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# Corporate Social Responsibility in Asia

## Practice and Experience

Springer

# CSR, Sustainability, Ethics & Governance

*Series Editors*

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Editors

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*This book is especially dedicated to all industrialists, entrepreneurs, professionals and academicians who are genuinely striving to be socially responsible and would like to understand how CSR has earnestly evolved and continues to be practised in Asia.*

# Foreword

Sustainability is today's watchword, and leaders of different countries, corporations and international organizations of the world must bear this in mind when carrying out their day-to-day business dealings.

Since the 1930s, our world has continued periodically to face various economic crises, and corporate social responsibility (CSR) has consequently become very important in solving many of the consequential problems emanating from these crises. Sustainable development has emerged following a series of environmental issues that have faced our world, the concern for humanity's nonchalant use of all our depletable natural resources and adverse impacts on our planet following many actions taken by corporations in carrying out their operational activities that are all too obvious to us. Operating sustainably would reduce the adverse impacts of these problems.

For any organization to be successful, its vision and strategy must focus on promoting business transparency and accountability to stakeholders, which are very crucial for its well-being and sustainability. However, one should understand that CSR should not only focus on satisfying regional or local stakeholders but also on meeting the expectations of the world at large. What a mammoth task, it may sound, but that is really what it is all about – our world is a markedly different place. In order to agree, convince and succeed universally, it requires a holistic approach taking into account aspects relating to philosophical viewpoints, environmental protection, sustainability and good governance in ways not seen before.

This book, *Corporate Social Responsibility in the Asia-Pacific*, edited by Prof. K. C. Patrick Low, Prof. Samuel O. Idowu and Dr. Sik Liong Ang, is a timely publication in the sense that it conceptualizes CSR from the east and west of various professions, sectors and countries, hence demonstrating that, even in times of economic hardship, more and more businesses are embracing the principles and ethos of CSR, because they have all understood that it is the right thing to do. Much can be gained by recognizing the contributions that a diversity of perspectives are able to provide towards the generation of new ideas and innovative approaches to conducting business activities in a transparent and ethical way. Many of the excellent chapters in this book testify to that because they document examples of

good practice with some recommendations of a practical character which researchers, practitioners and other stakeholders would find most appropriate in their professional callings. Some of the chapters also highlight future research directions, showing some potential research needs that would have to be addressed in the future.

I hope that this book will influence both today's and tomorrow's professionals in following CSR strategies which would enable companies, universities, international organizations, NGOs and others across the world to make our society a more socially responsible place for us all to conduct our day-to-day business and non-business activities.

Turin, Italy                                                                       Dr. Liangrong Zu
                                                            International Training Centre
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# Preface

*'The Earth provides enough to satisfy every man's need, but not every man's greed'.*

*Mahatma Gandhi* (1869–1948)

Corporate social responsibility (CSR) is a discipline or field that impacts all aspects of human existence. Professions and professionals in the West and the East as well as advanced and emerging economies have much to consider in the quest to ensure that their activities do not adversely affect society; if they do, how they can best reduce the adverse impact should be of paramount importance to them in the world of today.

In advanced Western democracies, the need of using legal frameworks or systems such as the International Standards Organization, e.g. ISO 14000, is generally felt to instruct or direct corporations as to how their relationships with their stakeholders, societies and the environment should be managed in terms of CSR. In other words, there are too many so-called guidelines and, in some cases, directives which corporations are encouraged to use in managing their operations. On the other hand, if one is to view CSR from the Asian perspective, based on Asian philosophies and thoughts such as Confucianism and Hinduism, CSR is more inclined towards an individual's self-regulation/monitoring, tying in with the individual's self-growth and development as well as spirituality.

Being socially responsible on the part of corporate entities, some scholars and practitioners have argued, is one of the *sine qua non* of success in modern markets. If this is so, then it is in the best interest of these entities to source out what actions they need to take in order to act responsibly. Responsibility is demonstrated by actions and deeds, not by words or information inserted in some glossy magazines or corporate websites.

