DEV INTERNATIONAL DEVELOPMENT University of East Anglia

Working Paper Series

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2011

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University of East Anglia

Working Paper 32

The School of International Development, University of East Anglia
Norwich, NR4 7TJ, United Kingdom

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Abstract

This paper first explores various attempts to conceptualise corporate social responsibility (CSR), articulate an encompassing concept, and examine elements that drive businesses to form CSR as part of their strategic policy. Second, it examines the implementation of some of the multinationals CSR strategies and the roles of NGOs and Media in the future of CSR. It draws on academic literature, newspaper articles, journals and grey literature and is complemented with case studies of various actions of multinational corporations from the extractive sector. We find that despite the diversity of defining and conceptualising CSR, there is a commonalty that cuts across board. However, there is yet a huge disparity that exists between policies, strategies and actions that organisations display in interests of their short-term economic gains, while jeopardizing interests of both internal and external stakeholders as well as the environment especially in developing countries.

Disclaimer: The views expressed in this paper are those of the authors and do not reflect the official policy or position of their respective institutions.

1. Introduction

The turn of the century has witnessed an unprecedented growth in the corporate world, bringing about dramatic changes to the way people live, the way societies and entire economies operate and interact, and the manner by which ecosystems and the environment function owing to rapid industrialization. Multinational Corporations (MNCs) have today infiltrated into our lives to an extent beyond which there is no recourse. Where these global giants bring hope, opportunities and comfort to our lives, they spell despair, misery, threat and gloom for others. Resultantly, there is an increasing pressure on such corporations to *'clean up their act'* and act more responsibly towards the planet and its people. Corporate Social Responsibility (CSR) has been hailed by many as the only probable way by which these giants will think and operate more conscientiously and thus have an impact on countless individuals, societies and the environment.

This paper looks at CSR from a strategic management perspective. Initiating with a detailed discussion on perspectives of its conceptualization and definition, it examines in depth, the forces that act as drivers behind this idea. This builds on to a thorough analysis of the internal and external practices that lead management towards effective policy formulation. This leads to the section on Strategic Corporate Social Responsibility (SCSR) as a tactical contrivance devised to make business decisions in the corporate world. This paper concludes with comments on the future of CSR and the role that Non-Governmental Organizations (NGOs) and the media play in creating awareness and furthering the cause in the international business arena.

2.0 Understanding and Defining Corporate Social Responsibility

Expressions such as corporate responsibility, corporate citizenship, good corporate governance, corporate social responsibility, and 'the ethical corporation', etc., have today become mainstream terms in sustainable development thinking, but defining the overall premise becomes even more arduous once we come to realize that it is a term that is used in such diverse contexts. A number of practitioners and organizations have attempted to define it in such a fashion that is 'all embracing', thus endeavouring to cover the full concept of socially responsible thinking at the corporate level. Yet, despite all the efforts, there is yet to be universally-accepted definition. Mazurkiewicz, (2004), states that although the concept has been developing since the early 1970s, there is no single, commonly accepted definition of CSR. Instead, there are different perceptions of the concept amongst the private sector, governments, and civil society organizations. Depending on the perspective,

CSR may cover three main areas: First, a company running its business responsibly in relation to internal stakeholders (shareholders, employees, customers and suppliers). Second, the role of businesses in relationship to the state, locally and nationally, as well as business role to inter-state institutions, and third, CSR business performance as a responsible member of the society in which it operates in the global community.

The diversity in the concepts of CSR can be seen from these immensely broad and wide-ranging perspectives. The first one for instance, looks primarily at issues surrounding internal responsibility, employees' working conditions and their rights and attitudes towards clients, suppliers and shareholder rights. The second aspect refers to the responsibility exhibited towards the law, the legislation and duties as a corporate taxpayer, whereas the third perspective refers to the performance as a responsible member of the society, community and the environment within which it operates.

Consequently, CSR has been portrayed in a variety of ways. The EU's (2001:6) green paper states that 'being socially responsible means not only fulfilling legal expectations, but also going beyond compliance and investing "more" into human capital, the environment and the relations with stakeholders'. Baker (2007:1) describes it simply as "a concept about how companies manage the business processes to produce an overall positive impact on society". Waddock (2004; 2006) comes up with an even simpler description: the deliberate efforts that companies make to improve society. Hopkins, (2004:1) describes it as an approach that is "concerned with treating the stakeholders of the firm ethically or in a responsible manner. *'Ethically or responsible'* mean treating stakeholders in a manner deemed acceptable in civilized societies. *Social* includes economic responsibility. Stakeholders exist both within a firm and outside. The natural environment is a stakeholder. The wider aim of social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for people both within and outside the corporation".

According to Carroll (1983:604) "corporate social responsibility involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive. To be socially responsible then means that profitability and obedience to the law are foremost conditions when discussing the firm's ethics and the extent to which it supports the society in which it exists with contributions of money, time and talent. Thus, CSR is composed of four parts: economic, legal, ethical and voluntary or philanthropic". Holme and Watts (2000:8) used the following definition. "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large".

Ward et al. (2002:2) argue that "what is valued and defined as corporate social responsibility or corporate citizenship differs from one region or country to the next. The location of a particular operation and the socio-political circumstances should always be taken into account in arriving at locally appropriate definitions. How a company engages in the social responsibility agenda is very much dependent on how it chooses to define social responsibility". Examples of this variation that occurs across regions and countries can be seen in the 'Making Good Business Sense' report, in which different countries were asked to describe how they viewed CSR. The Philippines explains that CSR is about business giving back to society', Thailand described it to be locally relevant and meaningful only if backed up by action. The USA came up with a more comprehensive approach: "CSR is about taking personal responsibility for your actions and the impacts that you have on the society. Companies and employees must undergo a personal transformation, re-examine their roles, their responsibilities and increase their level of accountability". In Ghana, "CSR is about capacity building for sustainable livelihoods. It respects cultural differences and finds the business opportunities in building the skills of employees, the community and the government (Holme and Watts 2000:8-9). The diversity in the perceptions across national, regional and social boundaries highlights the intricacy faced in agreeing on a universally-accepted description of CSR. Mazurkiewicz (2004) attributes these disparities to a number of interpretations, which depend on the cultural forces in which they are applied. Carrol (1979, 1991), uses representation to explain further CSR.

