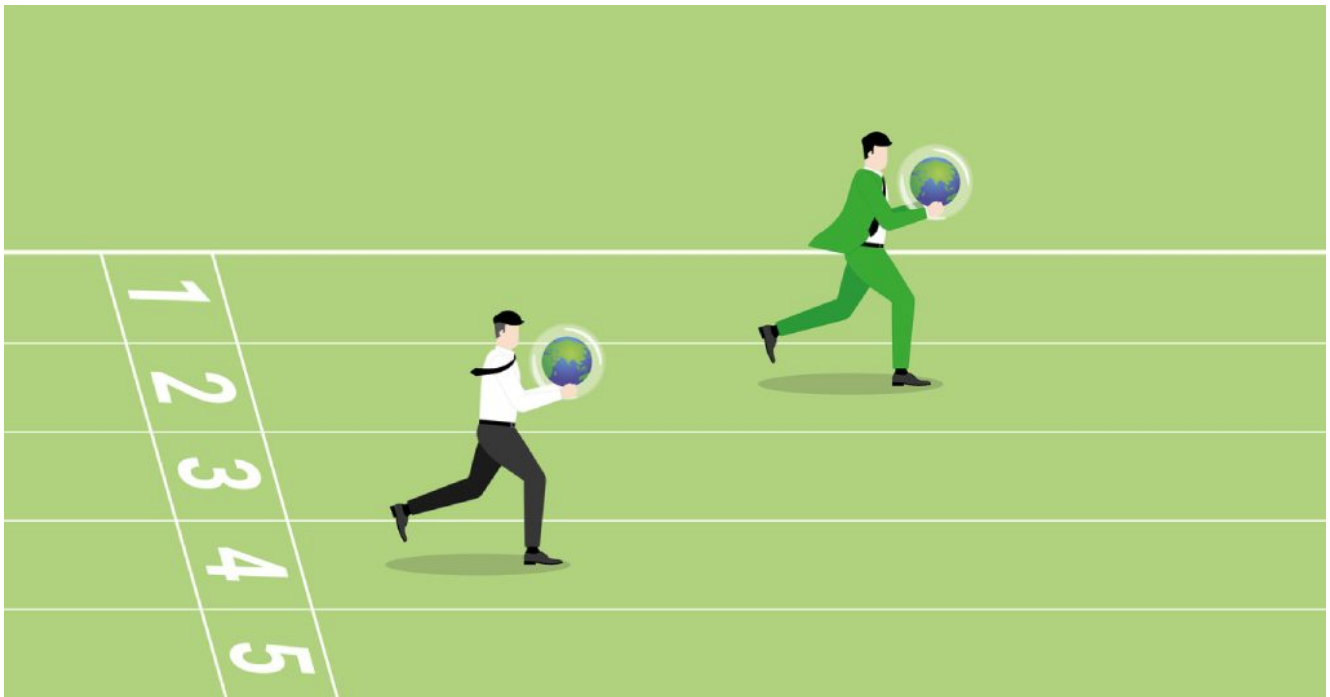


## Beyond cosmetic CSR: Can social responsibility be bought?

**Large multinationals are buying up smaller companies with strong CSR to improve knowledge and processes. The question is: does it work?**



May 1, 2017

"If it's melted, it's ruined," said ice-cream maker Ben & Jerry's at the launch of a campaign for "Save Our Swirled" (SOS). The flavor, one of many with goofy puns, carried a serious message about climate change.

Years before, Ben & Jerry's was famously scooped up by giant Unilever, which was inspired by the brand's "passion for social justice." As a result of the successful acquisition, Unilever

further enhanced its reputation as a global leader for sustainable business, continuing with Ben & Jerry's-style campaigns for social causes.

Meanwhile, The Body Shop — a brand known for supporting fair-trade, green and anti-animal-cruelty causes — was bought by industry leader L'Oréal. Yet afterward, L'Oréal failed to live up to The Body Shop's customers' standards and the brand suffered.

So, do some large multinationals successfully adopt new ethical practices when they acquire socially-oriented companies? And if so, why do others struggle?

