Killing Me Softly With Your Corporate Social Irresponsibility: Tobacco Industry and Its So-Called Corporate Social Responsibility

Irwan Julianto\textsuperscript{4} and Jalal\textsuperscript{5}

Abstract:
It is more and more common that tobacco companies in the world and Indonesia are portraying themselves as good corporate citizens and engaging in so-called “corporate social responsibility” activities, such as sponsorship of educational programs, sport events, art and cultural performances, community projects and philanthropy. These “socially responsible” activities are very effective in improving public perceptions of the tobacco industry, creating good impressions among influential groups such as policy-makers, academicians and journalists/media, and serving as brand loyalty promotion and strengthening corporate reputation.

However, these activities are actually intended as corporate political interference to influence members of society, government officials, parliament members and the judicative judges to influence policy/regulation development and preventing government and parliament not to regulate tobacco use which will reduce their sales. This study will explicate what CSR really is and why tobacco companies’ CSR activities do not meet the criteria of real CSR.

Keywords: Corporate Social Responsibility; Interference; Regulation; Tobacco industry

\textsuperscript{4}Communication Department, Atma Jaya Catholic University, Jakarta, Indonesia. He can be contacted at cr.irwanjulianto@gmail.com
\textsuperscript{5}Sustainability and Social Responsibility Strategist, Jakarta, Indonesia. He can be contacted at jalal.csri@gmail.com

I. INTRODUCTION

Despite many critics towards the tobacco industry and their so-called CSR activities, tobacco companies in the world and Indonesia are working very hard in portraying themselves as good corporate citizens. They engage aggressively in doing such as sponsorship of educational programs, sport events, art and cultural performances, community projects and philanthropy. These “socially responsible” activities are very effective in improving public perceptions of the tobacco industry, creating good impressions among influential groups such as policymakers, academicians and journalists/media.

Besides serving as brand loyalty promotion, these activities are meant in strengthening corporate reputation. According to Trochim, et al (2003), WHO (2013) and SEATCA (2014), these activities are actually intended as corporate political interference to influence members of society, government officials, parliament members and the judicative judges to influence policy development and preventing government and parliament in regulating tobacco use.

In 2014, Southeast Asia Tobacco Control Alliance (SEATCA) published the Tobacco Industry Interference Index in ASEAN countries in accordance to the implementation of WHO FCTC Article 5.3, in which Indonesia is considered the worst in terms of the level of tobacco industry’s interference compared with other six countries. CSR activities by the tobacco industry are not banned among ASEAN countries. In the report, all governments, except Brunei, receive some form of contributions from the tobacco industries. Tobacco companies use CSR activities to circumvent laws regulating the industry and as a strategy to gain access to elected officials who have the power to formulate weak regulation towards tobacco use.

In Indonesia, as the only country in Asia Pacific region that has not accessed WHO FCTC, the interference of the tobacco industry to executive, legislative, and judicative institutions in dealing with law making has been very obvious. Conducted since 1992 until recently in 2014, Julianto in his dissertation (2014) also criticized the sincerity of university student scholarships donated by a kretek cigarette company. Under the implementing foundation, it was claimed as a CSR activity, along with the sponsorship of badminton, art performances, planting trees, etc. In creating public opinion that CSR activities of the kretek cigarette companies are helping the nation, an article and a book had been written by some scholars of a reputable state university to endorse it (Sulhan, 2012; Margana et al, 2014). A state university Rector argued that scholarship distributed by Djarum Foundation was accepted because the foundation is a different entity from the Djarum kretek cigarette company (Julianto, 2014).

While so-called CSR activities of the tobacco industry are considered as fake CSR in many countries, in Indonesia they are constructed as real CSR that endorse the company’s owners as decent philanthropists and good corporate citizens. This critical study tries to deconstruct the tobacco industry’s “CSR” activities by explicating the real meaning of CSR.

II. UNDERSTANDING CSR

A lot of parties opinionated that Corporate Social Responsibility (CSR) has too many definitions and therefore its meaning become obscured. That statement is incorrect. Experts have stated that even though CSR is articulated in a number of ways, its substance has already been agreed upon between the stakeholders. CSR is taking responsibility over impacts that occur due to the decisions and actions that a company has taken, which objectives are to contribute to the achievement of sustainable development.

