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# Corporate Social Responsibility and its Effects on Corporate-Community Relationships: A Case Study of Chevron's Richmond Refinery Fire in 2012

Afshan Khan
*University of San Francisco*, ankhann@gmail.com

# THESIS

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by

Afshan Khan
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Under the guidance and approval of the committee, and approval by all the members, this thesis has been accepted in partial fulfillment of the requirements for the degree.

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**Executive Summary**

Corporate Social Responsibility (CSR) is a practical and strategic implementation process corporations often use to build social trust with the communities they serve. This process of developing social trust, according to Francis Fukuyama, creates conditions for corporations and communities to deepen their investments in each other, thus increasing the probability of economic prosperity. By seeking to balance social, environmental, and economic imperatives, corporations seeks to create a lasting, sustainable relationship with the communities they partner with. CSRs are not merely about re-branding and impression management, for they are about establishing a healthy, trusting relationship with the customers that corporations identify in order to generate social trust.

CSR is especially important in an industry as crisis prone as the oil industry. In *The Texaco Incident,* Hoff (1987) argues that corporations have a moral responsibility to keep their workers safe, regardless of whether harm was intended or not. Events leading up to an industrial accident at a Texaco Oil Refinery point to poor regulatory enforcement of health and safety codes on part of both the refinery and the federal government.

Creating and implementing a CSR is one way corporations can responsibly enforce health and safety codes to keep their workers and communities safe and build lasting relationships with their communities. Similarly, in *Risk Management, Real Options, and Corporate Social Responsibility,* Husted (2005) argues about the merits of understanding CSR as a means to ensure economic returns by investing in communities. Husted (2005) argues CSR should be thought of as a *real option:* an investment strategy that decreases business risk and encourages investment within communities of interest, thus generating reciprocal partnerships—a point Fukuyama also makes.

While Husted (2005) demonstrates the importance of reducing business risk, Hooghiemstra (2005) suggests that corporations must take part in CSR in order to remain socially relevant. In *Corporate Communication and Impression Management: New Perspectives Why Companies Engage in Corporate Social Reporting*, Hooghiemstra (2005) posits that corporations need strong social relationships, a robust corporate identity, and an effective communication strategy that focuses on developing and strengthening public relations and social capital.

Since CSR is a prevalent, significant, and valuable business strategy that Chevron developed and implemented within its corporation, why was it not used effectively during the Richmond Refinery fire in 2012? For this project a case analysis of the Richmond Refinery is performed, which evaluates steps taken by Chevron following the fire. Though Chevron markets itself as a corporation that is heavily involved with its community partners, its inability to prevent a crisis, take ownership of an anticipated crisis, and establish a healthy relationship with the community of Richmond created dire consequences. These consequences include a lawsuit filed by the citizens of Richmond citing negligence, funding for the nonprofit For Richmond, and a $15.5 million pledge to Richmond's education system and business sector—steps Chevron is taking to regain the public's social trust. Though these actions are steps in the right direction, Chevron's inability to be bold, active, and relationship-oriented at the time of the crisis has had negative repercussions on both the community's ability to trust Chevron and Chevron's ability to sustain that trust.

Developing and maintaining social trust is what CSR is ultimately about. Chevron's inability to maintain worker and facility safety suggests deep ethical problems for Chevron’s management and its approach to implementing their CSR. Chevron's reactionary mindset is prone to handling a crisis when it occurs, as opposed to working diligently to prevent ones from happening. This mindset is a reflection of the leadership at Chevron, which must be changed if a robust and productive corporate-community relationship is a priority.

**Background**

On August 6, 2012, No. 4 Crude Unit caught fire at Chevron's Richmond Refinery, resulting in thousands of people in hospitals, a lawsuit aimed at Chevron citing negligence, and an overall decrease in social trust from the community of Richmond. This incident, among many other recent corporate crises, raises a number of questions regarding corporate accountability. For instance: do corporations have a social responsibility beyond selling goods and services to customers? Are they responsible to the communities they serve? If so, to what extent? My interest in exploring the multifaceted relationship between corporate-community relations and my internship at Ground Floor Public Affairs led me to this subject.

Corporate Social Responsibility (CSR) is an important, practical and effective strategy used by corporations in efforts to garner social trust and create a productive relationship with the communities they serve. Because Chevron actively developed and implemented a CSR, and research indicates that CSRs often play an instrumental part in determining customer loyalty, why did Chevron not take appropriate steps to ensure the safety of their workers and the community of Richmond before and after the fire? Since there have been fires at this facility in 1999 and 2007—that makes a total of three fires spanning 14 years— why was Chevron not more vigilant about plant and public safety?

The relationship between a corporation and its community partner is important because in order for there to be a lasting, sustainable relationship between the two, active and transparent steps must be taken in order to create and preserve social trust, thus deepening the relationship between the two, a condition which engenders economic prosperity, according to Francis Fukuyama. CSRs are strategically designed to ensure that a healthy, robust relationship is built between corporation's body and the community, which keeps customers coming back, even when an industry as crisis prone as the oil industry has a crisis.