Research by Christopher Wickert, [Antonino Vaccaro](#) and Joep Cornelissen — [published in the \*Journal of Business Ethics\*](#) — proposes an answer. Borrowing a concept from political science known as "ideological distance," the co-authors measure how close M&A targets and acquirers are in terms of their organizational identities when corporate social responsibility (CSR) is a key part of the purchase. They argue that this distance is key to determining how (and if) CSR practices are adopted post-merger.

"Corporate social responsibility has become a 'must-have' for large and in particular well-known multinational corporations," the authors write. And they find that CSR can be bought in a merger — with a big caveat: an individualistic company is unlikely to find success buying a collectivistic enterprise. Here examples of failures abound.

## How companies relate

In management studies, a company's "organizational identity orientation" describes how the company relates to its stakeholders. Drawing from past research, the co-authors choose three main orientations that characterize most companies: individualistic, relational and collectivistic.

- **Individualistic:** These companies are primarily concerned with their own profitability; they view relationships with other entities as a means to achieve this goal. (Multinationals are likely to be individualistic in nature, while the socially-focused organizations they acquire are not.)
- **Relational:** Companies with a relational orientation prioritize the wellbeing of stakeholders who have a direct relationship with the company — e.g., employees and/or local communities. (Large multinationals *and* small social enterprises may be relationally oriented.)

- **Collectivistic:** Companies in this category prioritize the wellbeing of stakeholders, but in a much broader sense than relational companies do. These enterprises seek to benefit society in general. (Multinationals rarely have this orientation, while socially responsible M&A targets are frequently collectivistic.)

These three organizational identities imply very different management views on which practices are meaningful, valuable and appropriate for business.

## Predicting success and failure

When a multinational has an identity orientation entirely distinct from that of the company it acquires, there's a mismatch. But when the two companies have similar orientations, there tends to be more merger success. Here's a quick rundown of three basic scenarios:

**Mismatch:** Individualistic multinationals (such as L'Oréal) who acquire collectivistic social enterprises (such as The Body Shop) tend not to change their policies, even if they try to take on causes symbolically. For example, The Body Shop's labels proudly proclaim no animal testing. Meanwhile, the pragmatic industry-leader L'Oréal noted that products with these labels could not enter China's lucrative market where animal testing is required by law.

With such a wide ideological difference between the two companies, L'Oréal mainly used The Body Shop's CSR credibility for public campaigns rather than in operational practices. However, that backfired as the brand was weakened by association with its new owner.

Partial match: Better than symbolic adoption, *selective* adoption occurs when the acquiring multinational is moderately — but not totally — ideologically distinct from the company it acquires.

For example, an individualistic multinational may buy a relationally-oriented social enterprise and adopt only the socially responsible practices that increase profitability. A classic case is Colgate's acquisition of natural dental brand Tom's of Maine. Colgate used this takeover as an opportunity to expand its reach in the naturals segment.

Selective adoption also happens when a relational multinational acquires a collectivistic business. Here, the acquiring company often prioritizes the collectivist practices that focus on particular stakeholders, rather than on wider social goals. One example is Unilever's acquisition of Ben & Jerry's. Unilever committed itself to many of Ben & Jerry's' socially progressive practices benefitting its local communities.

**Match:** If both the acquirer and acquired are relationally-oriented, the multinational is more likely to successfully adopt many CSR practices. This was evident in Danone's acquisition of Stonyfield Organic Yogurt. Danone used the takeover as an opportunity to develop its existing ethical practices and built a reputation for strong community relations and sustainability.

In all of these cases, identity alignment helped predict how fully new CSR practices were taken on by the acquirer.

For a new generation of consumers, CSR is key. Managers at multinationals can buy CSR if they know what to look for, the research suggests. Corporate compatibility can help CSR practices flourish, benefitting business and society.

## **Methodology, very briefly**

This article explores the empirical phenomenon of companies buying CSR. Drawing from political science studies and management research on corporate identity, the co-authors propose a framework to theoretically explain when and how these acquisitions work.

[www.iese.edu/insight](http://www.iese.edu/insight)