It is believed that a book on how differently CSR is perceived and demonstrated in Asia would not only provide some useful insights into how the requirements of CSR are being met by corporate entities in Asian nations, but it would also provide a framework for a better understanding of how the field is shaping up in this continent since its general acceptance worldwide. The world today is radically different from what it used to be several decades ago or even some 12 months ago.

As the effect of the unprecedented current global financial crisis continues to ease out in terms of economic progress, it becomes even more important for corporate entities to continue to demonstrate the highest order of responsibility in their dealings and operational practices. Corporate entities function through individuals, which therefore makes it imperative for these individuals to fully understand what is expected of them in order to be socially responsible.

This book has been fortunate in its ability to have attracted interests from scholars of both traditional and modern professions, from the East and a few based in the West. It is therefore hoped that the information it contains will be helpful to our readers from any sector or region of the world, as well as those who are concerned about the adverse impacts of corporate activities on humankind, the environment and also on the future of our planet.

Summer 2013                                                                        K.C. Patrick Low
                                                                                   Samuel O. Idowu
                                                                                      Sik Liong Ang

# Acknowledgements

# Abbreviations

| | |
|---|---|
| ASEAN | Association of Southeast Asian Nations |
| BHEL | Bharat Heavy Electricals Ltd. |
| CCC | Corporate Code of Conduct |
| CIA | Central Intelligence Agency |
| COP | Communication on Progress |
| CS | Corporate Sustainability |
| CSR | Corporate Social Responsibility |
| FCGI | Forum for Corporate Governance in Indonesia |
| GDP | Gross Domestic Product |
| HDFC | Housing Development Finance Corporation |
| IAIKAM | Indonesian Institute of Accountant – Management Accountant Compartment |
| KEHATI | Indonesian Biodiversity Foundation |
| NCSR | National Centre for Sustainability Reporting |
| NGOs | Non-Government Organisations |
| ONGC | Oil and Natural Gas Corporation |
| PRC | People's Republic of China |
| SD | Sustainable Development |
| UN | United Nations |
| UNGC | UN Global Compact |
| US | United States of America |
| WBCSD | World Business Council on Sustainable Development |
| WCED | World Commission on Environment and Development |

# Contents

**Part III   Asia**

# Contributors

**Dr. Mohammad Nabil Almunawar** (Ir. – IPB, Indonesia; M.Sc. – UWO, Canada; Ph.D. – UNSW, Australia) is a senior lecturer at the Faculty of Business, Economics and Policy Studies, University of Brunei Darussalam (UBD), Brunei Darussalam. Dr. Almunawar has published many papers in refereed journals as well as international conferences. He has many years of teaching experience in the area of computer and information systems. He was a respected consultant in developing information systems for United Nations (WHO) projects, Central Bank of Indonesia and some private companies. His major research interest is in application of IT in management and electronic commerce. He is also interested in object-oriented technology, databases and multimedia retrieval.

**Dr. Yue S. Ang** is a lecturer in Law at the Oxford Brookes University, UK. She received her doctorate in law from the University of Birmingham, UK. Her research interests are in legal theory and social philosophy, particularly looking into issues arising from globalization, outsourcing and the exploitation of labour and resources.

**Professor Scott Davis** originally from Australia, has lived and worked for over 30 years in Japan. Previously a researcher at the Japan Institute of Labour and a Professor at the School of Management at Reitaku University, Davis has held the position of Professor of Strategic Corporate Social Responsibility at the College of Business at Rikkyo University in Tokyo since 2006. He also serves as a member of the board of directors of the Seven & I Holdings Corporation and the Bridgestone Corporation and is a corporate auditor of the Nissen Holdings Corporation. Davis consults for many of Japan's major corporations, industrial associations and government and international agencies on strategic and organizational issues.

**Dr. Ina Freeman** received her doctorate from the University of Birmingham, UK. She is interested in international business and marketing, including the

variance in practices and ethics when cultures come into contact through trade. Throughout Ina's teaching, research and practice, the human being is considered the most important element in business.