Communities are an important part of this equation, which is why corporations diligently work to develop social capital—corporations understand that these relationships are important assets that lead to greater investments and broader kinds of prosperity, which is why analyzing this relationship gives us insight into what it takes to secure economic prosperity, social trust, and healthy business relationships. Successful corporate-community relationships encompass responsibility, accountability, and legitimization, which are all part of public affairs. Public affairs plays a key role in developing and defining credible relationships between a corporation and the community it serves, thus contributing to an ethically responsible society. Beyond the public affairs of non-profits and political structures, corporations, too, play an important role as catalysts that better communities they partner with. The importance of bridging the gap between corporations and the communities they serve is a skill set that masters students in the Public Affairs program would undoubtedly benefit from, which is why our program should offer a class that seeks to examine, discuss, and develop strategies that bridge this gap.

**Primary Conclusion**

Corporate Social Responsibility (CSR) plays an important role in creating a sustainable and robust relationship between a corporation and the community with whom it partners. Developing and investing in social capital such as creating partnerships with community-based organizations, non-profits, foundations and educational agencies, helps to create inter-related networks that build social trust, which increase the probability of economic prosperity, create ethical partnerships, and maintain customer loyalty to the brand. Though one may argue that corporations are not in the business of alleviating social welfare issues, such practices play a significant role in determining how strong the relationship is between a corporation and its community partners, thus increasing the probability that customers will come back.

This emphasis on maintaining a productive corporate-community relationship suggests that in this dynamic, social responsibility and the greater good of society as a whole, is important. Implementation of CSR programs in crisis prone industries such as oil are especially significant. Here, the idea is that CSRs are used to prevent or avert crises; however, when crises happen, companies will enact their plans to respond to these problems in order to avert further problems from developing. But when corporations such as Chevron invest in CSR programs, why are such programs not implemented in times of crisis?

The Richmond Refinery fire that occurred in 2012 is an important case study because it points to how a corporation with a CSR failed to meet worker safety and facility standards, which has an overall negative impact on the relationship between Chevron and the Richmond community. Chevron's presence in Richmond is an example of a corporation that relies heavily on the relationship it has with its community partner, Richmond. Since this relationship is important, Chevron's unwillingness to engage in CSR programs before and after the fire strongly suggests corporate negligence. Furthermore, Chevron's disregard for maintaining worker and facility safety resulted in a fire, lawsuit, and extra monetary disbursements.

This case study suggests that corporation-community partnerships are effective when CSR is used as a proactive tool to garner social capital, robust trust, and overall approval of the community a corporation works with. Partnering with such communities is an investment that increases the probability of loyal customers, increased profit, and brand strength.

## Detailed Examination

### The Importance of Corporate Social Responsibility:

The United Nations Industrial Development Organization defines Corporate Social Responsibility (CSR) as a "management concept whereby companies integrate social and environmental concerns in their business operations and interactions with their stakeholders. CSR is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives" ("What is CSR?", n.d.). This definition stresses the importance of striking a balance between stakeholders, corporate interest, and social welfare. Why is it in a corporation's best interest to manage this delicate balance, if massive corporations are already assumed to be powerful institutions with endless resources?

The paradigm of power is shifting. Corporations care about not only about selling their product, but creating a credible *ethos* in order to garner social trust as part of their staying power. CSR is a strategic business management concept that allows corporations to bolster their reputation and strengthen their brand ("What is CSR?", n.d.). These objectives aim to create and maintain trust. Social Trust—a term Francis Fukuyama defines in *Trust: The Social Virtues and the Creation of Prosperity* as "the expectation that arises within a community of regular, honest, and cooperative behavior, based on commonly shared norms, on the part of other members of that community"—seeks to deepen the relationship between the corporation and the consumer (Fukuyama, 1995, p. 26). The idea that effective CSR helps engender social trust, which in turn generates economic prosperity, is a powerful concept. In other words, as social trust increases, so does peoples' willingness to invest time and money into a corporation and its activities. Corporations ultimately invest in CSR practices because they realize that in order to generate sustainable social trust in the long haul as a basis for fostering economic prosperity, they must invest in communities they target. In order to foster economic prosperity, they must develop a sustainable kind of social trust with the communities they have identified by developing and investing in the social capital of these communities.

The need to invest in relationships and create social trust is what makes CSR an important, pertinent, and effective part of an overall corporate strategy. As a practical method to managing impressions, CSR goes far beyond concepts of philanthropy and charity giving because it makes sure that strategies used are economically viable as well ("What is CSR?", n.d.). Sustaining social trust is a catalyst used in order to create a context where the probability of economic prosperity is heightened.

CSR posits a mutually beneficial relationship between social welfare imperatives and a corporation that take into account consumers' preferences, values, and interests. For example, when consumers purchase a product, such as oil from Chevron, they believe they are purchasing not just the product, but are playing a significant role in supporting what Chevron stands for as well. Questions regarding what Chevron's values, interests, priorities and political affiliations begin to factor in, as a customer decides whether to consider Chevron, or the Shell down the street. *If I purchase product x, what vision am I helping support?* Asks the consumer. *Is this corporation upholding social values that are dear to me? What does buying this product say about me?* (Andruss, 2012, p.1) Customers attach values to brands, which is why it is within a corporation's best interest to ensure that the values that a customer consciously contextualizes with their brand is positive and trustworthy.

