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Can Business and Social Strategies be Truly Aligned?

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Item Type	Article
Authors	Emad Hammad, Hadeer;Karem Kolkailah, Salma
Publisher	IBIMA Publishing
Rights	With permission of the license/copyright holder
Download date	2026-07-10 21:53:46
Link to Item	http://hdl.handle.net/20.500.12424/188472



Can Business and Social Strategies be Truly Aligned?: A Highlight of P&G Egypt's Corporate Social Responsibility Framework

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Abstract

Nowadays, the way consumers view the business-society relationship is subject to a radical shift that displays a changing mindset about the role and responsibilities expected from the for-profit sector. Pressured by the challenge to meet consumer demands, Corporate Social Responsibility (CSR) emerged as a trend among corporate practices. Companies are undertaking acts to help in the development of local communities. Procter and Gamble (P&G) is well-known for engaging in social initiatives that enhance the social welfare along with gaining profits. This case study highlights the dilemma that P&G Egypt is facing post 25th of January revolution. Despite that the revolutionary mindset gives a room for companies to play a greater role in societal development, the accusations of corporate corruption and self-interest still pertain as a challenge against the success of social acts. Sustaining the current stream of social initiatives or undertaking new approaches remains an unanswered question for P&G Egypt in an attempt to achieve the business-social balance. This case study is based on personal communication with corporate officials. The main finding is that high skepticism levels among consumers highlights implications for corporations executing socially-responsible behaviors in the Egyptian context.

Keywords: Corporate Social Responsibility, Consumer Skepticism, Egypt.

Introduction

Individuals' tendency to engage in diverse forms of helping, charitable and altruistic behavior has been a witnessed phenomenon over the years. This behavior is not constrained within certain cultures or certain groups. It is performed and appreciated in so many cultures as a universal human value to volunteer with time and money in supporting charities and good causes, donating blood and organs for those in need, and even risking one's own life for the sake of others (Strahilevitz, 1999). People normally take part in those charitable acts to enjoy a "warm glow" experience. This refers to the happiness linked to satisfying the altruistic

desires when donating to charitable causes that support one's morally held individual values (Strahilevitz and Myers, 1998).

The concern for enhancing the social welfare along with upgrading people's living conditions has impacted individuals' consumption decisions (Du et al., 2008). "Socially-conscious" purchasing decisions represent an emerging trend among consumers' values. In recent years, consumers are becoming concerned about the way in which their consumption might influence the public outcomes with an urge to make a difference in their societies (Du et al., 2008; Webster, 1975). Such consumers base their decisions on the extent of the

ethical match between their own values and the company's values (Menon and Kahn, 2003), and the degree of company's responsiveness to social issues through using their purchasing power to bring about social change (Till and Nowak, 2000).

The Pressure for Social Responsibility

Given that high pressures are exerted upon companies to take wider responsibilities of their practices' influence on societal outcomes, many companies started to think of means to integrate gaining profits along with improving the social welfare. Nowadays, companies engage in socially responsible initiatives as an expression of their harmonization with societal expectations and values (Brønn and Vrioni, 2001; Du et al., 2008). Procter and Gamble (P&G) is one of the most well-known multinationals for taking on social responsibility and supporting community projects. This paved the way for P&G to enjoy outstanding ranks on its social as well as business status. P&G was ranked the fifth in 2011 on Fortune's list of the World's Most Admired Companies, where companies' success is judged based on several criteria among which is social responsibilityⁱ. With respect to the global soaps and cosmetics industry, P&G was acknowledged as the CSR championⁱⁱ. On the business level, P&G was ranked the 80th on Fortune's Global 500 list of the world's largest corporationsⁱⁱⁱ and the 27th on Fortune's list of the Most Profitable companies^{iv} in 2011.

Such worldwide success calls for extra attentiveness to adapt the used strategies and tactics in different cultural contexts. Egypt has a potential room for the success of business-social alignment. The current situation in Egypt, passing through a tough transition stage, places an even greater pressure on companies to play a more vital role in improving the development of communities and societies. However, accusations of corruption and self-interest have long been attached to the reputation of the private sector. Surprisingly, a post-

revolution study conducted by AmCham Foundation found that the private sector has used to focusing on improving the social welfare, through engaging in Corporate Social Responsibility (CSR), by combining business and social objectives^v. This raises extra doubts about the finest tactics that P&G Egypt should adopt to reflect a true and trusted alignment between business and social objectives.