**Dr. Mahani Haji Hamdan** is a lecturer at the Faculty of Business, Economics and Policy Studies, University of Brunei Darussalam. She obtained her first degree from the University of Sheffield and master's degree from the University of Leeds in the UK, acquiring both in the field of accounting and finance, but she obtained her Ph.D. in the management field. She completed her Ph.D. in 2011 from the Queensland University of Technology, Brisbane, Australia. Her research engages the field of organizational psychology and organizational behaviour. She has research interests in understanding person-environment fit and organizational effectiveness through several attitudinal and behavioural outcomes, while she still continues to pursue a few areas in depth in education and accounting subjects, such as financial reporting and accounting standards, budgeting in SMEs, quality assurance in higher education and corporate social responsibility. She aims to expand the academic literature on Brunei in these research areas and produce quality papers for publication. Besides her academic and research involvement, she is currently responsible for the marketing and promotional activities of the faculty and is part of the faculty's postgraduate admission committee and the university's research team for quality assurance projects. She has also been part of the working committee of the Brunei Darussalam Accounting Standards Council (BDAC), Ministry of Finance.

**Dr. Hao Hu** is an Assistant Professor at ICMS, University of Macau. He holds a B.A. in industry economics, an M.A. in management science and a doctorate in management from Sichuan University and a postdoctorate from HEC Montreal. He has authored (co-authored) four books. His research focuses on social identity management of traditional Chinese medicine and social management of Chinese pharmaceutical firms.

**Dr. Chung Hee Kim** is Assistant Professor of Corporate Social Responsibility and International Management at Nottingham University Business School, University of Nottingham Malaysia Campus. Her research interests include missing employee in CSR discussion, institutional dynamics of CSR, CSR comparative study between Europe and Asia, and CSR and CSV in Asia. She has published in journals such as *Journal of Business Research* and *Journal of Business Ethics*. She holds a Ph.D. from Strathclyde University Business School, UK. Prior to entering academia, she worked in the fields of foreign diplomacy, government, NGO and CSR consulting business as a professional of international relations for 12 years.

**Dr. Ki-Hoon Lee** is Professor of Corporate Sustainability and Strategic Management and leader of the Strategy and Sustainable Enterprise Group at the Griffith Business School, Griffith University, Australia. Prior to joining the Griffith

Business School, Prof. Lee held professorship of Sustainability Management at the Centre for Sustainability Management, Leuphana University, Germany. With his expertise in corporate sustainability and corporate social responsibility, Prof. Lee holds advisory positions in international organizations (the World Bank, the United Nations and ISO) and multinational enterprises in Korea, Japan, Australia and Europe. His main research areas include corporate sustainability management and strategy, institutional dynamics of CSR, green and sustainable supply chain management, and corporate sustainability performance measurement.

**Dr. Balakrishnan Muniapan** is a specialist in HRD and currently a senior academic in HRM at an Australian branch campus university in Sarawak. Prior to his involvement in academics, he was into production management with a large Japanese MNC at his hometown in Sungai Petani, Kedah. As an academic, Dr. Muniapan has published over 50 research papers and articles in several international journals, conference proceedings and books and was the recipient of the Best Research Paper Award at the 3rd National Human Resource Management Conference in 2006. As an HRM speaker, Dr. Muniapan is frequently invited to speak on people management issues at numerous national and international conferences and seminars. He has presented papers on HRM at conferences and seminars and delivered talks in several countries within Asia, Australia, Africa and Europe. He has also been a Visiting Professor in HRM for universities and institutes in the Philippines, Vietnam and India. Dr. Muniapan has also served as an external examiner for Ph.D. theses in HRM for universities in India. He has vast experience in conducting training and consultancy programmes in HRM, HRD and industrial relations for more than 50 organizations within Asia, especially Malaysia. A partial list of organizations includes Sony Mecha, Penang Seagate, Dell Computers, Unico Technology, Inventec Electronics, Iomega, Kobe Precision, Luster Industries, Laser Industries, Golden Frontier, Fujikura Federal Cables, ZF Steering, Zolox Industries, Petro-Pipe Industries, Lite-On Technology, Trim, Dovechem, Hitachi, FedFlour Marketing, Amstrong Audio, Jabil Circuit, Lion Containers, Mega Hightech, Mattel Tools, Key Tech Industries, BIC, PCA Mahlin, Inclin Dynamics, Meganorth Precision, Ipma Industries, Kanebo Malaysia, Universal Lab & Chemical Supplies, Teco Industries, Steel Industries, Usonics, Solectron, Bina Darulaman Bhd, Bintulu Development Authority (BDA), LAKU Management Sdn Bhd, Miri Port Authority, PETRONAS, Thai Nguyen University, Sinora Sdn Bhd, Sabah Soft Wood Bhd, Sarawak Plantations Bhd, INTAN Sarawak Region, JKR Sarawak, QUEST and UNISEM.