The culmination of this definition has actually already been reached for some time, and this is evidenced by a number of well-known definitions as seen below (Carroll, 1999):

“social consciousness,” of managers meant that businessmen were responsible for the consequences of their actions ...

(Bowen, 1953)

“Perhaps the best way to understand social responsibility is to think of it as ‘good neighborliness.’ The concept involves two phases. On one hand, it means not doing things that spoil the neighborhood. On the other, it may be expressed as the voluntary assumption of
the obligation to help solve neighborhood problems.” (Eilbert & Parket, 1973)

“Corporate social responsibility is defined as the serious attempt to solve social problems caused wholly or in part by the corporation.” (Fitch, 1976)

“Corporate social responsibility relates primarily to achieving outcomes from organizational decisions concerning specific issues or problems which (by some normative standard) have beneficial rather than adverse effects on pertinent corporate stakeholders. The normative correctness of the products of corporate action has been the main focus of corporate social responsibility.” (Epstein, 1987)

Finally, in 2010 ISO 26000 provides a clearer definition of social responsibility, as follows: “Responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behavior that contributes to sustainable development, health and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behavior; and is integrated throughout the organization and practiced in its relationships.” (ISO, 2010). This definition is consistent with the determination of the experts cited before, and is also a definition for social responsibility that is most popular.

Studying the various definitions presented above, it is clearly understood that CSR is not merely an act of donation or philanthropy, as how it is often understood by stakeholders in developing countries. This narrow understanding has made it easier for many companies to gain the reputation of a “company with social responsibility” through the distribution of mere donations. In reality, the donations were often used to cover the company failures in displaying a real social responsibility that is to be responsible over respective impacts.

The minimal limit of what can be considered as social responsibility has been a topic of interest in CSR literatures. Some experts stated that CSR begins when regulations end. However, there are also those who are of the opinion that fulfilling the regulations are a part of CSR, and therefore the minimal is adherence to all the regulations in place. Some experts have a different opinion about this limit. They view that a company could follow all the regulations, but because of the business practices of that company, or the nature of the industry of that company, then it really would not be able to bring benefits to mankind and sustainability. Therefore, the company could not claim social responsibility. The term corporate social irresponsibility (CSI) is introduced to explain such conditions (Clark and Grantham, 2012; Tench, Sun and Jones, 2010).

The clearest examples on these differences come from controversial industries. In other words, these are industries considered as harmful industry (Daube, 2012) or even those considered as sinful industry (Lal, 2013). The industries categorized under these labels are often brought up, and the tobacco, pornography, gambling and alcohol industries are often included. The explanation for controversial industries refer to industries that produce “products, services or concepts that for reasons of delicacy, decency, morality, or even fear elicit reactions of distaste, disgust, offence or outrage when mentioned or when openly presented.” (Wilson and West, 1981; Lindorf, Jonson, and McGuire, 2012; Kilian and Hennigs, 2014). Many of these controversial industries are (still) considered legal by governments of developed and developing countries. However, since it brings great harm, then these industries are often classified as socially irresponsible industries.

III. UNDERSTANDING “CSR” OF THE TOBACCO INDUSTRY

Impacts of the Tobacco Industry. If CSR is the accountability over impacts from a company, then it becomes very important to understand an industry whenever anyone would like to know the CSR performance of a company within that industry. Therefore, in order to appraise CSR initiative done by a tobacco company, it is important to know the impacts of the tobacco industry – from the chain of supply, production process, as well as the chain of
marketing. In particular if the tobacco industry itself has used the CSR term massively.

In the 20th century, the tobacco consumption has taken the lives of 100 million people. If this trend is continued, then the number of deaths due to the same causes will reach 1 billion in the 21st century. Presently, 6 million people per year all over the world have died because of tobacco consumption, and this figure will increase to 8 million people per year by 2030. A number of 600 thousand people have also lost their lives due to passive smoking, where 165 thousand of them are children. On an average, smokers lose 15 years off their lives, and half of the smokers will die of smoking-related diseases. This tendency will worsen as every day, the number of smoke-addicted individuals increase 80–100 thousand lives. This means that from a whole generation of youths that are living today, 250 million of them will have lost their lives from smoking-related causes (Campaign for Tobacco Free Kids, 2014).

