

Why Ford, Chanel and other companies pitch in during a crisis - without the government ordering them to

By [Elham Mafi-Kreft](#) and [Steven Kreft](#)

26 May 2020

[Severe shortages of critical medical supplies](#) have prompted governments to compel private companies to fill the gap. In the US, President Donald Trump invoked rarely used powers to force [General Motors](#) to make ventilators, while the leaders of [France](#), the [UK](#) and [Japan](#) have put pressure on companies to make more medical supplies.



But, judging by how many non-medical companies have voluntarily stepped up to shift their manufacturing might to produce healthcare supplies – including GM rival [Ford](#) – it seems hardly necessary.

Fashion brands such as [LVMH](#), [Chanel](#) and [L'Oreal](#) are [transforming their factories](#) to mass produce face masks. Spirit and beer makers [Anheuser-Busch](#), [Diageo](#), [Molson Coors](#) and [Bacardi](#) are shifting some of their production and distribution towards hand sanitiser. And automakers [Toyota](#), [Volkswagen](#) and [Fiat Chrysler](#) are leveraging their 3D printing capabilities to produce face shields and are [partnering](#) with other companies to make ventilators.

And that's just three industries. In all, hundreds of companies across the globe have committed money, supplies and know-how to help with the Covid-19 response, according to the US Chamber of Commerce Foundation's [corporate aid tracker](#).



Defining impact investing to better enable social mobility in South Africa

Jenny Cope 22 Apr 2020



Why are these companies being so generous?

As [scholars](#) of [corporate social responsibility](#), we believe altruism certainly plays a role for many of them, but it's not the

only motivator. Research on company behaviour points to two others: [bolstering reputation](#) and [avoiding regulation](#).



#LockdownLessons: CSI done right during Covid-19

Jennilee Peremore-Oliver 21 Apr 2020



Burnishing the brand

In normal times, companies often undertake socially responsible initiatives to [enhance their brand](#) and build a stronger relationship with consumers, investors and employees in order to drive profits.

What's a socially responsible initiative? [There are many definitions](#), but the way scholars like us think of it is it means taking voluntary action that is not prescribed by law or not necessary to comply with a regulation.

Reputation Institute, a management consultancy, found that people's willingness to buy, recommend, work for or invest in a company [is significantly influenced](#) by their perceptions of its corporate social responsibility practices. So doing something that benefits people in their community can lead to [higher sales](#), [increase the company's valuation](#) and [keep good employees around longer](#).

But these are anything but normal times. Rather, it is a global crisis that has created a need for an [all hands on deck](#) response from everyone, including corporate America. In other words, [just like during natural disasters](#), people expect companies to do their part – and not appearing to do so could damage a brand's reputation. A [2013 survey of citizens of 10 countries](#) that included the US, France, Brazil and China found that nine in 10 people said they would boycott a company they believed behaved irresponsibly.

And this is especially true of industries that are more directly connected to the crisis. In the current situation, for example, there's been a shortage of hand sanitiser, which fashion companies that make perfume [can easily produce](#). And manufacturers are, as we've seen, [capable of repurposing](#) their assembly lines to build ventilators.

Not doing its part, in this environment, could result in a long-term hit to a company's reputation.



How we can all embrace philanthropy's true value in a crisis

Noxolo Hlongwane, Trialogue 15 Apr 2020



Eluding onerous regulations

The other motivator is preempting government regulation, which becomes a greater risk during and after a crisis.

For instance, we saw [more financial regulation](#) after Wall Street's behaviour sparked the Great Recession, and lawmakers from districts that suffer from hurricanes [tend to support bills](#) promoting more environmental regulation.

So companies will often pursue voluntary self-regulation and take other proactive measures during a crisis in hopes of forestalling a more onerous government reaction. A recent [Stanford study](#) found that even a modest effort can work to effectively preempt regulation.

Furthermore, this allows companies to set the terms and control the agenda, [allowing them to choose actions](#) that are in the interest of society, profitable, and avoid the costs and pains of complying with new regulations.

At the moment, companies may be stepping up to avoid a more draconian response from the government, such as when Trump invoked the [Defense Production Act](#) against GM, which allows him to control and direct corporate resources towards production of critical equipment. This also gives the federal government priority in contracting, limiting a company's ability to find the most efficient or profitable contracts.

So next time you read about a company doing something for the greater good, applaud the effort. But you could consider its other strategic motivations as well.

This article is republished from [The Conversation](#) under a Creative Commons license. Read the [original article](#).

ABOUT THE AUTHOR

Elham Mafi-Kreft, clinical associate professor of business economics, Indiana University. Steven Kreft, clinical professor of business economics and public policy, Indiana University.

For more, visit: <https://www.bizcommunity.com>