As a strategy, CSR is designed for consumers to think that the relationship between the corporation and the consumer has been shifted in favor of the consumer, making corporations seem especially aware and attuned to what their customer's preferences are. Consumer preferences, however, are not the only driving force between a company's decision to invest in CSR. CSRs compel companies to be socially responsible in order to strengthen brand loyalty, increase revenue, and maximize profits. This strategic approach also allows for companies to decrease backlash if and when a crises occurs.

Take, for example, the industrial accident that took place at the Texaco Oil Refinery in Port Arthur, Texas in October of 1982, killing five workers and injuring four (Hoff, 1987, p. 365). In "The Texaco Incident," Hoff (1987) asks what moral responsibility companies have regarding their workers' safety, and whether CSR encompasses this morality. More specifically, is worker safety the corporation's responsibility, or are workers responsible for their own safety? Hoff (1987) maintains that corporations are still liable to repair damages, whether they intended harm or not. He addresses the complex series of problems that were evident in the Texaco incident by mentioning three factors that raise "serious questions regarding moral responsibility in the workplace": reduction in the number of times plant machinery has been suspected from six to eighteen month intervals , outdated equipment, and the closing of the Beaumont OSHA office (Hoff, 1987, p. 365). Aside from asking operational questions, Hoff (1987) addresses three moral issues regarding worker safety as well: the extent to which Texaco provided safe working conditions, the extent to which individual workers are responsible for their own safety, and how the closing of OSHA affects the deregulation process.

Hoff suggests that compounding, complex, but ultimately controllable factors influenced the Texaco incident. For example, maintaining equipment, adherence to regulation of comprehensive safety and health programs, and the pressure to maintain safety in midst of the seven fires that had already happened at Port Arthur, are factors suggesting that Texaco could have prevented the crisis from happening. However, Texaco neglected to take active steps in preventing this crisis (Hoff, 1987, p. 367). Furthermore, factors, such as regulations of worker safety, machinery, and health codes are areas where corporations should actively participate in upholding. Just because something was determined to be an accident, as opposed to a mistake, does not render the corporation free from blame. Preventing accidents from happening is part of the CSR, so a preventable accident that occurs is often interpreted as negligence.

In the Port Arthur case, negligence made Texaco responsible for non-contributory fault because this corporation failed to actively contribute to safety standards that might have saved lives (Hoff, 1987, p. 367). Since Texaco did not take actively use precaution to avoid this crisis, this negligence suggests a lack of vision and responsibility on behalf of the employer (Hoff, 1987, p. 368). This finding coincides with the inability to find anything relating to Texaco's CSR programs at the time of the fire. Even if corporations did not intend to harm their workers, if workers are harmed at their workplace, corporations have an ethical and legal responsibility to help alleviate the situation. Taken in a broader context, Texaco's crisis demonstrates CSR's two-fold benefit: to help worker safety internally, as well as help protect communities from industrial accidents.

Properly developing and effectively implementing a CSR can better assure public support through a rocky crisis, and so should be thought of as a necessary investment. Though spending money on integrating CSR as part of the business plan may seem like a waste of money and resources, this investment is especially valid for crisis prone industries such as oil, petroleum refining, and pharmaceutical companies, where crises occur frequently ("Business Crisis News

Coverage Drops, Crisis Prone Industries Remain Mostly Constant, Report Finds", 2008). For the oil industry, CSR should represent the opportunity to invest in the social, community and trust oriented relationships that garner goodwill toward their respective companies. If taken as an investment that yields tangible results, CSR can leverage its goodwill to soften the backlash due to crises. Regardless of the motivation, corporations in the oil industry need to take seriously the ramifications of investing in their CSR programs. Though not from the oil industry, an example of a crisis handled successfully was in 2011, when a customer unhappy with the beef content in his beef taco sued Taco Bell. Soon after being served, Taco Bell took out a bold full-page ad in various newspapers challenging those claims, with the headline "Thank you for suing us"(Jargon, Steel, S., 2011, p.1). Taco Bell's response was strong, aggressive, and helped frame the crisis the way they wanted to define it. Furthermore, the chain reached their customers by various social networking sites and explaining exactly what ingredients are in their beef tacos, and even bought key words such as "taco", "bell" and "lawsuit" on search engines so that when these words are entered, the company's statement is the first item that shows up in a search (Jargon, Steel, Lublin, 2011, p.1). These steps demonstrate a willingness to own, contain, and solve a crisis. This crisis also demonstrates that unpreventable crises will happen, but that effective CSR programs will kick in and minimize the damage it could do to the corporation.

In "Risk Management, Real Options, and Corporate Social Responsibility", Husted (2005) argues that CSR is a strategic, feasible way to ensure return on investment by engaging the community. In other words, if corporations thought of CSR as a *real option*, they would be more prone to investing. Husted (2005) establishes that "firms with greater returns showed lower levels of risk", and defines *proactive CSR* as that which "engage(s) in managerial practices like environmental assessment and stakeholder management...that tend to anticipate and reduce potential sources of business risk, such as potential government regulation, labor unrest, or environment damage"—three factors that matter immensely to the oil industry (p. 175-176). CSR is "the firm's consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm...(to) accomplish social benefits along with the traditional economic gains while the firms seeks" (Husted, 2005, p. 177).