2.1 Representations of CSR

Perhaps the best-known representations of CSR are the models presented by Carrol, whose first depiction was the four categories in 1979 in a paper on corporate social performance. As shown in Figure 1, CSR was then represented by four ordered layers which were labelled economic, legal, ethical and discretionary responsibilities. Carroll (1979) explained that the arrangement of the four categories are simply to remind us that motives or actions can be categorized as primarily one or another of these four kinds, while the relative sequence of the four categories was meant 'to suggest what might be termed their fundamental role in the evolution of importance'
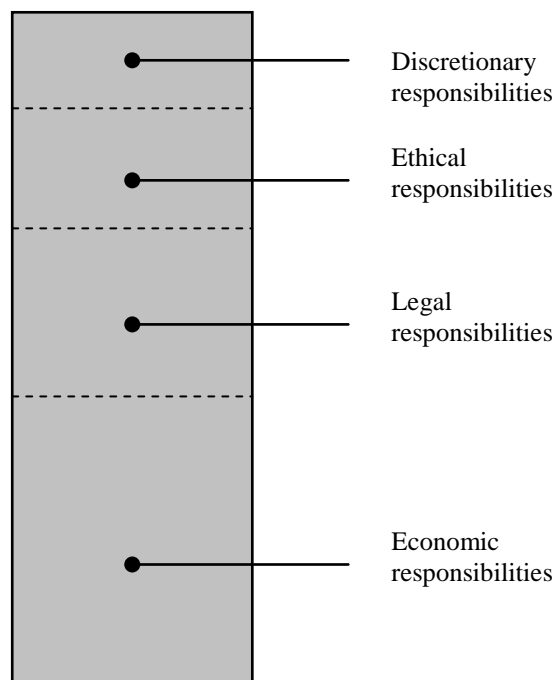
Figure 1: Carroll's 1979 four 'Categories of Social Responsibility'

Later in 1991, Carroll refined the original representation further to present the popular 'Pyramid of Corporate Social Responsibility', as shown in Figure 2. The original four categories remain the same, with the exception of inclusion of philanthropic activities, Carroll (1991:42) explains, 'all these kinds of responsibilities have always existed to some extent, but it has only been in recent years that ethical and philanthropic functions have taken a significant place, beginning with the basic building block notion that economic performance undergirds all else'. Clarifying the arrangement of the four categories, he states that such sequencing 'helps the manager to see that the different types of obligations are in a constant tension with one another'.
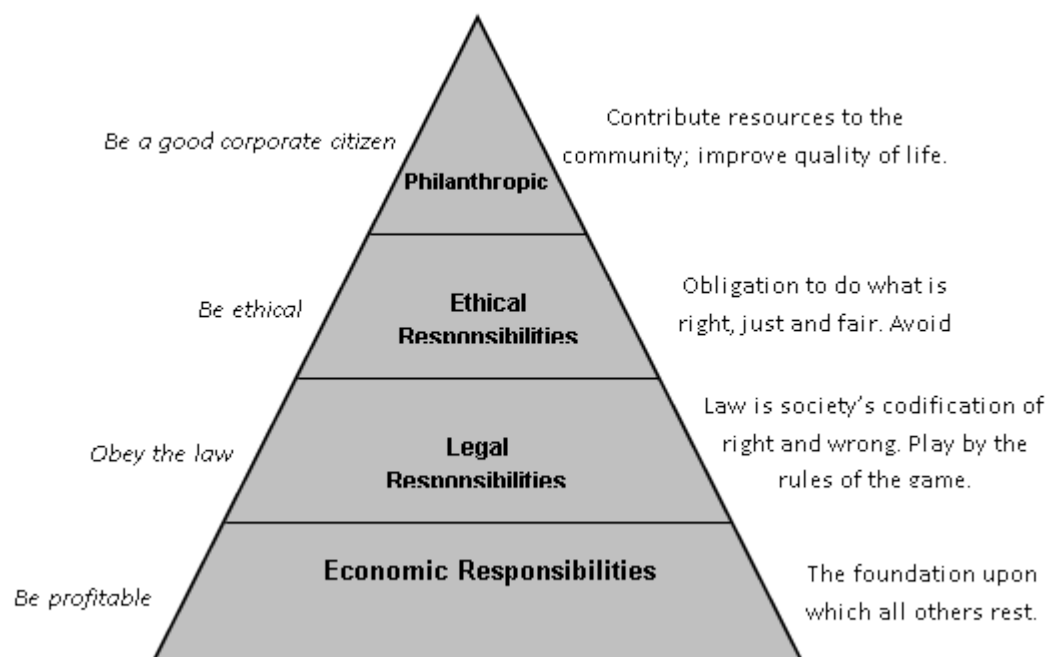
Figure 2: Carroll's Pyramid of Corporate Social Responsibility

Most recently Carroll (2004) reproduced his 1991 CSR pyramid once again, but this time attempted to incorporate the notion of stakeholders, in terms of which economic responsibility contains the admonition to 'do what is required by global capitalism', legal responsibility holds that companies 'do what is required by global stakeholders', while ethical responsibility means to 'do what is expected by global stakeholders', and philanthropic responsibility means to 'do what is desired by global stakeholders' (Rahbek & Mahad, 2006). Although these four elements may apply to CSR, the degree of importance varies from country to country, as seen by empirical studies carried out by some scholars[1]. This confirms the argument above that conceptualising CSR is relative and depends on how it is viewed by various countries.