The health impacts mentioned above also have an effect on economic conditions. USD 500 billion is the annual loss per year due to tobacco consumption, especially due to health costs and loss of productivity. In terms of health costs only, the people of the United States of America pays USD 96 billion, Germany pays USD 7 billion, and Australia loses USD 1 billion each year. In relation to economic loss, it is further explained (Campaign for Tobacco Free Kids, 2014):

“Tobacco-related illnesses and premature mortality impose high productivity costs to the economy because of sick workers and those who die prematurely during their working years. Lost economic opportunities in highly-populated developing countries will be particularly severe as tobacco use is high and growing in those areas. Countries that are net importers of tobacco leaf and tobacco products lose millions of dollars a year in foreign exchanges.”

These negative impacts have been acknowledged through various studies with strong methodologies, both in the field of health epidemiology and health economics (WHO, 2013; WHO 2011). However, the truth of these studies has often been concealed by the tobacco industry. Since the 1950s, the efforts to reveal the truth on the negative impacts of tobacco consumption has been taken, and more and more valid evidence have been gathered. In fact, the first epidemiologist who discovered the link between tobacco consumption and lung cancer, Franz Muller, has already published his works in the year 1939. In 1964, the US Ministry of Health has concluded that, “‘cigarette smoking contributes substantially to mortality from certain specific diseases and to the overall death rate.’”

These evidences—up to 2005, it is estimated that there are 70,000 scientific papers written regarding these issues (Palazzo and Richter, 2005)—could create a loss for the global tobacco industry. Therefore, the industry has started to conceal the truth about the impact of tobacco consumption. They began to create doubts about the results of these studies through various means, including sabotaging the tobacco control movement from within (Carter, 2002) and creating a matching framework as opposing to the framework made by the WHO (Mamudu, Hammond and Glantz, 2008; McDaniel, Intinarelli, and Malone, 2008). In fact, the researchers paid by the tobacco industry also have very firm conclusions regarding the dangers of smoking (Cummings, et al., 1991).

The efforts to conceal the truth about the negative impact of tobacco consumption then can no longer be continued after the United States of America court in 1990s ordered tobacco companies to disclose all their internal documents because they were proven to have lied to the public. Consequently, a lot of publications were able to uncover how these companies in the tobacco industry thinks and acts (Bates and Rowell, No Year; ASH, Christian Aids, and Friends of the Earth, No Year; Chapman and Carter, 2003; Shirane, et al., 2012). Since then, the tobacco companies have really lost their legitimacy and credibility. But they keep on doing much interference.

Conclusion of the Experts. With the exposure of negative impacts and tobacco consumption, and the mapping of denialism tactics practiced by the tobacco industry, then the experts have arrived to a conclusion regarding the initiative of “CSR” done by the tobacco industry.
Indeed, it cannot be said that the link between CSR and the tobacco industry is a scientific consensus. However, at least the relation between CSR and the tobacco industry is a trend that can be seen in many scientific publications.

Several references conclude that experts view the tobacco industry (1) as a part of a harmful, sinful and controversial industry; (2) is a real example of corporate social irresponsibility or fake CSR; (3) cannot be included in the socially responsibility investment index (SRI); (4) communication is considered as CSR-washing, and not CSR communication; (5) cannot be justified to speak in CSR and business ethics forums, and therefore, (6) in the global survey is stated to be an industry with the lowest form of CSR performance by the stakeholders, and can even be considered as not having any social responsibility at all.

The tobacco industry is considered to be a harmful, sinful and controversial industry by many CSR experts. Mainly because the nature of the product that is harmful towards its consumers, as well as people who were indirectly exposed, and the tobacco companies that takes lengths to obscure or underestimate its dangers (Kozlowski and Edwards, 2005). Harmful practices are continued as the controversial industry is still able to reap huge benefits in doing so (Cai, Jo, and Pan, 2012). One of the methods utilizes packaging a number of the negative impacts with initiatives that ride on the term CSR because the corporate risks against the pressure from stakeholders up to a certain limit becomes lower (Jo and Na, 2012). To conceal a lot of controversial issues and practices, these tobacco companies have a tendency to conduct communications aggressively, including communication concerning initiatives that they deem as part of CSR (Andersson and Frandsen, 2010).