As beneficial as a CSR is, there are dissenting voices that view CSRs as problems. Though CSR as a concept is not encouraged by economists because in terms of monetary value, CSR fails "to contribute to the goal of maximizing value for shareholders" (Husted, 2005, p. 176), this corporate strategy is not only about a dollar amount spent. By garnering the trust of the community a corporation partners with, CSRs can be a tangible operational asset. Husted's argument is a specific extension of Fukuyama's argument, which suggests that social trust engenders greater relationships and investment within communities. Both scholars argue for the importance of relationship building with communities. Though not a financial asset, Husted argues CSR is based on operational assets and social capital, which are just as important as financial assets because they involve the allocation of resources (p. 176). He argues that CSR is a *real option:* the option to engage in a business strategy that decreases chances of business risk, which is a type of investment. Real CSR options can generate direct or indirect benefits, both of which are professionally and socially important. Specially, though many CSR options are not valued because their affects are not tangible, indirect benefits such as goodwill of a community toward your product is aimed for, is a benefit that can be fostered through CSR investments (Husted, 2005, p. 178).

Two powerful examples Husted uses to illustrate his point that the goodwill and trust CSR investments generate have positive implications are the Johnson & Johnson's Tylenol recall in 1982, and the *Exxon Valdez* oil spill in 1988. Though the former lost money when they recalled all their Extra Strength pain reliever, they made up that money in a matter of weeks, due to the trust they gained from the recall. Although Tylenol was not responsible for the tampered products—products that were tampered after they left the factory and were placed on shelves—the company took responsibility for the deaths that were caused by recalling all their products, halting advertisements, and eventually re-introducing the product with triple seal tamper resistant packaging ("The Tylenol Crisis, 1982", n.d.). These bold, drastic, and swiftly taken steps helped customers trust the brand again. In contrast, the latter downsized its company by firing their emergency response team, which ironically lead to a reduced number of qualified personnel staying vigilant and doing their job, which in turn led to an oil spill, penalties, liability, and risk to reputation (Husted, 2005, p.179): all of which could have been prevented if *Exxon Valdez* recognized that the value "of the real option forgone is a function of the penalties, liability, and risk to reputation that could have been avoided by obtaining a real option through an investment in emergency response personnel and equipment" (Husted, 2005, p.179). In other words, this crisis could have been successfully handled if *Exxon Valdez* had invested in CSR programs and realized that indirect gains are just as important has direct, financial gains. Indirect gains, such as building corporate-community relationships, sustain loyal customers. The implementation of CSR programs within corporations demonstrates the extent to which this concept is important. For example, Chevron's website describes their values as those that " distinguish...[them] and guide...[their] actions. [They] conduct...[their] business in a socially responsible and ethical manner... [they] respect the law, support universal human rights, protect the environment and benefit the communities where...[they] work" ("The Chevron Way", n.d.) When the Richmond Refinery fire happened in 2012 due to maintenance problems that Chevron had prior knowledge about, the corporation was sued citing negligence. This negligence contradicts the values the corporation writes about, and suggests that though Chevron has invested in a CSR program, that program does not play a large, integral role in company policy.

Husted establishes CSR is an effective investment strategy in order to minimize risk management, which focuses on operational as well as financial assets. In order to decrease risk, companies must invest in their stakeholders, the goodwill of their targeted communities, and building relationships based on social trust, which according to Fukuyama and others, will generate reciprocity. Gaining social trust is a process, however, that should be considered by corporations interested in customer loyalty. Fukuyama states that "acquisition of social capital (trust)...requires habituation to the moral norms of a community and, in its context, the acquisition of virtues like loyalty, honesty, and dependability" (Fukuyama, 1995, p. 26-27). In other words, CSR allows corporations a strategic method to engender trust within a community, thus ensuring higher prospects for economic prosperity. According to Fukuyama, it is this engendering of social trust that encourages people to deepen relationships and invest more heavily. As was seen with the Tylenol recall example, by taking swift, decisive action, Johnson & Johnson was able to assuage fears and encourage customers to trust them again.

While Husted (2005) argues the benefits of CSR, Hooghiemstra (2000) argues that if an organization does not actively manage their corporate identity by making sure their corporate communication strategy is on par with what society expects of them, they will be faced with negative publicity and consequences. In "Corporate Communication and Impression Management: New Perspectives Why Companies Engage in Corporate Social Reporting", Hooghiemstra (2000) discusses the importance of corporations' ability to maintain valid and socially acceptable impressions. Hooghiemstra (2000) uses legitimacy theory to cite that pressure from the media during crises such as the Exxon Valdez oil spill caused such companies to disclose social and environmental information. Social disclosure is a strategy organizations use in order to alter public perception and make themselves look more legitimate (Hooghiemstra, 2000, p.56). This is a crisis response strategy and by extension, a part of CSR too since both strategies aim to contain and solve crises. A company's "survival is dependent on the extent that the company operates 'within the bounds and norms of...society'" (Hooghiemstra, 2000, p. 56). Therefore, since society's norms are constantly changing, companies are actively making sure their actions are considered legitimate in order to appear valid in the public eye.