Regardless of the manner which the concept is described, there are certain common characteristics that seem to be uniform in these definitions. Out of these; social impact is perhaps the most commonly mentioned feature, alongside responsibility and accountability towards the environment and the community in general. Based on these diverse definitions, one could add that CSR are policies or strategies which guide business activities and operations. These mean holding a business accountable to its relationship towards its internal stakeholders, its legal and ethical obligation towards its immediate environment locally and nationally as well as globally. While the above definitions and representations capture various meaning of CSR, what needs to be noted are the elements that drive organizations to recognize such responsibility, and those factors that make them so impelled to 'give back something

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[1] See Wayne Visser in Mahad Huniche, Esben Rahbek Pedersen (Corporate Citizenship in Development Countries: New Paternship Perspectives) (2006) for further details of these studies

to the society'. The next section identifies such forces that act as drivers towards this cause.

3.0 The Drivers of CSR

In today's emerging global economy, where the internet, the print and electronic news media and the information revolution put business practices around the world under the spotlight, companies are more and more frequently judged on the basis of their social and environmental stewardship. Partners in business and consumers want to know what goes on inside a company and what sort of priorities the management has. They want to do business with companies in which they can trust and believe. This transparency of business practices means that for many companies, corporate social responsibility, CSR, is no longer a choice but a requirement (Mazurkiewicz, 2004).These 'requirements' have been expounded in a very comprehensive fashion by the Green Paper published by the European Commission in 2001, which spells out what requirements in the emerging global economy drive corporations to be more responsible:

- § New concerns and expectations from citizens, consumers, public authorities and investors in the context of globalization and large scale industrial change.
- § Social criteria are increasingly influencing the investment decisions of individuals and institutions both as consumers and as investors.
- § Increased concern about the damage caused by economic activity to the environment.
- § Transparency of business activities brought about by the media and modern information and communication technologies.

Essentially, the drivers of CSR comprise a mix of incentives and risks directed at companies to improve operating standards. These drivers, as shown in Table 1, according to Mazurkiewicz (2004), are market-based, usually beginning when a firm anticipates or responds to a risk associated with the social, labour or environmental impact of a specific business practice. Mazurkiewicz identifies three fundamental types of drivers: economic, social and political:

3.1 Economic Drivers

Economic drivers are geared primarily towards factors that are more materialistic and quantifiable such as the company's image and reputation, pressures faced from external stakeholders such as competitors, customers, and investors, etc. Competitiveness is another economic driver that plays a vital role in shaping a company's strategy towards effective policy formulation.

3.2 Social Drivers

Social drivers, on the other hand, are more focused on pressures faced from third sector organizations, watchdogs, NGOs, activists and local communities. Since the very concept of CSR pertains to social thinking and it is meant to benefit individuals, societies and communities, social drivers play a very central role in shaping any organization's strategy and approach towards designing its CSR policy.

Table 1: The drivers of corporate social responsibility

Economic drivers	Social drivers	Political drivers
– company image/reputation – improved risk management – competitive advantage – pressure from business partners – pressure from costumers – pressure from investors – competitiveness	– pressure from NGO/CSOs – license to operate – pressure from local communities – research	– improved standing with government – legal, regulatory drivers – political pressure – license to operate

3.3 Political Drivers

Somewhat closely related to social drivers, political drivers originate from legal and regulatory frameworks imposed by governments and also due to the pressures faced by way of political forces that come into play. ISO 26000 is an example of one such driver, since it is the internationally recognized benchmark for recognizing a company's achievement of its responsibility towards the society and the environment.

4.0 CSR in action: the internal and external practices towards effective policy formulation

4.1 The internal dimension

Practices that are socially responsible essentially involve internal related firm activities that include employee-related affairs that assist in the formation of human capital such as training, health and safety issues and effective change in management. Some of the key prominent practices through which corporations implement their CSR polices include:

4.1.1 Building, managing and investing in human capital

Organizations investing in human capital formation look for benefits over the longer term. Training employees, providing opportunities for growth and career advancement, empowering workers and enabling them to have a say on management issues, share-option schemes, giving women equal opportunities, and promoting a better work-life-family balance are all instances that help companies to build a very effective, hard-working and loyal workforce. Though the pay-back of such an investment will take longer to surface, the benefits will prove to be far-fetched and help in significantly reducing costs through increased efficiency, improved productivity and lower staff turnover.

4.1.2 Tackling health and safety issues at work

A safer and healthier work environment is always more congenial than one which is prone to accidents and rife with unsafe working practices. Today, health and safety issues are dictated by stringent guidelines and enforced through legislation in almost all parts of the world. Strict adherence to these guidelines and compliance with the law are responsibility of the management. Resultantly, staff feels greater contentment while working in a safe and healthy workplace.

Companies, governments and sectoral organizations are increasingly looking at additional ways of promoting health and safety, by using them as criteria in procuring products and services from other companies and as a marketing element for promoting their products or services. These voluntary schemes can be seen as complementary to legislation and control activities by public authorities as they likewise aim at promoting a preventive culture that is, higher levels of occupational safety and health (EU 2001). Effective enforcement and compliance with health and safety issues forms part of corporate responsibility towards an organizations' workforce.

4.1.3 Effective management of environmental impacts

When companies invest in reducing harmful impacts on industrial polluting emissions and other waste by-products, everyone benefits: the company itself, the public at large, and above all, the environment. Lower emissions mean efficient generation of energy and lower use of fuel, a reduced amount of waste generation means lower waste-disposal costs and lower costs imply increased profitability.

As the world becomes increasingly conscious of global warming, destruction of the ozone layer and harmful impacts of pollution on health, large corporations are facing

the pressure more than ever before. Environmental impacts now remain amongst the top agenda while designing a corporate strategy for being responsible.

4.2 The external dimensions

Being responsible towards employees, the environment and the society in general goes beyond mere internal practices. When there is mention of communities, the society, globalization and the environment, it becomes apparent that CSR plays a much wider role.

