

SUSTAINABILITY

# Beyond Environmentalism: Corporate Sustainability and Political Responsibility

by Marina Arshavskiy



*Sustainable business models come from corporations embracing their Corporate Social Responsibility (CSR) and Corporate Political Responsibility (CPR) – both in letter and spirit. CSR reports from companies is becoming a standard; but are there vital political metrics companies omit in their transparency reports?*

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Sustainable business models come from corporations embracing their Corporate Social Responsibility (CSR) and Corporate Political Responsibility (CPR) – both in letter and spirit. Unfortunately, there is all too often a disconnect between a company's purported values

and their real world actions. Here's one such dichotomy: Publicly, Indra K. Nooyi, CEO of global food and beverage giant PepsiCo is quoted as saying, "The blind pursuit of profit at all costs is untenable. It is essential that we make money the right way. After all, if communities suffer as a result of a company's actions, those returns are not sustainable."

Yet, Pepsi has an appalling CSR/CPR track record of lying about the organic ingredients in their products, spending millions to combat sugar tax/labelling initiatives, and cutting down forests for palm oil. Numerous other socially unacceptable policies/practices have also dogged the company.

The Governance & Accountability Institute noted that less than 20% of S & P-listed corporations published Corporate Social Responsibility (CSR) reports back in

1. Encouragingly, more corporations have recognized their social responsibilities every year since then, with 85% of S & P 500® corporations having published CSR reports in 2017.

However, the Pepsi example serves to underscore the fact that CSR metrics are too heavily environmentally focused. They don't do much to shine a spot light on issues like misleading (or offensive) marketing practices, human rights violations, gender equality, or racism. A forthcoming article in California Management Review, "CSR needs CPR: Corporate Sustainability and Politics" explores the magnitude of this all too common discrepancy between current CSR metrics and the massive yet largely unreported impact of a firm's CPR activity.

## **Going Beyond CSR - Corporate Political Responsibility (CPR)**

Sustainable corporate business models need to acknowledge the social responsibilities of organizations, and then create accountable governance structures for discharging such responsibilities. One set of such responsibilities relates to how companies interact within

the political climate in which they operate. Today, with political lobbying fused tightly together with social issues, Corporate Political Responsibility has become an inextricable aspect of corporate sustainability.

Corporate policy-making is a fine balancing act. Corporate political decisions, such as voting against/for gun control, funding pro/anti-immigration political nominees, or lobbying on behalf of/against building an oil pipeline, bring CSR and CPR together. Unfortunately, while CSR reporting metrics cover some aspects of these responsibilities, sustainability metrics don't factor in many others.

In order for stakeholders to assess where a corporation stands politically, organizations must disclose the following facts (and more) as part of their CPR-rating metrics: What parties/candidates is the company backing? How much money was spent lobbying what platform? Which political issues is the Board passionate about? Will the corporation treat immigrant workers in accordance to a specific political ideology?

## Transparency and Real-World Impact

The global headline-making collapse of an eight-story garment manufacturing building in Bangladesh, known as Rana Plaza, is a poster-child of the inseparable nature of business and society. More stunning than the fact that more than 1,100 Bangladeshi workers lost their lives in the tragedy, was the revelation that western fashion labels, such as Hugo Boss, H & M, Nike and Columbia Sportswear, sourced their products from that factory.

After the tragedy, questions that could have been asked earlier emerged for these big brands: How accountable are we for the tragedy that unfolded there? Or are we ultimately responsible for generating profits for our shareholders, no matter the cost, as long as we keep costs down?

Since Rana Plaza, more than 200 apparel brands signed on to an Accord to promote building safety in Bangladesh. Pressure from social and business lobbying groups forced corporations from 20 countries to sign up, with NGOs and Trade Unions acting as witnesses. Among the 17 major corporations, companies like Patagonia, Nike, and H & M committed to continue with the transparency pledge. Other public corporations, like Walt

Disney Co., and Columbia Sportswear, have enacted their own policies that move them in the “right direction,” but on their own terms and timeline. However, corporations like Walmart, Mango, and Hugo Boss have made “no commitment” to publishing who their suppliers might be.

Other large global organizations are non-transparent actors too. Fashion Revolution’s Transparency Index 2018 awarded an embarrassing zero score to 8% of the companies surveyed – including Max Mara, Nine West, and Barney’s New York. As a result, these companies are tacitly agreeing to deteriorating global environments, slave wages and appalling working conditions, all hidden behind the ubiquitous “Made in...” label.

## A Long Way to go

Our understanding of CSR and CPR have expanded past gun control and immigration hot-buttons, but there’s still a long way to go. We need other metrics to assess companies on issues such as environmentally friendly policies, responsible investing practices, policies on slave labor, wage equality, transparency of political contributions, ethical investing, lobbying practices, gender equality, foreign raw material sourcing practices, and a lot more.

Unfortunately, monitoring and measuring these KPIs isn’t straightforward. At times, CSR components (such as a Fair Wage Policy) might infringe on a corporation’s personal-made-political agenda (such as lobbying for lowering corporate taxes and expenditure). For instance, as a result of their political leanings, companies like New Balance and Under Armour have seen calls for boycotts. Other CSR efforts, like ethical investing, actively go against traditional profit-driven corporate mindsets. Plus there’s the challenge of monitoring operations in far-flung regions like Asia and Africa, where loose labor laws and political corruption are rampant, yet hidden from Western consumers.

Nonetheless, the growing public demand for CSR/CPR initiatives are going to force companies to choose between profit and people. Any new and enhanced rating systems must therefore rank corporations on how they discharge both political and social responsibilities. In the absence of such metrics, it will be difficult for employees, investors,

customers and lawmakers to judge where a corporation stands on specific issues-at-interest, and whether or not those corporations are sustainable ones for the planet and its people.

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