Corporate communication, according to Hooghiemstra (2000) is:

> "an instrument of management by means of which all consciously used forms of internal and external communication are harmonized as effectively and efficiently as possible, so as to create a favorable basis for relationships with groups upon which the company is dependent" (p. 57)

Furthermore, corporate identity is "the way the organization presents itself to an audience...[whether it is through] behavior, communication...or symbolism" (Hooghiemstra, 2000, p. 57). Taken together, this idea suggests that corporations need much more than money to survive. Corporations need strong relationships, a robust corporate identity, and an effective communication strategy that focuses on developing and strengthening public relations and social capital. As the strength between corporate-community relationships increase, Fukuyama argues investments and overall trust between communities will increase as well.

In order to prove his point, Hooghiemstra discusses Shell's announcement in 1995 to sink the Brent Spar in the Atlantic Ocean. Greenpeace, the environmental group, was instrumental in initiating an "anti-Shell campaign" that negatively affected Shell, resulting in boycotts, bad public opinion, and a drop in sales (Hooghiemstra, 2000, p. 61-62). Shell's inability to manage its impression, create a communication strategy that was open to the public, and compose a cohesive corporate identity that positively influenced the public's opinion of the company, were large failings on their part. Shell's inability to create a successful corporate identity led to clashes with communities it tried to serve. Because Shell did not understand their customers' needs, they took a decision that customers disagreed with, suggesting a strong disconnect between the corporation and its community partners.

Due to all the pressure, Shell did end up abandoning its plan, which was considered a "deeply humiliating climb-down for a company which prides itself on its high environmental standards and thoroughness" (Hooghiemstra, 2000, p. 62). After having learned from this experience, Shell changed its tactic after this crisis and implemented a strategy that emphasized "bridging" as opposed to "buffering," and took proactive steps to positively manage their impression by talking about how they have "invested in...solar energy...sustainable forestry standards and the use of wood as a clean source of renewable energy," emphasizing their ethical standards (Hooghiemstra, 2000, p. 62). These efforts to re-brand and re-message were meant to gain back the public's social trust and develop what became known as a CSR program, which in 1982 was still a new concept. Though coined in 1953, the term *Corporate Social Responsibility* would gain importance in the 90s, as Shell became the first major company to publish a corporate social report in 1998 in order to achieve a greater level of transparency ("The Evolution of CSR", n.d.).

While Husted (20005) and Hooghiemstra (2000) argue the importance of CSR to corporate community-building strategy, in "The Case Against Corporate Social Responsibility", Aneel Karnani (2012) argues reasons why companies do not have a responsibility to address social welfare problems in society. Karnani (2012) argues that companies only market themselves as agencies that are interested in increasing social welfare if the boost gained in profits is aligned with private interest (p. 2). In other words, Karnani (2012) suggests that the only reason companies engage the idea of corporate social responsibility is because it is in line with their private profit anyway, and if it was not, no company would care directly about increasing social welfare.

Karnani (2012) argues that focusing on the need for corporate social responsibility and a company's morals is dangerous because it will delay increasing social welfare in instances where corporate profits and public interests are at odds, but fails to demonstrate how exactly this is so. He uses examples such as the food and car industry to demonstrate that healthier foods and fuel efficient cars were not adopted because they increased social welfare: these were profitable ideas that happen to be good for social welfare, too. The argument made that it is not a corporation's job to uplift people from poverty and directly solve problems with social welfare. It is, however, within a corporation's best interest to invest in social welfare, since they have a responsibility to not only the customers they cater to, but to communities they serve and workers they employee, too. For example, though it is not Chevron's primary responsibility to uplift all their workers from poverty, their values as stated on their website do place emphasis on conducting business in a responsible way, and worker safety is one way to do that.

Though Karnani's (2012) argument deserves attention, the fact that companies are investing in CSR strategies demonstrates that CSR is relevant, important, and effective. Whether business-minded or philanthropic, the motivation behind CSR is somewhat irrelevant. For corporations, the bottom line is that CSR creates good public relations, strategic community relations, generates social trust, and allows for corporations to own their crisis and deal with it in a constructive manner. For corporations such as Chevron who are prone to crises, CSR is an effective way to gather community support, constructively engage the communities they target, and garner public validation and approval if and when crises occur. This is important, since in today's reputation economy, what a corporation stands for "as a corporation often matters more than what...[it] produce[s] or sell[s]... [and] people's willingness to buy, recommend, work for, and invest in a company is driven 60% by their perceptions of the company, and only 40% by their perceptions of the products" (Smith, 2012, p. 1). Because of these perceptual powers of the consumer, investing in CSR programs has become standard procedure for all major companies such as Microsoft, Google, and The Walt Disney Company (Smith, 2012, p.1).

**A Case Analysis of The Chevron Richmond Refinery in 2012:**

On August 6, 2012, No. 4 Crude Unit caught fire at Chevron's Richmond Refinery, resulting in the shutdown of that section of the refinery until the fire was contained. Fifteen thousand people were sent to various hospitals due to the fire, though there were no fatalities ("Major Accidents at Chemical/Refinery Plants", n.d.). After the fire, subsequent investigations were launched that suggested that prolonged carelessness on Chevron's part caused the accident. Though Chevron drafted a detailed crisis plan in 2009 that envisioned the kind of explosion that took place soon after, the corporation did not take adequate steps to prevent the catastrophe from happening in advance. This negligence comes as a surprise, especially since the law requires that such detailed crisis aversion plans "must outline steps to address identified dangers" (Derbeken, 2012, p. 1).