4.2.1 Investing in local communities

The Green Report by the European Commission (2001: 12) states that corporate social responsibility 'is also about the integration of companies in their local setting'. It goes on to say that

> "…*companies contribute to their communities, especially the local ones, by providing jobs, wages and benefits and tax revenues. On the other hand, companies depend on the health, stability, and prosperity of the communities in which they operate. For example, they recruit the majority of their employees from the local labour markets, and therefore have a direct interest in the local availability of the skills they need. Furthermore, SMEs often also find most of their clients in the surrounding area. The reputation of a company at its location, its image as an employer and producer, but also as an actor in the local scene, certainly influences its competitiveness".*

Apart from this, they also interact with the local physical environment and physical factors such as a clean environment, clean air, clean water or even un-congested roads. Most companies form bonds between the local communities by getting involved in certain causes such as provision of additional vocational training places, assisting environmental charities, recruitment of socially excluded people, provision of childcare facilities for employees, partnerships with communities, sponsoring of local sports and cultural events or donations to charitable activities'.

4.2.2 Human rights

Matters concerning human rights remain one of the most sensitive issues in CSR policy formulation and implementation. This holds particularly true for corporations related to the extractive sector, especially relating to operations in the developing world. The EC's green report (2001:12) explains that human rights are a very complex issue 'presenting political, legal and moral dilemmas. Companies face challenging questions, including how to identify where their areas of responsibility lie as distinct from those of governments, how to monitor whether their business partners are

complying with their core values, and how to approach and operate in countries where human rights violations are widespread'.

4.2.3 Environmental concerns at the global level

Multinational corporations (MNCs) operate on a global level. While they take certain measures to assure that their activities and actions are environmentally friendly within their locally-operated domains; they also have to take such action throughout their chain of operations to replicate such actions to a worldwide scale. An example of this is to require certificates from the local forestry commission for all foreign wooden packaging certifying that the wood used for crates comes from sustainable forests, and has been appropriately fumigated. Steps to reduce 'air-miles' is another step that has recently been introduced by certain companies (particularly the food sector), whereby they ensure that imports, raw or finished are obtained as close to home as possible to help reduce carbon emissions in the environment. Most MNCs have started to use re-cycled paper with the standard trademark clearly showing what percentage of the material has been recycled or what proportion is post-consumer material. The concept of 'fair-trade' is another way of helping under-developed countries while displaying 'social labels' on products help consumers make informed decisions. Given the scale of MNCs operations on a global scale, it becomes apparent that small steps such as these go a long way in contributing towards eco-efficiency, thus making them more environmentally friendly.

5.0 Corporate Social Responsibility and Strategic Management

CSR, as seen above, could benefits both the society and the environment. The results are far-reaching and go beyond mere individuals and localities, and encompass entire societies, communities and large settlements. The question that arises is that how do the organizations benefit? Why and how should they be motivated to invest in enough resources in achieving such goals? The internal and external measures in effective policy formulations discussed above addressed some of these. Here, we look in detail at how organizations tend to serve their own strategic business interests, while striving to comply with regulations and serve the stakeholders and the environment.

'Corporate social responsibility (policy, program or process)', according to Burke and Logsdon, (1996:496) 'is strategic when it yields substantial business-related benefits to the firm, in particular by supporting core business activities and thus contributing to the firm's effectiveness in accomplishing its mission'. The authors have identified five dimensions of corporate strategy which they state to be both critical to the

success of the firm and useful in relating CSR policies, programs and processes to value creation. These are: *centrality, specificity, proactivity, voluntarism and visibility*. As shown in Figure 3, value creation is the outcome that firms strive to achieve by means of strategic management. These dimensions have been explained in detail in the following sections.
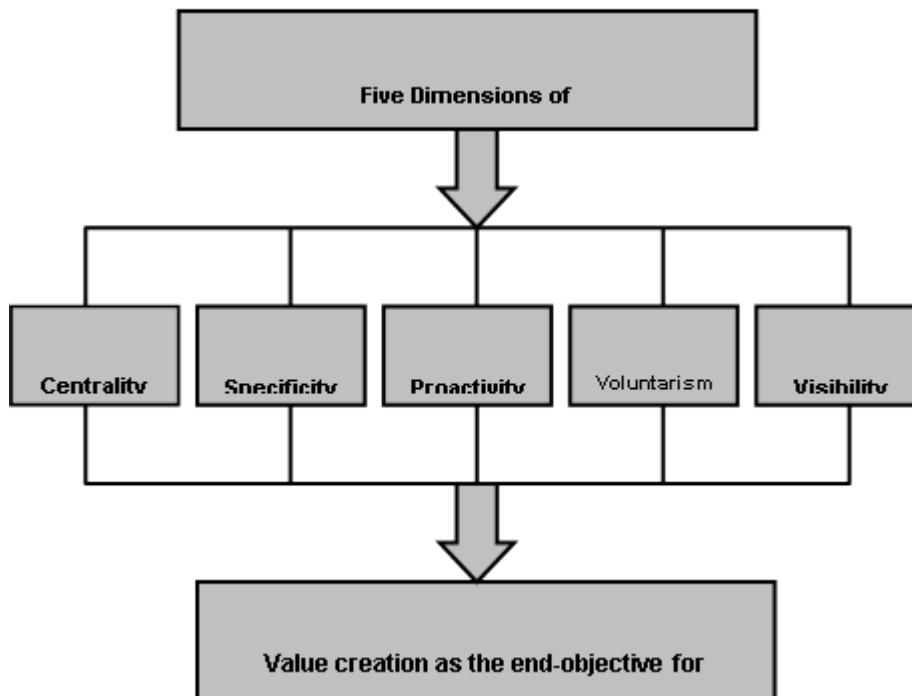
Figure 3: The five dimensions of CSR and value creation as the intended outcome[2]

5.1 Centrality

Centrality measures the 'closeness of fit between a CSR program and the firm's mission and objectives' (Burke and Logsdon, 1996:496). It enables the management to continuously check if its strategies are in-line with the firm's overall objectives as it tends to act as a feedback mechanism. An example of centrality may be the millions of dollars spent by car manufacturers in research and development each year to design engines that are more efficient in fuel economy and also cut CO_2 emissions. Such efforts and expense can be considered to be central to the companies' line of business. Better fuel economy makes the products attractive to potential buyers, and reduced emissions help in protecting the environment and thus helping towards the manufactures' CSR strategic long-term policy, since it helps to protect the environment. On the contrary, the finance and accounting functions will have low centrality in the automobile industry, despite the vital role that such functions play in

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[2] Source: Authors' construct

the overall process, whereas, the same non-central 'finance and accounting' function might play a central role in such an organization in which it is key to its main objectives: in a large commercial bank, for example.