**Weiping Yu** is currently the Director of the Marketing and Electronic Commerce Department, Business School, Sichuan University, China. Her major research interests are in brand management, Internet community management and corporate social responsibility. Her newest book, *Spillover Effects of Brand Scandal on Competitive Brand*, will be published late 2013. Her earlier books include *Brand Management* (2007) and *Sources of Corporate Sustainable Development* (2004).

As a Professor in Marketing, she has been a Visiting Professor in the Delft Science and Technology University, University of Washington and HEC Montreal.

**Dr. Abbas Zaidi** is the author of *Two and a Half Words and Other Stories*, published by Savvy Press, New York, and *Language Shift: Sociolinguistic Lives of Two Punjabi Generations in Brunei Darussalam*, published by Classic Books, Lahore. He is based in Brunei where he teaches the English language.

# CSR in the Asia-Pacific: An Introduction

*'Worries will soon appear if one gives no thought to a long-term plan'.*

<div align="right"><em>Analects of Confucius, XV: 12</em></div>

All of us have heard much of CSR from the Western perspective, and in this book, we have undertaken to put across CSR from the Eastern or Asian perspective. Note that today we are living in a time where corporate entities and those at the helm of managing their affairs – leaders and managers – are not only assessed by their financial performance anymore but also by their positive and contributory actions towards their customers, employees, people, other stakeholders and the natural and physical environment, in other words, how socially responsible they are. Careless and irresponsible actions on the part of corporate leaders are no longer tolerated by citizens. Sadly, there is still a very small minority of people who are either indifferent to the adverse impacts of some corporate actions on humanity and the environment or are totally oblivious to the impending catastrophe which these actions (or inactions) might bring on both the natural and physical environment if we fail to change our behaviours or take corrective actions to reduce these impacts.

Asian societies and in fact all societies around the world are gradually coming to terms with the understanding that all of us have to behave responsibly and change our irresponsible attitude towards things. This is so especially when dealing with certain issues which affect humankind regardless of whether we live in an advanced or the less advanced part of the world. The world is interconnected; we breathe from the same air or atmosphere. Some of the consequences of past corporate actions are slowly unfolding and being felt either with similar or the same level of intensity by all of us in terms of climate change or global warming, food shortage/crisis, etc. (even in the first world which was thought to be unthinkable a few years back, talk less of the third world, this is now almost a reality in all parts of the world). Drinkable water too is posing some problems and some of the natural resources are gradually depleting. Scientists are urging that things would have to change not just for the sake of the present generation but most importantly for the sake of future

generations. Natural resources are exhaustible; we have to conserve them and take the *green* approach in all we do. We can no longer afford to use resources irresponsibly or show a reckless attitude towards them either as individuals, groups, or corporate entities.

The book has been categorized into three parts, each part focusing on different dimensions of CSR in different regions of the Asia-Pacific. These regions have been grouped together for convenience as follows:

Part I – consists of four chapters on East and South Asia.
Part II – consists of three chapters on Brunei and South East Asia/United States of America. This section highlights that there is also some religious dimension to CSR.
Part III – consists of three chapters on Pacific Asia. Here, the Confucian value of filial piety and its importance are discussed in the light of corporate social responsibility. CSR trends are also discussed extensively in Chap. 10.

In the first chapter entitled 'Corporate Social Responsibility in Shaping Corporate Image: An Empirical Study of State-Owned Enterprises in China', Weiping Yu and Hao Hu highlight the recent awareness and impact of corporate social responsibility on the corporate image in state-owned enterprises of the People's Republic of China (PRC). Based on a survey of 317 state-owned enterprises, this study and its findings and analysis show different effects of corporate responsibilities, such as economic, organizational, employee, environmental, community and product responsibility, on the corporate image. The study contributes to our understanding of the internal impact/mechanism of CSR on the corporate image, and it also facilitates the exploration of the social context on CSR practices in PRC.

