration and commitment of all of us (ref), both in the private sector as well as in the public sector. The pandemic has led to more sustainable behaviour like fewer flight trips with less pollution from the airline industry. This book shows different perspectives on CSR during the pandemic. The work with implication of the 2030 Agenda and the Sustainable Development Goals (SDGs) may lead to new CSR strategies post COVID-19. Practical implications from this book are that the COVID-19 pandemic will increase people's awareness and expectations of companies and their behaviour. Today, people have higher expectations and companies must balance profitability with different stakeholders' demand for CSR actions. In sum, now is the time to make investment in CSR, to be able to move to a future post-COVID-19 that will be more sustainable.

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