5.2 Specificity

Specificity refers to the firm's ability to *capture or internalize* the benefits of a CSR program, rather than simply creating collective goods which can be shared by others in the industry, community or society at large. Externalities (whether positive or negative) and public goods are by definition non-specific. Many CSR behaviours, including many philanthropic contributions, create non-specific public goods that are broadly available to a local or national community. By contrast, investments in research and development leading to patentable products are highly specific (Burke and Logsdon, 1996). This dimension, therefore offers double benefit: on the one hand, it complies with its CSR strategy, the regulations while serving the society and protecting the environment. On the other hand, it captures and internalizes the outcomes for the firm's internal advantages.

5.3 Proactivity

In today world of increasing competition and rivalry amongst large corporations, strategic planning involves making aggressive decisions. These are best made when the management attempts to anticipate and forecast the behaviour of the market forces. 'Proactivity reflects the degree to which activity is planned in anticipation of emerging economic, technological, social or political trends and in the absence of crisis conditions. Proactivity has long been identified by business strategists as an important characteristic of planning and scanning systems' (Burke and Logsdon, 1996:498).

Amongst MNCs, Honda is known for its effective CSR policy and its constant engagement in various initiatives to meet the stakeholder expectations and enhance customer satisfaction while moving proactively to fulfil its corporate social responsibility. Honda's CSR report for 2010 states that various safety standards are in force worldwide for automobiles and motorcycles and proactively complying with the laws and regulations of each country and region while simultaneously aiming to meet its own even higher standards, Honda strives continuously to enhance the safety performance of its products. The report states that 'aiming to establish lifelong relationships with satisfied customers, Honda takes a proactive approach to conducting customer satisfaction surveys in all product segments: motorcycles, automobiles, and power products' (Honda 2010:31).

5.4 Voluntarism

Burke and Logsdon (1996:498) describe voluntarism as the 'scope of discretionary decision-making by the firm and the absence of externally imposed compliance requirements'. They relate voluntarism closely to proactivity, especially to the extent that it presumes the absence of regulatory or other mandates. If any organization exhibits any sort of behaviour that is over and beyond the minimum specified regulations imposed within that sector, it can be said to be 'volunteering for greater responsibility', that can have far-reaching external impacts on the society, the environment, and internally on employee morale and enhanced loyalty, thereby reducing turnover rates and increasing productivity. Looking at Honda's 2010 CSR report again, it stresses its commitment to voluntarily reduce CO_2 emissions by way of product re-design and improvement.

5.5 Visibility

Visibility signifies the extent to which an organization can gain observation and recognition from both internal and external stakeholders due to any form of business activity. The activity in question may be either deliberate (aimed at getting a positive visibility) or accidental (resulting in negative visibility).

Positive forms of visibility involving normal business activities include favourable media mentions, strong earnings announcements, stock price run-ups (not associated with impending hostile takeovers) and successful new product launches. Instances of negative visibility include government investigations of contract fraud, the indictment or sentencing of company officials, the discovery of dangerous side effects from otherwise beneficent drugs, cases of poisoning and other forms of commercial misconduct, or the disclosure of toxic contamination in waste disposal sites (Burke and Logsdon, 1996).

In today's highly-connected and media-frenzy world, it becomes almost impossible for any organization to conceal any form of misconduct. In 2006, the faulty laptop batteries recall by Dell and other electronic giants is an example of how such instances can result in negative visibility and lead to formation of an unfavourable corporate image. In August 2006, Dell and Apple voluntarily recalled as many as 6 million lithium batteries for their laptop computers, 22,000 of them in the United States alone, while Lenovo and IBM, in cooperation with the U.S. Consumer Product Safety Commission, announced the voluntary recall of approximately 526,000 lithium-ion batteries worldwide 'in the interests of public safety', since there was a potential of fire hazard due to over-heating. These batteries were later announced to be manufactured by Sony Corporation. Subsequently, Sony appointed a senior executive to be responsible for the quality and safety of their products. This is the

highest-ranked official that the company has even designated to concentrate on product safety. As a result, Sony had to get involved and put up with the costs associated with product recall and replacement. The president of Sony China said that his company may have lost about RMB1.3 billion (about $200, million) in dealing with the battery recall. Financial and securities analysts at Nomura Securities in Japan speculated about the maximum potential cost to Sony. 'If Sony were to shoulder all costs related to the supply of replacements - the worst scenario for Sony - estimated costs would total around ¥26bn [around $225m]' (Burns, 2006). Dell lost a significant market share for the first time in memory, and it was estimated that up to 14 per cent from electronics giant's annual profit could be wiped off due to this incident. With well-known, respected and established brands (Sony, Dell, Apple, IBM, Toyota and Lenovo) involved, this incident is thought to be the largest not only in the US consumer electronics history, but on a worldwide scale, resulting in far-reaching implications. In 2009/2010, Toyota recalled over 1.8 million vehicles in the USA, Europe and China due to problems with accelerator pedals. Needless to say, all organizations try to reduce the impact of 'negative visibility', by responding in a responsible manner. Free replacements, timely decisions, worldwide web-based and telephone support providing full information to consumers, etc. were all geared towards trying to keep up with their respective 'responsible behaviour' towards health and safety concerns.