In Chap. 2, 'The Indian Roots to CSR Practice from a Vedantic Perspective', Balakrishnan Muniapan points out that the CSR seen from a Vedantic viewpoint is solely dependent on the development of the individual leader's self-conscience of his or her *svadharma* (prescribed duties) and *karma* (action) plus the *pancha rina* (fivefold debts). Based on the Vedantic insights, CSR should ideally begin with ISR (individual social responsibility) and go on to CSR with the view of graduating all these efforts into GSR (global social responsibility). These three social responsibilities of humanity are the essential *dharma* and *karma* of corporate leaders. The leaders and the role they play in corporations are crucial in ensuring transparency, good conduct and governance towards the ultimate aim of achieving CSR. This chapter is expected to provide a framework for the study of Vedantic viewpoints in other aspects of corporate management besides CSR in the near future.

Chapter 3 by Scott Davis, entitled 'Re-conceptualizing Corporate Social Responsibility in Japan', notes that many Japanese corporations have traditionally defined their corporate social responsibility (CSR) as being the conduct of their business in accordance with the normative values embodied in their statements of corporate principles. This value-driven approach has largely emphasized the

legitimization of business upon the basis of the social benefits accrued as a result of business activities. Within this approach, relatively little emphasis has been given to the design of processes whereby business activities are planned and implemented or to the input of external stakeholders within these processes. The chapter presents an overview of how CSR has been defined and debated in Japan in the periods before and after the March 2011 disaster; it also examines the new conceptualizations of CSR that have emerged in recent years and presents case studies illustrating how two major global corporations based in Japan have changed their CSR policies and sought to redefine their systems for the creation of social value by reintegrating them with their processes for the planning and implementation of business.

Ki-Hoon Lee and Chung Hee Kim in Chap. 4, 'Corporate Social Responsibility (CSR) Practice and Implementation Within the Institutional Context: The Case of the Republic of Korea', note that the multifaceted CSR in different instructional environments offers different motivations, value systems and commitments to different CSR agendas internationally. By applying institutional theory, the authors attempt to identify institutional pressures on CSR imposed by Korean national and international organizations and normative pressures by different stakeholder groups. The chapter provides (i) theoretical foundation from which to examine institutional factors within CSR practice, (ii) description of research methods and data analysis, (iii) empirical findings and (iv) discussion and implications for academics and management. It contributes to (i) the current debate on CSR in the win-lose or win-win scenario by adding empirical evidence, (ii) Korean institutional factors that affect CSR practices, (iii) Korean firms' awareness of differences between Korean and Western (Anglo-American) institutional factors and (iv) CSR practices in the Korean institutional context.

Chapter 5 by Mahani Hamdan, entitled 'Corporate Social Responsibility of Islamic Banks in Brunei Darussalam', explores the corporate social responsibility (CSR) practices of Islamic banks in Brunei Darussalam. Aspects of an investigation cover the definition and role of CSR from the banks' perspective and CSR practices which include actions or initiatives and reporting. The study collected data from secondary sources such as CSR reports, news and other relevant documents as well as interviews with several officers. Results from this exploratory qualitative research showed that there was not really much difference between CSR practices of Islamic banks in Brunei and other Islamic banks in the region. The study indicated that the importance of CSR from the Islamic perspective is not merely to perceive it as a business strategy to create continuous good financial performance, improve a bank's reputation, increase stakeholders' social responsibilities and use it as a means to legitimize the existence of Islamic banking, but as a responsibility towards God (Allah) and the welfare of society.

