



# Management caveats for measuring and assessing public responsibility performance

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**Abstract** More and more, stakeholders are demanding company performance information in the areas of public responsibility. Unfortunately, as companies report these activities, stakeholders, rather than being satisfied, are increasingly demanding additional information. Management is then left wondering why actions meant to satisfy lead instead to greater dissatisfaction. Often, managers do not understand what steps to take in developing good measurement and assessment plans and communicating performance results. This article presents fourteen caveats in a checklist for managers to use as they go through this process. Recommendations for deciding what to measure, developing and interpreting appropriate metrics, setting benchmark standards, building learning systems, developing policies for inclusion of external stakeholders, and communication are given.

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## 1. Corporate responsibility roles: Information, please

In today's global marketplace, it is abundantly clear that businesses have some level of public responsibility in the areas of environmentalism, social accountability, employee health and safety, and ethics. For example, most businesses would agree that environmentalism is no longer a concept espoused only by "tree-huggers;" it is a laudable goal that must be pursued whenever possible. At the same time, there is disagreement

as to the roles and responsibilities businesses, their managers, and their employees must assume relative to public responsibility. Which types of activities should be pursued by a for-profit entity and which ones should be left to not-for-profit organizations, individual citizens, communities at the local, national, and global levels, and/or governments? Each business enterprise must find its own answers to such questions after considering, at a minimum, the industry in which it operates, its cash flow and profitability positions, the mandates of its board of directors and stakeholders, and the locale(s) in which it operates.

To compound this problem, stakeholders of organizations have begun to demand more and more information regarding the activities compa-

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nies are undertaking in an attempt to perform roles of public responsibility and assume the mantle of good corporate citizenship. As companies report their activities in these areas, stakeholders continue to press for more information, which leaves companies in a “Catch-22” situation. Organizations are more proactive in presenting information, which should make stakeholders happy. However, stakeholders, rather than being satisfied, are requesting even more information and in greater detail. Management is then left wondering why actions that are meant to satisfy lead instead to greater dissatisfaction.

To counter these problems, the use of well-defined tools to measure corporate social and public responsibility behaviors is important. The specific metrics to be used will vary from organization to organization. Companies active within their own industries already know many of these measurement tools and metrics. What is often not understood, however, are the management steps that must be taken as organizations design and develop good measurement and assessment tools and then communicate the results of using them, so that stakeholders can judge company success in meeting its public responsibility goals. The authors have developed fourteen caveats for managers to use as they set out on this difficult path.

## 2. The need for public responsibility

The importance of public responsibility has been highlighted by some of the business problems that have recently been headlined in newspapers and on television. These issues are unrelated to the financial scandals that have plagued the corporate world during recent years. Consider the following examples from the four public responsibility areas:

- Halliburton Company was driven into bankruptcy by environmental asbestos-related problems that were acquired with the company’s 1998 purchase of Dresser Industries. Even after the December 2002 announcement of a \$4 billion settlement on approximately 300,000 claims (Sheehan, 2003), Halliburton was hit with over 70,000 new claims in the first six months of 2003 (AP, 2003).
- Major U.S. corporations including Unocal, ExxonMobil, Coca-Cola, and IBM have been sued under the 1789 Alien Tort Claims Act for human rights violations around the world (Chepesiuk, 2004). Unocal has been charged with complicity in abuses by the Burmese military, during the

construction of the Yadana natural gas pipeline. ExxonMobil has been charged because Indonesian security forces hired to protect the company’s natural gas plant in Aceh allegedly tortured, raped, and murdered town residents. Coca-Cola has been charged with complicity in the murder, torture, and intimidation of trade union organizers at Coca-Cola bottling facilities in Columbia. IBM has been charged with supplying computers to the South African government that helped create a system requiring all black South Africans to carry passes.

- Over 250 current and former employees at an IBM disk-drive plant are suing the company, claiming chemicals used are carcinogenic and have created numerous health problems (Ante, 2003; Bulkeley, 2003).
- Company ethics and the “tone at the top” for management are made apparent in recent issues related to the questionable behaviors of numerous American corporate executives. The example of one executive, L. Dennis Kozlowski of Tyco International Ltd., is indicative of the extreme lack of ethical behavior from many top executives: while 44% of its workforce was laid off from a telecom unit in 2002 (Hechigner, 2005), Kozlowski evaded over \$1 million in sales taxes on \$13+ million of artwork, installed a \$6000 shower curtain in his \$18 million Manhattan apartment, had the company pay for half of a \$2.1 million birthday party for his wife on the island of Sardinia, and received a \$19 million interest-free loan from the company (Eltman, 2002; Maremont & Cohen, 2002). During the 2002 period from January to June, Tyco’s stock price fell over 73% (Weber, 2002).

Each of these situations illustrates a need for corporate enterprises to address the issue of accountability to the various publics to which they are responsible. The concept of corporate social responsibility (CSR) reflects the idea that businesses should consider not only shareholder profits but also the needs of other organizational stakeholders, including the local and global communities in which those businesses operate. Organizational management should view CSR as a “comprehensive set of policies, practices, and programs” rather than “a collection of discrete practices, occasional gestures, or initiatives motivated by marketing, public relations, or other business benefits.” (Hira, 2003) If CSR is integrated throughout the firm as a foundation for its activities, good corporate citizenship

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