Federal safety regulations require oil corporations such as Chevron to prepare a detailed analysis of possible problems and take necessary steps to combat problems. In their 2009 report, Chevron engineer cited a possible risk regarding "a lead/rupture due to corrosion/erosion in overhead piping", which may "result in potential loss of containment, possible fire, personal injury and/or exposure"(Derbeken, 2012, p. 1). According to federal regulations, once problems are identified they must be addressed within a year, but this did not happen in Chevron's case (Derbeken, 2012, p. 1).

Chevron's disregard of recommendations from the U.S. Chemical Safety Board resulted in several negative consequences. Due to Chevron's lack of compliance with federal regulations, and inability to take responsibility for an anticipated crisis, the city of Richmond sued Chevron, citing "reckless conduct..., damages, including negligence, liability for ultra hazardous activity and intentional infliction of emotional distress" (Rogers, 2013, p. 1). This lawsuit further suggests that Chevron did not take care of a problem that agencies were anticipating, which sadly resulted in a refinery explosion and many in need to medical attention.

In a crisis prone industry such as oil, why was an anticipated crisis not taken seriously? In other words, why did Chevron not maintain its Richmond facility in order to avoid this crisis in the first place? Maintaining the facility would have saved Chevron negative publicity, social unrest in the community of Richmond, and a humiliating lawsuit. A draft report by the U.S. Chemical Safety Board (CSB) notes that "Chevron repeatedly over a ten-year period failed to effectively apply inherently safer design principles and upgrade piping in its crude oil processing unit that was extremely corroded and ultimately ruptured on August 6, 2012" (Benton, 2013, p. 1). CSB reports suggests that though "Chevron policy calls for the use of inherently safer technology in design and upgrades, the company has been implementing changes...without any documented, thorough analysis of the proposed inherently safer solutions" (Benton, 2013, p. 1). This finding suggests a management problem within Chevron—one in which management is not engaged in its own CSR. A culture of fixing an impending problem only when it indeed becomes a problem, is reactionary, surface-level, and illustrates a much deeper, institutional problem. Chevron did not maintain its facility and fix the pipes it was supposed to because there was no pressure on it to do so.

Benton's CSB report (2013) notes that:

> neither the California Division of Occupational Safety and Health (Cal/OSHA), nor federal OSHA, which delegates employee safety regulation to the state, requires inherently safer processes to be utilized in any standard or regulation. Nor does either agency require damage mechanism reviews – such as corrosion – as part of formal efforts to identify and control hazards. (p. 1)

This finding suggests that there is overall lack of leadership on part of Chevron, state and federal agencies to make worker safety a priority. Federal agencies' lack of influence provides little incentive for corporations like Chevron. There is no fear of breaking laws, because those laws were not implemented to begin with. National agencies must be held accountable for their lack of oversight, influence, and power with regards to crises that occur in industries as crisis prone as oil. Only when federal agencies implement consequences for safety violation will corporations repair and maintain their facilities in order to keep their workers safe. Since the oil industry is so prone to crisis, however, it is essential for Chevron's CSR to take care of its facility. Even amidst a lack of oversight power, Chevron needs to take proactive steps in taking care of its facility because it is the corporation that will suffer negative consequences when a crisis happens. Though it is not known why Chevron's management was not engaged in its own CSR, this lack of disclosure points to another failure on the corporation's part.

Chevron's inability to immediately engage and make amends with Richmond community after the fire resulted in negative publicity, distrust from the community, and a lawsuit. Chevron pleaded no contest with regards to the case, and paid $2 million in fines (Chevron agrees to pay $2M for Calif. refinery fire, 2013). The Richmond communities' anger as expressed by the 5,000 plaintiffs that sued Chevron suggests a grave failure on Chevron's part to cultivate healthy relationships through effective CSR techniques with the Richmond community. Healthy corporate-community relationships—peoples' ability to work with each other— is critical for economic prosperity, as well as social existence (Fukuyama, 1995, p. 10). Fukuyama explains that "the ability to associate depends...on the degree to which communities share norms...[and that] out of such shared values comes trust, and trust...has a large and measurable economic value (Fukuyama, 1995, p. 10). Chevron's inability to secure the Richmond communities' trust after the fire resulted in severe backlash from a community that felt excluded from Chevron's corporate strategy.

**Implications:**

Having been sued for reckless conduct and negligence points to gaping holes in Chevron's CSR campaign. How can a corporation claim to partner with communities, yet get sued for having neglected them? Chevron's CSR website markets itself heavily as a corporation that is there to give back to its community partners. Chevron "strive[s] to be a good neighbor, sharing the concerns of...communities and dedicating...capabilities, resources and people to creating a better future." ("Community", 2013) There is a stark difference, however, between Chevron's impression and their actions in light of the Richmond Refinery fire. No one knows for certain why Chevron chose to ignore safety warnings prior to the fire and why they took an evasive strategy immediate afterward. Chevron, in a stunning lack of public affairs communication, has not issued any kind of apology.