5.6 Value creation as a strategic outcome of being socially responsible

All the five dimensions of strategic management practices explained above relate to outcomes that are socially responsible at the corporate level and have one ultimate objective: to create value for the firm, value in the views and opinion of both internal as well as external stakeholders. The ultimate measure of strategic benefits from CSR activities is the value they create for the firm. Value creation refers to the readily measurable stream of economic benefits that the firm expects to receive. This dimension also most closely approximates the attempts by earlier researchers to find relationships between social responsibility and economic performance. Firms create or attempt to create value in their ongoing business activities through investments in new technology, new products, brand awareness, production facilities, training and customer service. To the extent that some of these also constitute or are integrated with CSR objectives or goals, these CSR programs are among the most likely to create demonstrable economic benefits to the firm (Burke and Logsdon, 1996). Table 2 provides a number of examples of potentially strategic CSR activities. The benefits which they offer are listed in the last column.

Table 2: Value creation as a strategic outcome of socially responsible activities[3]

	Centrality	Specificity	Proactivity	Voluntarism	Visibility	Value created
Philanthropic contributions (financial, product, time)	computer donations to schools by computer manufacturers Engineering research fellowships	Accustom new users to firm's products vs. competitors'		Community support		**Customer loyalty Future purchasers**
Employee benefits (direct or indirect)		Health/wellness Day care Flex-time	New or uncommon benefits Higher employee Loyalty	Employee loyalty and morale	Internal: Employee loyalty and morale	**Productivity gains**
Environment management (health, safety, pollution)	New products e.g. 'green' Process innovation esp. re pollution	Patent or innovation edge in product or process development	Learning curve Advantages	Positive relations with regulators	Public relations and/or marketing advantage	**New products or Markets**
Political activity (PAC, lobby or information, independent or industry)	Favorable change in economic or social regulations	New business opportunities if prepositioned to take advantage of new rules	Pre-positioning for changes in regulations			**New product or geographic market opportunities**
Product or service related characteristics, innovations or processes	Product reformulations e.g. 'green' improved design, e.g. fuel efficiency new products, e.g. airbags	Patent or innovation edge first-to-market brand loyalty	Environmental scanning to create edge in design or product ideas		First-to-market/ leadership benefits	**New product on new markets Edge in meeting emergency needs**

6.0 Being socially responsible in the real world – the case of Royal Dutch Shell PLC and other multinationals

Being socially responsible does not mean merely fulfilling legal requirements, donating to local charities and funding a couple of philanthropic projects. It goes much beyond mere compliance with the law, and entails a holistic approach by the management resulting in deliberate efforts to incorporate the very spirit and rationale of CSR into its operational framework leading to effective policy formulation. It comprises developing human capital, promoting and assisting sustainable development and taking solid measures to protect the environment. Only

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[3] Source: Burke and Logsdon (1996:500)

such deliberate and sincere efforts lead to building affable relations with stakeholders, both internal and external, and helping create a healthy environment.

Unfortunately, many corporate giants do not practice what they preach. Tough competition and enormous pressures lead them to take certain decisions that jeopardize their responsibility as a corporate citizen in the global society. Let us take the oil industry as just one example. Within the extractive sector, the oil business is well-known to be rife with corruption, pollution and violation of human rights, especially where huge corporate giants drill oil in developing countries. As an example, we will consider Shell's operations in the Niger-Delta region of Nigeria, West Africa.

Nigeria is the largest oil producer in Africa, 15th in the world, and the United States' 5th largest oil supplier, with more oil production than that of both Iraq and Kuwait combined. An estimated $52 billion in revenue is anticipated to be raised in 2011, yet majority of the population in the oil-rich Niger Delta live in absolute poverty. Their livelihoods once depended predominantly on fishing and farming in and around the fertile river networks of the delta region have been destroyed. Today, these waters are heavily polluted with floating oil and the entire ecosystem has been destroyed due to acid-rain. Cases such as oil leakage; gas flaring; forest destruction; dumping of waste; and damage to soil and water affects the community to a phenomenal extent. Oil leaking affects agricultural lands, gas flaring affects people's health and intensifies global warming, forest destruction destroys the natural habitat of a range of fauna and flora on which many people's livelihoods depend, dumping of wastes pollutes the wetlands, rivers and the seas, and finally, the damages to soil and water constraints agricultural and engineering uses of the areas in Niger-Delta (Kamalu et al. 2002; Milieudefensie, 2000).

Hunger and desperation ultimately lead to extreme measures, such as theft of oil pipelines and the oil itself by tapping into the thousands of kilometres of pipelines that caught across the Niger-Delta. Stolen oil pipes are sold as scrap metal and oil is used as fuel for cooking or selling on the black market. Unfortunately, such incidences end tragically in fires breaking out, and to-date thousands had perished in accidents. According to data compiled by the BBC (2006) relating to fire-related deaths during the past few years, over three thousand people have perished and many more have been injured, the worst such disaster being the tragic fire that broke out in the oilfields at Jesse in 1998 in which over 1,000 were killed, and the most recent being the fire outbreak in 2007 which claimed over 500 lives.

