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CORPORATE SOCIAL RESPONSIBILITY: MEANING AND EVOLUTION IN ASIA-PACIFIC PERSPECTIVE

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ABSTRACT

Corporate social responsibility (CSR) has been transformed from an irrelevant and often frowned-upon idea to one of the most popular and widely accepted concepts in the business world today. As globalization accelerates and large corporations serve as global providers, these corporations have progressively recognized the benefits of providing CSR programs in their various locations. CSR activities are now being undertaken throughout the globe. CSR has become not only the 'right thing to do', but it has also become the 'competitive' thing to do. The basic understanding of CSR is the same everywhere, whether it's in developed or in developing countries. But it is particularly interesting in the developing countries as the areas of interventions that are normally needed differ from that of developed nations.

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INTRODUCTION

The phrase "Corporate Social Responsibility" originates with H. Bowen, who wrote "Social Responsibility of Businessmen" in 1953. Corporate Social Responsibility (CSR) is used to describe businesses' integration of social and environmental issues into decisions, goals, and operations. The sole purpose of CSR is to identify and improve a company's impact on society and the environment, while driving stronger business results such as brand enhancement, market differentiation and employee satisfaction. Till date there is no universal definition that is referred to and within a span of time several economists and economic forums have made an attempt to define the terms 'corporate social responsibility'. What is very clear is that the definition is not a static one and most certainly changes as per the circumstances prevailing in the country or world. For academic purposes and for improved understanding of this paper it is important to mention a few accepted definitions of CSR. One of the most complete and frequently cited definitions comes from *Archie Carroll*[1], "The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time". Carroll presents these different responsibilities as consecutive layers within a pyramid, such that "true" social responsibility requires the meeting of all four levels consecutively. This definition probably is the most accepted and established one. In the opposite, *Frederick*[2] explained a move from Corporate Social Responsibility to "Corporate Social Responsiveness" defined as "the capacity of a corporation to respond to social pressures". The basic understanding of CSR is the same everywhere, whether it's in developed or in developing countries. But it is particularly interesting in the developing countries as the areas of interventions that are normally needed differ from that of developed nations. Thus, in its broadest sense CSR asks companies to consider both the social and financial impacts of their decisions. This idea can be encompassed by the term *"triple bottom line (TBL)",* which exhorts companies to consider social, environmental, and financial outcomes *(PEOPLE, PLANET, PROFIT or the three pillars)* collectively. The triple bottom line is made up of "social, economic and environmental" factors. The term "CSR" is often used instead of a triple bottom line, the two are

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[1]Archie Carroll, "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders", Vol.34, Issue 4, *Business Horizons* (1991)

[2] W.C. Frederick, "From CSR1 to CSR2"', Vol. 33, *Business and Society*, 150-166 (1994)

interchangeable. The theory behind the triple bottom line is that it is in the interests of a business to act as a steward of the environment, society and the economy. "People, planet and profit" concisely describes the triple bottom lines and the goal of sustainability. The phrase was coined by John Elkington in 1995 while at Sustainability, and was later adopted as the title of the Anglo-Dutch oil company Shell's first sustainability report in 1997. As a result, one country in which the three pillars concept took deep root was The Netherlands. A triple bottom line enterprise seeks to benefit many constituencies, not exploit or endanger any group of them. In concrete terms, a TBL business would not use child labour and would monitor all contracted companies for child labour exploitation, would pay fair salaries to its workers, would maintain a safe work environment and tolerable working hours, and would not otherwise exploit a community or its labour force.

A TBL business also typically seeks to "give back" by contributing to the strength and growth of its community with such things as health care and education. Quantifying this bottom line is relatively new, problematic and often subjective. The Global Reporting Initiative (GRI) has developed guidelines to enable corporations and NGOs alike to comparably report on the social impact of a business.

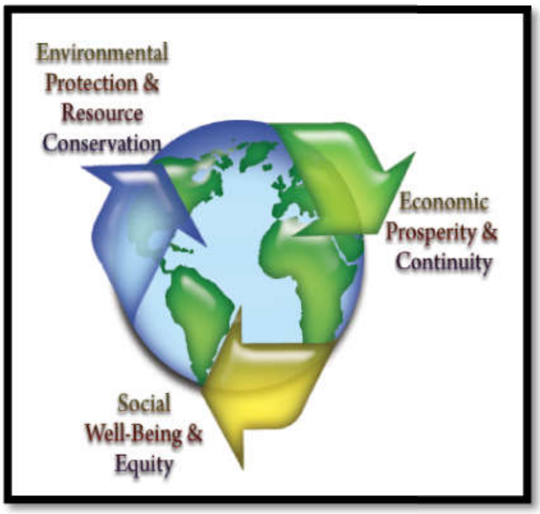

Figure 1. Triple bottom line

The idea is to balance the needs of people, the planet and the company's profits to create long-term share-holder value. Thus, CSR expects a company to go much further than required by law so as to:

- Treat employees fairly and with respect;
- Operate with integrity and in an ethical manner in all its business dealings with customer, suppliers, lenders, and others;
- Respect human rights;
- Sustain the environment for future generations;
- Be a responsible neighbor in the community and a good 'corporate citizen'.