The opposite of CSR is corporate social irresponsibility (CSI) or fake CSR. CSI is defined as “… those business behaviors and actions that are illegal or legal but severely unsustainable and/or unethical thus totally socially unacceptable.” Scientific articles on CSI almost always mentions the tobacco industry as one of its examples (Clark and Grantham, 2012; Tench, Sun, and Jones, 2012; Kotchen and Moon, 2012). In this case, the tobacco industry is legal, yet is categorized as unsustainable and unethical. A similar term that is being developed by tobacco control activists in Thailand is fake CSR (TRC, 2011). Wayne Visser, a prominent CSR expert from Cambridge University stated that they are engaging in CSR or promoting fake CSR can be labelled as CSR pretenders (Visser, 2011).

A lot of experts view that investment in the tobacco industry is considered socially irresponsible or unethical, and therefore does not qualify the Socially Responsible Investment (SRI) index (Gray, 2012). Not a single SRI index includes tobacco companies in their investment portfolios. Together with the armaments, nuclear, gambling and alcohol industries, tobacco is included in the harmful industries category, and therefore, does not qualify screening. Even though creating a harmful industry category is still considered as problematic – data shows that so far nuclear power plants has the record for the smallest workplace accidents, much smaller than any other sources of energy (Lovelock, 2007), or the risk of death of a family member when one keeps a gun in the house, which is only a hundredth from the danger of owning a swimming pool (Levitt and Dubner, 2005)—it does not reduce the SRI institutions from its resolution concerning the tobacco industry.

However, a number of SRI indices use screening for positive, negative as well as a combination of both. Negative screening means directly taking out all the companies within the category of impossible to be included in the indices; for example, using the category of harmful industries, as above (Dow Jones Sustainability Index, 2014). Positive screening uses a number of indicators that can show which companies are progressive in terms of their social performance. If, until today not a single SRI index have included tobacco companies into their portfolio, then a conclusion could be made that if a positive screening is done, whatever negative-positive combination is used, the result will still be the same; that the tobacco industry is not recognized under industries which are socially responsible.

Communication by the tobacco industry is considered as CSR-washing, and not CSR communication. The tendency is very clear that controversial industries are doing more and more communications, including and foremost in relation to their initiatives claimed to be CSR
The reason is clear: minimizing risks (Jo and Na, 2012), gaining good impression, and of course, also financial benefits (Cai, Jo, and Pan, 2012). There are many among the CSR communication experts who refuse to recognize what the tobacco industry is doing as CSR communication. In reality, what the tobacco industry is doing is not CSR, therefore, the communication could not be considered as CSR communication, but mere CSR-washing (Coombs and Holladay, 2012). Its definition is: "...cases where organizations claim to be more socially responsible than they really are." The tendency of companies within the controversial industry category is as elaborated, they declare a lot of things to create an impression that they are socially responsible, yet they are not able to be proven sufficiently.

Due to this reputation, the representatives of the tobacco industry have also been prevented to speak in international conferences in the field of CSR and or business ethics. The experts’ rejection on the involvement of the tobacco industry in various professional and scientific activities that discusses CSR is clearly apparent. The most famous one was the rejection from numerous experts regarding the involvement of BAT and Philip Morris in the Ethical Corporation Asia forum in Hong Kong, 14-15 October 2004 (Chapman, 2004). Initially, these two giant tobacco industries were registered as gold sponsors and sent their top executives as speakers. However, a petition was signed by 86 CSR and business ethics experts, which included Peter Singer (Princeton University) and Arthur Kaplan (Pennsylvania University). This resulted in the exclusion of both companies by the committee. Even until today, Nottingham University’s acceptance of the donation by BAT to establish the International Center for CSR is regret that many experts old, and often cited to remind scientific institutions to not unheedingly receive donations from this industry as it will incur reputation issues (Smith, 2001).

Finally, a number of recent surveys have shown that all stakeholders have concurred that the tobacco industry has the lowest CSR performance. One of the surveys is titled CSR Monitor (GlobeScan, 2007). It is shown that tobacco has a score of -63 in developed countries and -34 in developing countries. This score is far lower than the mining industry (-25 and -3), as well as alcohol beverage industry (-27 and -18). This means that a global agreement has happened among the stakeholders that the tobacco industry cannot be held to their responsibility. Even in developing countries where the proportion of smoker population is very high, there is already awareness that the tobacco industry has bad performance.