However, perhaps to remedy their CSR strategy a year later, Chevron took positive steps toward repairing the damage between itself and the Richmond community. Firstly, Chevron established a 501(c)(4) nonprofit coalition called For Richmond, which works with community organization, labor unions, and businesses to create a "healthier, safer and more prosperous Richmond" by focusing on four key areas: jobs, health, safety and education (Rogers, 2012, p. 1). This organization seeks to work closely with all facets of the Richmond community in order to find local solutions to community problems. The creation and presence of this organization suggests that Chevron is taking proactive steps to re-engage its CSR strategy to rebuild its relationships with Richmond community members.

Aside from establishing For Richmond, Chevron has created the Chevron Community Revitalization Initiative, which will invest $15.5 million in the Richmond community and school district over the next five years (Radin, 2013, p. 1). This initiative seeks to strength the business community by creating jobs, create programs to help the most impoverished neighborhoods of Richmond, and invest in STEM programs in West Contra Costa Schools as well (Radin, 2013, p. 1).

Since the Richmond refinery fire, Chevron has invested its time and money in promoting community initiatives for children, job seekers, and business owners. As part of their CSR strategy, Chevron is working on replenishing community ties with the citizens of Richmond, in order to encourage loyalty to their brand, strengthen partnerships, and garner positive social change. Chevron's two pronged efforts with regards to time and money signify a shrewder strategic business strategy that seeks to repair the damage that the Richmond fire caused between its company and the community of Richmond. Though damaged parts of the Richmond facility are "now-completed, but [repairs are still] lengthy...in the wake of the August fire", it will take an unspecified amount of time to fix the facility (Avalos, 2013, p.1).

Are these efforts enough? No, these efforts are not enough for the following two reasons: Chevron was unable to prevent an accident that was previously anticipated from happening, and also because they were sued. In order to evaluate Chevron's CSR strategy in light of the Richmond refinery fire, I believe they must be evaluated using three or criteria: money, time and extent to which health and safety codes are enforced. These three criteria are important because they signify the degree of seriousness a company has in fixing their mistake. Monetary compensation is important because it signifies a commitment on a company's part to make sure they apply any reparation plans proposed. The greater the amount, the more the affected party has to address the crisis. The amount of time it takes to respond to a crisis, and also the timeline set to implement reparative plans set forth also signify the seriousness with which companies plan on making amends for their mistakes. Lastly, by posting inspection and safety reports online to their customers and community members, Chevron will engage in constructive, strategic public affairs efforts to demonstrate their transparency and commitment to its community partner.

In terms of setting a monetary value to Chevron's CSR corporate strategy, $15.5 million is a small piece of Chevron's overall company assets, which are worth approximately $254 billion (.0061%). No company can be expected to give substantial amounts of their net worth away after a crisis, but this amount is substantially smaller than the $3.8 billion Exxon Valdez spent in clean up costs, fines and compensation for their 1989 oil spill crisis (Pitts, 2009, p.1). Chevron's $15.5 million is also much less than the approximately $30 billion spent on claims, clean up, and penalties owed to the federal government by BP's Gulf Oil spill in 2010 (Jacobson, 2013, p. 1) Comparatively, Chevron's crisis is smaller in scale when compared to other oil companies and the amounts they paid in damages for their respective crises. This disparity may be attributed to differences in the scope of each crisis. Twenty one thousand gallons of oil still remain below the surface due to Exxon Valdez's spill—21 years later—which suggests that the environment and marine creatures inhabiting that environment are still experiencing the consequences of that spill ("7 Long-Term Effects Of The Gulf Oil Spill (PHOTOS)", n.d.) . BP's oil spill, also known as the Deepwater Horizon oil spill, " killed 11 people and resulted in 4.9m barrels of oil being discharged, threatening marine life and hundreds of miles of coastline" **(**Kinver, 2011, p.1). The losses in both the Exxon Valdez and the Deepwater Horizon oil spills were substantially larger, which can explain the difference in monetary compensation. This range further points to the lack of definitive standards set for in the oil industry in terms of compensation and reparation standards. When corporations are held accountable for damages caused by their crises, national standards need to be set that effectively tackle long term effects of that crisis, not merely apply a bandage on the crisis at hand. Due to the lack of reparation standards, crises such as the ones mentioned help create a monetary range and precedent regarding universal reparations for crises. These standards, however, are still set by the industry, which gives the industry power and control. Instead of yielding such power to the industry responsible for creating crises, a structured approach that places the federal government in control with deciding reparation amounts regarding the nature, scope, and magnitude of crises would be more beneficial in delivering a fair amount.

As massive, wealthy, and influential Chevron is, should it be required to pay more? Though Chevron has taken a step in the right direction in terms of monetary compensation [by investing in Richmond], it can do more. Based on comparisons with other oil companies and Chevron's net worth, Chevron stands on the lower levels of monetary disbursement. Aside from the monetary amount not being substantial when compared with other companies, the second aspect to consider is the amount of time it took for Chevron to respond to a crisis that should not have happened in the first place. Though the $15.5 million that Chevron pledged to Richmond is a step in the right direction, whether this amount is sufficient or not is inconclusive due to lack of reparation standards.