Should P&G Egypt stick to its proven successful tactics or reconsider those tactics in light of the faced challenges?

CSR in the Egyptian Context

Although CSR has been a topic of interest for academics and practitioners since decades, its concept nowadays is still evolving and lacks a commonly used definition (Dusuki, 2008; Frankental, 2001; Phillips, 2006; Vaaland et al., 2008). The varying definitions and the different conceptualizations of CSR have contributed to the complexity of this concept (Maignan et al., 2005; Vaaland et al., 2008).

The most conclusive CSR definition is Carroll's (1979), where CSR is defined from a normative perspective (Podnar and Golob, 2007) and identified as four main responsibilities that a company must fulfill; economic, legal, ethical and discretionary – also referred to as philanthropic responsibilities (Carroll, 1979; Karem Kolkailah et al., 2012). The economic dimension of CSR requires companies to be profitable while providing the goods and services needed by society. The legal dimension requires companies to fulfill their economic responsibilities while working within the legal boundaries. The ethical dimension refers to the ethical and moral standards and codes of conduct that companies must follow. And the discretionary dimension refers to the voluntary philanthropic actions by companies that benefit the society at large and improve its wellbeing (Carroll, 1979; Dentchev, 2009; Podnar and Golob, 2007). In 1991, Carroll re-

organized this definition into multiple social responsibilities that are represented in a pyramid shape where economic responsibility is the basic corporate responsibility and discretionary responsibility is on the top. The four responsibilities are aggregative and have to be fulfilled simultaneously (Carroll, 1991; Karem Kolkailah et al., 2012). The economic and legal responsibilities are socially required, ethical responsibility is socially expected, and discretionary responsibility is socially desired (Carroll, 1991; Jamali and Mirshak, 2007).

Corporate Social Initiatives are considered the major efforts under the CSR umbrella; they are the main activities that companies carry out to support certain social causes (Kotler and Lee, 2005). There are several examples of CSR initiatives; like cause promotions, Cause-Related Marketing (CRM), corporate philanthropy, community volunteering, social marketing, socially responsible manufacturing practices, environmental responsibility, and humane employee treatment (Bhattacharya and Sen, 2004; Dusuki, 2008; Kotler and Lee, 2005).

In recent years, Egypt's concern for CSR was reflected in the establishment of the Egyptian Corporate Responsibility Center (ECRC). The ECRC is an initiative between the Ministry of Investment, the United Nations Development Program (UNDP) and the United Nations Global Compact (UNGC). The main role of the ECRC is to spread the philosophy of social responsibility and support companies in formulating social and environmental responsible practices to develop their surrounding societies. Such role is performed through providing a variety of CSR services, for example awareness services, trainings, consultation services, knowledge management services and certification^{vi}.

Highlighting P&G Egypt CSR Framework

CSR is viewed by most companies as an obligation to use their resources to protect

and enhance the welfare of stakeholders and the society as well (Jones et al., 2000; Kotler and Lee, 2005; McGuire, 1963). Nevertheless, P&G Egypt CSR philosophy is relatively different; it is the balance between the three pillars of economic responsibility, environmental concerns and social responsibility. Such balance does not mean forgoing P&G Egypt foremost profitability commitment toward its shareholders; this is yet to be done in the light of environmental awareness and concern for the society as a whole (R. Farag, personal communication, December 28, 2011).

Those three pillars create the uniqueness of P&G Egypt standpoint on CSR. It does not define CSR as an altruistic act, where companies grant voluntary contributions to social problems that they did not execute in the first place (e.g. training the unemployed or reconstructing living areas). These altruistic acts might come at the expense of the company which obstructs the economic responsibility and disrupts P&G Egypt intended balance. The consideration of company's beneficial returns along with supporting the society's welfare would classify P&G Egypt framework as strategic rather than altruistic; i.e. "win-win situation". On the basis of this CSR mindset, P&G Egypt framework integrates between the selection of CSR initiatives, social issues and its core business (R. Farag, personal communication, , December 28, 2011). This incorporates ongoing corporate success along with enduring societal development. Thus, the ideal term P&G Egypt prefers to use to express its social vision is "Sustainability", as opposed to corporate social responsibility (R. Farag, personal communication, December 28, 2011).