The result of a more recent similar survey has shown a worsen result for the tobacco industry. When a famous think-tank, Sustainability, worked together with GlobeScan to conduct a re-evaluation in 2011, the tobacco

![Figure 1 Industry Ranking](image1)

![Figure 2 CSR Performance Index (2011)](image2)
industry has disappeared from the evaluation since no stakeholder expressed that the tobacco industry has a good CSR performance (Sustainability and GlobeScan, 2011). In the survey in 2007, there were still 10% of the stakeholders that mentioned that the tobacco industry has a good/above average CSR performance. Therefore, this industry is still represented in the graphs. However, within just 4 years, the tobacco industry is no longer represented in the graph.

IV. “CSR” OF THE TOBACCO INDUSTRY AND FCTC

Actually WHO Framework Convention on Tobacco Control (FCTC), which was adopted in 2003 and now has been ratified and accessed by 178 countries as state parties, has anticipated in its Article 5.3 to protect public health policies from the interferences of the tobacco industry. Article 5.3 of the Convention requires that “in setting and implementing their public health policies with respect to tobacco control, Parties shall act to protect these policies from commercial and other vested interests of the tobacco industry. This article is in line with the Preamble of the FCTC that recognized the Parties “need to be alert to any efforts by the tobacco industry to undermine or subvert tobacco control efforts and the need to be informed of activities of the tobacco industry that have a negative impact on tobacco control efforts.”

WHO and its members have published guidelines for the implementation of FCTC’s articles, including for Article 5.3. One of the guiding principles mentions that there is a fundamental and irreconcilable conflict between the tobacco industry’s interests and public health policy interests. And it also recommends to raise awareness about addictive and harmful nature of tobacco products and about tobacco industry interference towards tobacco control policies. Another recommendation is to denormalize and, to the extent possible, regulate activities described as “socially responsible” by the tobacco industry, including but not limited to activities described as “corporate social responsibility”.

One of the six strategies so-called as MPOWER to endorse and implement FCTC is Enforcing bans on tobacco advertising, promotion and sponsorship, which is stated in Article 13. The tobacco industry spends tens of billions of dollars worldwide each year on advertising, promotion and sponsorship, including their so-called corporate social responsibility activities. WHO FCTC’s Guidelines for Implementation (WHO, 2013) recommends that the Parties should ban contribution from tobacco companies to any other entity for “socially responsible causes” as this is a form of sponsorship.

On the other hand, publicity given to “socially responsible” business practices of the tobacco industry should be banned, as it constitutes advertising and promotion. To prevent this, FCTC has two kinds of interventions: 1) enact and enforce effective legislation that comprehensively bans all forms of direct tobacco advertising; and 2) enact and enforce effective legislation to ban indirect tobacco advertising, promotion and sponsorship.

CONCLUSION

Undoubtedly, so-called CSR activities of the tobacco industry are indirect forms of tobacco advertising, promotion and sponsorship. It is very ironical that an addictive product such as cigarettes can be advertised and promoted massively, and their sponsorship is considered as social responsible and decent activities. Indonesia has still unfinished homework, because up to now the Government has not accessed the FCTC, even though in 2003 Indonesia was one of the initiator of this Treaty. That is why steps towards curbing the epidemics of tobacco smoking are still a long way to go. While the production, distribution and consumption of tobacco products are declining in many countries, it is increasing in Indonesia. Political will is pivotal to solve this problem, including the seriousness to regulate tobacco advertising, promotion, sponsorship, and “CSR”.
References:


ASH, Christian Aid, Friends of the Earth. No Year. BAT in Its Own Words.


Julianto, Irwan. 2014. Tobacco that Divide Indonesia: Discourse Contestation of Pro-Contra Towards Tobacco Regulation in the Public Sphere of Mass Media and Social Media. Dissertation. Jakarta: Department of Communication Science, School of Political and Social Sciences, University of Indonesia.


Margana, S. dkk. 2014. Kretek Indonesia: Dari Nasionalisme hingga Warisan Budaya. Yogyakarta: Pusat Studi Kretek Indonesia in cooperation with History Department, School of Culture, Gadjah Mada University.