Chevron did not heed warnings from their engineers. Being part of a highly crisis prone industry, Chevron should have taken proactive steps to attack and solve the anticipated crisis, especially if there is documented proof that problems were inevitable. More stringent and rigorous adherence of proactive crisis management should be expected from companies that are highly crisis prone and have the finances to deter the crisis in the first place. Protecting their workers by maintaining their machinery would have bolstered their CSR strategy by strengthening their brand, leading to higher profits and strong relationships. Secondly, Chevron's inability to take swift, decisive actions like Johnson & Johnson did in order to properly address, own, and solve the crisis in a timely manner points to leadership crisis. Regardless of the lawsuit that was issued afterwards, it is Chevron's responsibility to own the crisis that happened in its refinery, and create healthy, two-way conversation with all parties involved. Monetary donations, though a step in the right direction, are being pledged a year after the crisis. This is too late: time is of the essence. Each day spent pondering over a solution is a day wasted: a day that could have been used implementing a pre-established crisis strategy. Timeliness is important. Every corporation's crisis plan must take into account the time it takes for a crisis solution to be implemented, in order to ensure that those affected are provided a solution for as soon as possible. for those pledged monetary donations to make their way into the community.

In Chevron's case, the monetary contributions pledged today—more than a year after the Richmond Refinery fire occurred —will take about five years to make their way into the community of Richmond. In the meantime, initiatives taken by For Richmond continue to show dedication to the community of Richmond as a whole. For Richmond's areas of focus, which are jobs, health, safety and education, are examples of successful CSR business strategy at work. For Richmond's active role in Richmond—from hosting chess tournaments to helping Richmond schools, to sponsoring backpack giveaways—has been a successful step in ensuring strong public relationships with the citizens of Richmond. Though investing in children is always good public relations, what about the victims who went to the hospitals? What about the long-term, physiological effects related to the problems created by the smoke and fire? The environmental concerns related to this industrial accident? Sadly, these issues have not and are not being addressed by Chevron.

Posting information about the latest health and safety code regulations and inspections is another tactic Chevron should use in order to gain back the trust of the Richmond community. Furthermore, Public Affairs strategies such as this one allows for corporations to develop a relationship with the community they are serving, by creating open, free-flowing, and knowledgeable interaction and communication.

**Conclusion**

Corporate Social Responsibility (CSR) is an effective and strategic way to maintain a sustainable corporate-community relationship. This relationship helps a corporation responsibly uphold its mission, and increases the probability of the company's economic prosperity by developing and maintaining productive relationships and brand loyalty with its community partners. Sustainable CSR programs make relationships with the community a priority because in order for a corporation to be successful, it must serve the community by tapping into and developing social capital within these community-based networks.

Though my analysis regarding the Richmond Refinery fire, and examples of Exxon Valdez, Tylenol, and Deepwater Horizon incidents help us understand the importance of CSR programs, this study in no way is a conclusive comparison of crises in the oil industry. Furthermore, though huge international crises such as the disastrous gas leak at Bhopal in 1984 was not covered, the purpose of this paper was to tightly focus on national examples of effective and ineffective crisis responses. Such crises and the manner with which they are dealt with give us insight into a corporation's views regarding worker facility and community safety. Promoting on-the-job safety and taking care of people who are injured while on the job is an ethical and moral responsibility. Injuries, whether mental or physical, have long-lasting effects on people, and the solution is not only to provide monetary compensation. Effects of gas leaks and explosions fundamentally change lives of those involved, particularly in the community and since oil corporations expose their workers to such harsh environments, it is their responsibility to take care of workers when a crisis happens as well as aid those folks in the community who are harmed by industrial crises that spill over into the community.

By comparing crisis responses, CSR programs, and presenting one specific case study, my project demonstrates that CSR needs to be proactive in order to be effective. In this sense, crisis prevention becomes very important, and since crisis response is an outgrowth of CSR , it is important to take steps in finding solutions to anticipated crises in order to preserve corporate-community relations. Effective CSR will increase the probability of a productive, robust relationship with communities, a strong brand, and loyal customers. An effective CSR is important because corporations have an immense responsibility to the communities they serve. The strength of a corporate-community relationship depends upon the level of trust that exists between both entities—a strong relationship built on trust will increase the likelihood of economic prosperity, corporation-based loyalty, and overall sustainability. Since crises are inevitable, CSRs are an effective way to maintain corporate-community relationships by having a plan already in place to prevent crises while also having the ability to develop and implement services and solutions once a crisis occurs.

In a crisis prone industry such as oil and natural gas, previous crises are setting industry standards with regards to reparation, but there is no standard calculation. Industry standards have not been set with regards to reparation amounts. For example, though $15.5 million is anticipated to help the community of Richmond in the next five years, what about the 15,000 people who were harmed due to the 2012 Richmond refinery fire? Who paid for community members who were hurt? And there are other questions: did anyone in Chevron get fired due to this incident? Can the Richmond Refinery guarantee the public that there will not be any more fires at the facility? These questions need to be addressed in order to gain back the public trust, but the answers have not been forthcoming. Though my conclusions point to the importance of a CSR in developing and maintaining sustainable relationships between corporations and their community-partners, in one sense, my research is inconclusive because of Chevron's inability to be straightforward about answers to important questions about their choices and conduct in Richmond. Though Chevron has a CSR program, the corporation has not been forthcoming with their public affairs policies. Though paying the judgment against them and donating an additional $15 million goes a long way toward re-establishing relationships, they have left far too many questions unanswered regarding facility maintenance and worker safety, and this problem of a lack of transparency is a major hurdle in re-developing  a strong relationship with the community of Richmond.

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