There is a fine line between giving attention to CSR through specialized departments or foundations and drafting away from the company's core operations. Hence, the management of the CSR projects takes place through the External Relations department which strategically integrates social responsibility into its day-to-day business.

Given that Non-Governmental Organizations (NGOs) serving social and public causes in Egypt are well-integrated among local communities, P&G Egypt delegates the implementation of CSR projects to those organizations in order not to lose track of its focal business activities (R. Farag, personal communication, December 28, 2011).

Cause-Related Marketing: The Ultimate Initiative for P&G Egypt

In the Egyptian context, several factors attributed to pursuing Cause-Related Marketing as a proper initiative for applying P&G Egypt social responsibility philosophy. CRM is defined as “the process of formulating and implementing marketing activities that are characterized by an offer from the firm to contribute a specified amount to a designated cause when customers engage in revenue-providing exchanges that satisfy organizational and individual objectives” (Varadarajan and Menon, 1988, p.60). One motivating factor is the persistent cultural importance of charitable giving and solidarity among all Egyptians where 62% of adult Egyptians, with such percentage expected to be higher because of the desire to keep anonymous giving, were found to make contributions to support social causes. An additional factor is the rapid increase in the number of NGOs, to which P&G Egypt can delegate the implementation of CSR projects, from fewer than ten in 1990 to over 400 foundations in 2007 registered with the Ministry of Social Solidarity (Business Solutions for Human Development Report, 2007).

CRM is as well be regarded as the most fitting tactic with the company’s strategic CSR approach i.e. “win-win” mindset. Through CRM, P&G Egypt is able to accomplish greater achievements on the business and social aspects. Not only does CRM highlight a “win-win” situation, but it further elevates a “win-win-win” setting given the mutually-beneficial outcomes for the company, NGO and consumer. Creating a competitive advantage in a cluttered marketplace,

through heightened market share and publicity improvement, represents the major corporate gain. Being part of a CRM alliance, the NGO would enjoy increased attentiveness for its role and the supported social causes along with the creation of new funding sources from corporate contributions. CRM also induces the “warm glow” socially-conscious consumers experience for satisfying their altruistic desires when donating to the causes they believe in (Berglind and Nakata, 2005; Endacott, 2004).

P&G Egypt ran several CRM campaigns that have proven to be a success in the Egyptian market, distinctively those of Tide and Pampers. Tide initiated a CRM partnership with Resala (a non-governmental association) in Ramadan where a percentage of each product sold was given out for clothing needy people. Pampers -in partnership with UNICEF- contributed to saving children by offering vitamin A shots for every pack sold. P&G Egypt offered several achievement trails and feedback campaigns to pledge the real implementation of the promised claims and reflect the progress achieved in helping the social causes (M. Zaghlool, personal communication, July 15, 2010).

Challenging CRM Effectiveness in the Current Revolutionary Arena

Several challenges would raise doubts that CRM might not be the initiative that best harmonizes with P&G Egypt CSR philosophy. Though CRM may appear as a means for fulfilling the company’s business and social objectives simultaneously, its business impact extensively surpasses its social one. The real measure of CRM effectiveness should be the significant accomplishments on social and business fronts evenly.

Keeping aside the imbalance between social and business influence, P&G Egypt fundamental emphasis on sustainability is not by any means echoed in CRM projects. The state of social commitment is largely determined by durability as a manner for

reflecting corporate concern about the cause and the desire to make a difference through sustainable efforts (Brink et al., 2006; Cui et al., 2003). Comparatively, CRM inherently focuses on short-term societal outcomes which would sort this initiative as merely charitable not truly strategic. Likewise, the business gains from CRM initiatives are confined to instant sales, visibility and publicity rather than real consideration for the longer-term business aspirations.

The short-term conditional nature of CRM, that base the donations on consumers' purchases, raises suspicious propensities toward corporate social commitment. Such skepticism challenges the viability and impedes the effectiveness of the CRM tool. Those negative evaluations result from consumers' perceived insights that corporate motives for CRM engagement is out of self-centeredness rather than genuineness (Hal dean, 2004; Webb and Mohr, 1998). The self-centered orientation is even more evident in consumers' perception of corporate exploitation of the cause; arising from the discrepancy between corporate profits and societal gains (Endacott, 2004). Despite that communicating CRM efforts is an essential ingredient for the efficacy of those campaigns, the surpass of advertising expenses beyond CRM contributions usually triggers consumer doubts (Yoon et al., 2006). Consumers' suspicion would sometimes even broaden to distrusting the real implementation of promised corporate claims regarding the given out donations (Webb and Mohr, 1998).