Importance of CSR

Corporate social responsibility (CSR) has been transformed from an irrelevant and often frowned-upon idea to one of the most popular and widely accepted concepts in the business world today. As globalization accelerates and large corporations serve as global providers, these corporations have progressively recognized the benefits of providing CSR programs in their various locations. CSR activities are now being undertaken throughout the globe. CSR has become not only the 'right thing to do', but it has also become the 'competitive' thing to do. Reasons for firms implementing CSR include strategy, defense, and altruism. Many corporate executives believe that CSR creates a competitive advantage for firms, thus leading to greater market share. CSR can differentiate a company from its competitors by engendering consumer and employee goodwill. CSR may also be used to preempt competitors from gaining an advantage. Once a firm in an industry has implemented CSR policies successfully, rival firms may be forced to engage in CSR as well. If they do not exercise CSR, these rival firms are in danger of losing consumer loyalty. On the other hand, some firms are involved in CSR simply because they believe it is the right thing to do. Many companies have motivations for doing CSR such as the genuine care of their environment and society that would eventually become their source of human capital as well as raw materials that they need to sustain. Also, some companies see it as an important element of gaining societal acceptance for their operations. It is really true for the companies that are operating in remote areas, like mining and oil and gas companies. They are often encountered by many communities that indigenously live there, and the companies have to live with these communities. Regardless of the underlying reasons, CSR has thus become a commonly used term in the business arena.

Asia Pacific Perspective[3]

In recent years CSR has become a fundamental business practice and has gained much attention from chief executives, chairmen, boards of directors and executive management teams of larger international companies. They understand that a strong CSR program is an essential element in achieving good business practices and effective leadership. Companies have determined that their impact on the economic, social and environmental landscape directly affects their relationships with stakeholders, in particular investors, employees, customers, business partners, governments and communities. The Asia Pacific context is distinct. On the one hand, there are long-standing traditions of respect for family and social networks, and high value placed on relationships, social stability and education. Diverse religions and cultures also bring distinct attitudes towards community social behavior and engagement as well as support and philanthropic contributions. Governments in the region also play distinct roles – often stronger in terms of influence on economic and social priorities, yet not as advanced in terms of social safety nets. This has resulted in the drivers for corporate citizenship being very different from those in other regions. Many of the large corporations in Asia Pacific are private, and many do not have the same public pressures on corporate behavior that public companies in Europe and North America have for progress on corporate social responsibility, although this is changing. Yet many of the larger companies in Asia Pacific have strong localized philanthropic programmes. Also, regional companies that are engaged in supply chains of major global corporations, and local affiliates of global corporations from Europe and America have significant pressures and a strong business case

[3] Asian-Oceanian Computing Industry Organization (ASOCIO) Policy Paper, "Corporate Social Responsibility", (2004)

to develop corporate citizenship policies and practices within the region, not least on the environment, human rights and labour standards.

Conclusion

India's development strategy, like that of most other developing countries, has evolved over successive Plan periods, reflecting the growing strength of our economy, structural transformations taking place in the domestic economy and also developments in the world economy. In the early stages of development planning, the government was viewed as the primary actor in development, exercising a stringent control over private investments and ensuring a dominant role for the public sector in all important industries. Trade policy tended to be inward oriented focusing on industrial development through import substitution which was encouraged through a tight control over imports and maintenance of high tariffs. Thus, due to governmental and popular pressure, change in corporate responsibility appears imminent in India. Indians are growing restless and even bitter over the lack of societal contribution shown by India Inc. (the media's term for India's corporate sector, including both national companies and Indian branches of multinational enterprises). *Forbes Magazine* recently noted that the "pressure to give is building up on India's wealthy, who have seen their fortunes soar in recent years".[4] Still India remains developing nation and, as such, needs to reinforce state regulatory and social welfare mechanisms as a large portion of Indians remain economically disadvantaged. As a result, corporate social responsibility can satisfy not only the disadvantaged by promoting social welfare but also allows corporations more autonomy than imposing taxes, and thus, garners a more optimal result. It is a viable strategy to increase profits or, at the very least, to mitigate the social risk inherent in foreign investment while still producing social good.

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[4] Forbes Magazine *available at* http://blogs.forbes.com/naazneenkarmali/2011/03/24/bill-gates-warren-buffett-court-indias-richest/. (Visited on March 1, 2015)

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