Followed by Chevron, Shell is the largest oil company operating in Nigeria. Its global revenues of $368 billion and profits of $18.6 billion in 2010 made it the second-largest corporation in the world by revenues and profitability. Nigeria provides with about 33 percent of Shell's worldwide earnings. The risks attached to much of the business

operations of the energy/oil generating and extracting companies, such as Shell, are such that their operations are subject to particular scrutiny by stakeholders – especially environmental and human rights groups and local communities. This makes it all the more important for such companies to have a very effective and robust CSR policy. Shell's General Business Principles (2010:3) state that they will:

> *"…respect the human rights of our employees and conduct business as responsible corporate members of society, to comply with applicable laws and regulations, to support fundamental human rights in line with the legitimate role of business, and to give proper regard to health, safety, security and the environment…"*

Ironically, it has been involved in a series of violations and has been in the media constantly over the past few years, on matters relating to human rights violation, corruption and for damaging the environment. In February 2006, Nigeria's Federal High Court ordered Shell to pay a fine of $1.5 billion for environmental damage to the homeland of the Ijaw in the Niger-Delta. Shell refused to pay the fine claiming that it remains in the belief that it has strong grounds to appeal the compensation order. It has said that much of the environmental damage in the Niger-Delta is caused by saboteurs. In August 2010, the UN ruled in favour of Shell causing huge setback to the fight of holding MNCs like Shell accountable. This is a very big contrast compared to that of the April 2010 Deepwater Horizon BP oil spill in the Gulf of Mexico which was seen as a national disaster in the USA and media frenzy all over the world. Through pressure from the USA government, BP created a $20 billion response fund as well as paying more than $75 million for the clean-up.

During 2002 in the Delta region in Nigeria, fourteen individual plaintiffs filed an action on the grounds that Shell violated international law and engaged in militarised commerce in a conspiracy with the former military government of Nigeria. The suit argued that Shell knowingly 'instigated, planned, facilitated, and participated in unprovoked attacks by the Nigerian military against the unarmed residents of Ogoniland, resulting in extrajudicial murder, crimes against humanity, torture, rape, cruel, inhuman and degrading treatment, arbitrary arrest and detention, forced exile and the deliberate destruction of private property'(Business Respect 2002). A UK-based NGO *Friends of the Earth* published an 'alternative Shell report'. 'Lessons Not Learned', the third alternative Shell report, catalogues how despite commitments made in previous years, Shell still shows a total disregard for the environment (examples quoted include gas flaring in Nigeria, leaking pipes in South Africa and endangered whales at Sakhalin) and the rights of the people living near its operations in many parts of the world. Shell responded with a robust riposte, disputing a number of claims made by the group' (Friends of the Earth 2005).

Despite the millions that the company pumps into local economies worldwide to fund and support it's socially responsible and 'green' projects, it still continues to

trample human rights and ignores rights of indigenous people. For a company that reportedly earned nearly $1.6 million per hour (Macalister 2011), it becomes very difficult to comprehend why it has continually failed the local communities, and why it continues to destroy the environment in which it operates.

After being embroiled in two high-profile rows in the mid 1990's (the disposal of the Brent Spar oil rig and the execution of the poet and environmental activist Ken Saro-Wiwa in Nigeria), the Shell Foundation was set up in 2000, in an attempt to improve its public image. The foundation runs a series of projects worldwide such as 'tackling social problems in vulnerable communities, such as easing traffic congestion, reducing deaths caused by pollution, and supporting small businesses in Africa' (Evans & Macalister, 2006). Due to accusations that the Foundation is just a public relation arm of Shell; the Foundation says: 'We are a legally independent charity, distinct from the Shell Group's commercial operations and, as such, our work can have no direct financial benefit for Shell companies or associated companies in which Shell has an interest' Shell Foundation (2003:3).

Sadly, despite extensive media coverage and public outcry in several parts of the world, Shell continues to vehemently deny any wrongdoing, has never issued a public apology, and continues its operations as ever. What is even more frightening is that Shell is just one of the giants in the extractive industry. ExxonMobil last year declared profits that were the largest ever recorded in US corporate history, followed by BP. These three companies are amongst the world's top ten largest corporations. Estimated figures for Shell alone for carbon emissions in 2005 were 102m tones – more than what 150 countries produce collectively. The magnitude and scale of the pollution such as carbon emissions can only be guessed if the joint estimates of the three companies are taken together. All three companies have repeatedly pledged to cut down on such emissions and use more environmentally-friendly methods in their business processes.

Oil extracting corporations such as Shell and Exxon/Mobil are not the only culprits that flutter its CSR strategy, malpractices in other sectors have been in the media quite frequently. Nike, for instance was criticized heavily for its 'sweatshops' in the underdeveloped countries and being involved in child labour for the manufacture of shoes, footballs and clothing. Children as young as ten years old were found by advocacy groups working in Cambodia, Bangladesh and Indonesia, sometimes being paid substantially less than the local minimum legal wage rates. In 2001, the company admitted that it 'blew it' by employing children in Third World countries but added that ending the practice might be difficult (Steve, 2001).

2006 and 2008 was a particularly bad year for the banking industry which saw record-breaking law suites brought against it for cases accusing employers of sexual harassment and gender discrimination. Six female employees of the investment bank

Dresdner Kleinwort Wasserstein filed a $1.4bn (£793m) sexual discrimination lawsuit last year, claiming unfair and abusive treatment. The suit, believed to be the biggest of its kind is the latest in a growing number of legal challenges exposing the dark side of the clubby world of the City and Wall Street. According to the suit, women are denied top jobs at Dresdner's London and New York offices, are paid less and are made to work in a hostile environment. In lurid detail, it claims that male colleagues would boast of strip club visits, bring prostitutes to the office and repeatedly subject female workers to coarse remarks. Similarly, in April 2005, UBS, Europe's biggest bank, agreed to pay $29m to Laura Zubulake, who had worked on its Asian equities sales desk in the US, one of the biggest discrimination awards to an individual on record. In another high-profile case, Morgan Stanley agreed to pay $54m to settle discrimination charges filed against it in July 2004 on behalf of a former bond trader and 340 other women. In April 2004, another bank, Merrill Lynch, was ordered to pay $2.2m (£1.2m) in damages to Hydie Sumner, a female broker at its San Antonio office, who claimed sexual discrimination, and in June 2002, Julie Bower who was dismissed as a City analyst at Schroder Salomon Smith Barney, was awarded £1.4m in damages (Teather, 2006).