CRM is encircled with several dilemmas that would deter its applicability in the forthcoming phase. The resulting political and market structure changes, post 25th of January 2011 revolution, amplified consumer mistrust towards corporate motives behind their engagement in social projects. Corporate social engagements are perceived as part of the vogue toward supporting social causes and reflecting sympathetic companies' image. This adds to consumer doubts regarding the authenticity of CSR

programs. On the contrary, the revolutionary mindset raised consumers' patriotic fervor. Hence, Egyptians have a tendency to engage in altruistic acts that directly benefit their nation.

P&G Egypt at a Crossroad

In view of the discussed challenges, P&G Egypt stands at a rough crossroad between maintaining the current stream of CSR initiatives and shifting to novel social tactics. The faced challenges make the CRM road path seem harsher; hence, an alternative CSR initiative is inevitably in need to overcome the heightened consumers' skepticism post the revolution. One means for hindering skepticism is to select CSR initiatives that are not conditional upon consumer purchases. An example for a non-conditional CSR initiative can be social marketing. P&G Egypt can use its marketing tools and techniques to elicit behavior changes aimed at pursuing social objectives, e.g. the Company can sponsor anti-smoking-campaigns and water conservation campaigns in an attempt to improve public health, safety and environment well-being.

This road path would allow P&G Egypt to minimize consumer skepticism, as in this case offering donations and determining contribution levels to charities will not be dependent on consumers' purchases. Accordingly, consumers will not associate the Company's CSR practices to profit-generating motives which negatively affect their perceptions and contribute to their skepticism. At the same time, this road path would guarantee long-term business gains for P&G Egypt; reflected in various intangible benefits that contribute to the corporate sustainable competitive advantage (Branco and Rodrigues, 2006; Hu and Wang, 2009). The advancement in reputational status and better relations with stakeholders represent an advantage over the instant sales and visibility that conditional CSR initiatives provide. Those business gains will eventually have a positive impact on a company's

bottom line (Dusuki, 2008; Kotler and Lee, 2005).

Yet, consumer skepticism should not be considered a trend limited to CRM, but rather broadened to involve corporate social acts in general. If such an argument is to be incorporated in the corporate way of thinking, this would eventually drive the company out of the societal development sphere. Therefore, counteracting the skepticism obstacle and fine-tuning the current stream of CSR programs would be a more realistic road path for P&G Egypt to follow. Contrary to the belief that the revolution has even heightened consumer skepticism, there is a high potential that Egyptian consumers would embrace more faith in supporting CSR practices. Corporate motivations for improving the social welfare, along with gaining profits, would be appreciated as a sincere act rather than a propaganda buildup tool.

Counteracting skepticism necessitates the collaboration of various parties. Generic advertising and governmental awareness campaigns would help in spreading the philosophy of business-social alignment and highlighting the social gains that result from those alignments. One more means for impeding consumer skepticism would be using independent sources, rather than corporate sources, to reveal the outcomes of CRM campaigns. Companies should reflect more sustainable efforts in supporting the causes that consumers believe in rather than those that fit with their products. In case of tracking the CRM road path, P&G Egypt should leverage its ongoing CRM efforts, through supporting worthy cases for longer and sustainable period of time, to reflect its sincere commitment toward social development. Such durability in supporting the causes would act as a shield against consumer doubts about corporate motives.

Discussion Questions

Can business and social objectives be achieved simultaneously, or such alignment

is at best temporary? If this is possible, would CRM be the optimal means for doing so?

What kind of approaches should P&G Egypt consider to pertain to its CSR philosophy?

To what extent do consumers perceive CSR as a window-dressing exercise rather than genuine service to society?

In the light of consumer patriotism, could multinationals' CSR initiatives find a way in the revolutionary context?

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^vhttp://www.amcham.org.eg/resources_publications/publications/business_monthly/issue.asp?sec=4&subsec=ETHICAL%20BUSINESS&im=3&iy=2012

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