Apart from these, other major stories that have made the headlines in the recent past have been about ExxonMobil, which had attempted to undermine the climate change agenda relating to a depletion of the Ozone layer. Concerns about Genetically Modified (GM) foods have been escalating as awareness grows amongst consumers about the long-term ecological and health impact that comes along with this technology. In the US, concept chemicals-to-life-sciences giant *Monsanto* had positioned GM foods as a major contribution to sustainable agriculture, with genetically-engineered crop plants enabling farmers to use much lower volumes of toxic agrochemicals like insecticides. But concerns about the potential impact of novel genes on ecosystems and, more damagingly still, about the potential human health impacts led to a media storm, particularly in the UK. Issues relating to GM are sensitive more than ever before, particularly because they link too strongly to human health, to ethical concerns (e.g. human cloning, genetic privacy, even germ warfare weapons like anthrax) and to wider worries about globalization (UNEP, 2002).

7.0 What next? The future of CSR and the role of NGOs and the media in the international perspective

The case of the extractive sector in general, and Shell in particular along with other cases in the preceding section highlight the reality behind claims of many large companies pledging to be socially responsible and how they actually act in the real world. Needless to say, the prime objective of any company is profit maximization.

Integrating corporate social responsibility into its core policy acts as a long-term strategic investment, such as investing in human capital formation and building local communities.

Since most of the companies tend to forget or neglect the social responsibilities and are inclined to focus on the revenues that they expect to acquire, NGOs are faced with the responsibility of community advocacies. They play a vital role to awaken the different businesses of their roles in the society and to follow the imposed rules of the government, preserve the environment, and not oppress the people. Thus, community advocacy is an essential part of the role that the non-governmental organizations play in the community (Kelly, 2002).

The concept of the 'Non-Governmental Organization' has matured well over the years which have witnessed a sudden surge in their formation, formalization and recognition on a global scale. 'Over the past two decades', according Nelson (2007), 'the processes of democratization, economic liberalization and technological transformation have led to a dramatic growth in the number, diversity, reach and influence of civil society organizations and networks... They operate individually and collectively at all levels of society and have an impact on many aspects of peoples' lives, ranging from their political and civil rights and obligations, to economic, social and cultural rights and opportunities"(p:2).

The International Institute for Sustainable Development (IISD) stresses on the powerful role that NGOs play in today's globalised economy. 'Aided by advances in information and communications technology, NGOs have helped to focus attention on the social and environmental externalities of business activity. Multinational brands have been acutely susceptible to pressure from activists and from NGOs eager to challenge a company's labour, environmental or human rights record. Even those businesses that do not specialize in highly visible branded goods are feeling the pressure, as campaigners develop techniques to target downstream customers and shareholders. In response to such pressures, many businesses are abandoning their Milton Friedman's shareholder theory of value in favour of a broader, stakeholder approach which not only seeks increased share value, but cares about how this increased value is to be attained. Such a stakeholder approach takes into account the effects of business activity - not just on shareholders, but on customers, employees, communities and other interested groups. There are many visible manifestations of this shift. One has been the devotion of energy and resources by companies to environmental and social affairs. Companies are taking responsibility for their externalities and reporting on the impact of their activities on a range of stakeholders. Companies are not merely reporting; many are striving to design new management structures which integrate sustainable development concerns into the decision-making process' (IISD, 2007).

NGOs and the media have a critical alliance in furthering the cause. Whatever NGOs fight for is brought to the world's attention by the powerful role of the media. Rapid globalization and the ever-growing information and communication technologies have brought the world even closer to one another. The print, electronic and digital media play a phenomenal role in promoting this even further, thus creating awareness amongst the masses and generating an ever-growing demand for even more information. Looking at the roles that the media plays in furthering the cause, one could argue that it acts first as a promoter, an educator and also as a watchdog in issues pertaining to CSR. It promotes good causes by effective coverage and reporting, thus educating the audience by raising awareness at the same time. The media today is expected to, and to a substantial effect, does get involved in the CSR public agenda by reinforcing transparency and accountability within businesses. The 2002 *Good News & Bad'* report by UNEP summarizes this matter very comprehensively as 'the media sector – broadly defined – could become the dominant industry of the 21st century. No other industry will so powerfully influence how people and politicians think about corporate social responsibility (CSR) and sustainable development (SD) priorities." (p. 3)

On the other hand, while the media keeps a watchful eye on the corporate world, it is itself subject to certain social and environmental responsibilities, since being a business itself; it has certain duties, obligations and responsibilities towards the wider audience that it caters for. These may include environmental management, customer relationship, investing in human capital responsible editorial policies, supporting and promoting freedom of expression and independence. Given the ever-increasing awareness of the common man on issues regarding CSR, the relevant role that NGOs play in community advocacy and the influential part played by all forms of media, the significance of CSR is set to rise to unprecedented levels, with large global giants becoming ever-more cautious of the way they formulate their policies, so as to cater for the wider public and the environment.

Due to the diverse perception of the term CSR, there has been various conceptualisation and definition. CSR is not only about obeying the law and satisfy the internal stakeholders but integrate three main areas as argued by Mazurkiewicz (2004); first, a company running its business responsibly in relation to internal stakeholders (shareholders, employees, customers and suppliers). Second is the role of businesses in relationship to the state, locally and nationally, as well as business role to inter-state institutions or standards. And third, CSR business performance as a responsible member of the society in which it operates and the global community. These are also interlinked with the three drivers of CSR – social, economic and politics.

Although some MNC management CSR strategies are driven by genuine intention to be responsible to operate more conscientiously and thus have a positive impact on

the stakeholders, societies and the environment as seen with Honda; many MNCs' CSR strategies have not been proactive in implementing their policies especially in developing countries. There is an obvious contrast in implementation of CSR by MNCs operating in developed and developing countries despite the influence of NGOs and the media. Hence, in reality, business implementation of its CSR strategies depends on the region as well as country.

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