Abbas Zaidi and Patrick Low in Chap. 6, entitled 'The Koranic Discourse on Corporate Social Responsibility', argue that Asia is home to the majority of the world's Muslims. Around 1 billion out of a total of 1.62 billion Muslims live in

Asia. If corporate social responsibility is defined as ethical running of a business which results in the benefits and welfare of not just employees but society at large, the Koran has a great deal to offer by way of ethical-mandatory commands and practical guidelines whether one is a businessperson or a customer. The chapter recounts and interprets the Koranic view of corporate social responsibility. It begins by introducing (i) the significance of the Koran in the lives of Muslims, (ii) the importance of the Koran as a business document in the Asian-Muslim context, (iii) corporate social responsibility as a concept and (iv) the Koranic view of the concept of corporate social responsibility and its various implications.

In Chap. 7, entitled 'Green Practices – A Comparative Study Between South East Asia and the United States', Ina Freeman and Kim Cheng Patrick Low examine and contrast the efforts to be green made in both the USA and in the Southeast Asian countries of Brunei, Singapore, China and Malaysia. The authors argue that when societies and companies adopt green habits and practices, they fulfil some aspects of social responsibility, and in the USA the financial 'bottom line' is paramount, with many businesses and the Republican Party arguing the primacy of economics before everything else. The chapter also seeks to argue that governments in Asia need to tap what Asia inherently has, that is its green philosophies and values that encourage green habits and practices.

In the eighth chapter of the book, entitled 'Implementing CSR Practices Through the Value of Filial Piety', Sik Liong Ang and Kim Cheng Patrick Low put forth the notion of the centuries-old Confucian value of filial piety, linking it to the implementation of CSR practices in Asia. The authors explain the Confucian value of filial piety and practices of social responsibility values, and, in doing so, the issue and problem of looking after the old as well as the transference of such value(s) to the young are examined.

Chapter 9 by Yue S. Ang, entitled 'Outsource to Asia: How Multinational Corporations Legitimately Forget Corporate Social Responsibility', aims to show the inefficacy of implementing the concept of corporate social responsibility (CSR) in a globalized world. It advances a criticism of the voluntary adoption of CSR by businesses. The incorporation of CSR preserves the image of businesses because consumers perceive them as 'ethical traders'. However, the proliferation of outsourcing has facilitated the disregard of CSR whereby businesses are externalizing their manufacturing tasks to Asia. This chapter explores the case of *Doe v. Wal-Mart Stores, Inc*. (2007) in an attempt to highlight the process of externalization by which through outsourcing multinational corporations legitimately forget CSR principles.

Chapter 10 by Mohammad Nabil Almunawar and Kim Cheng Patrick Low, entitled 'Corporate Social Responsibility and Sustainable Development: Trends in Asia', explores and discusses the development of CSR and sustainability development in major Asian countries: China, India, Indonesia, Japan, South Korea and Singapore. China, India and Indonesia represent developing countries with large populations, while the latter three countries represent developed countries. China, Japan, South Korea and Singapore share Asian values influenced by Confucian

ethics, Indians root their values in Hinduism, while Indonesian values are highly influenced by Islam.

Please enjoy your reading of this piece. We welcome your views or comments about any aspect of the book you believe would be of interest to us.

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And

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# Part I
# East and South Asia

In the following first four chapters, readers would see the various interesting viewpoints on CSR, and benchmarking and comparing each with the other, readers would gain insights from what Mikhail Gorbachev former USSR President and once President of the Green Cross International once said, that is, "we need a new system of values, a system of the organic unity between humankind and nature and the ethic of global responsibility."

Part I focuses on East and South Asia and consists of Chaps 1, 2, 3 and 4.

Chapter 1: "Corporate Social Responsibility in Shaping Corporate Image: An Empirical Study of State-Owned Enterprises in China", Weiping Yu and Hao Hu highlight the recent awareness and impact of corporate social responsibility to corporate image in People's Republic of China (PRC)'s state-owned enterprises. This study is based on a survey of 317 state-owned enterprises and their findings point to different effects of corporate responsibilities such as economical, organisational, employee, environmental, community and product responsibility on corporate image. This study contributes to understanding the internal impact mechanism of CSR on corporate image and it also facilitates the explorations about the social context on CSR practices in PRC.

Chapter 2: "The Indian Roots to CSR Practice from a Vedantic Perspective" by Balakrishnan Muniapan discusses CSR from the Vedantic viewpoint which is solely dependent on developing the individual leader's self-conscience – his or her svadharma (prescribed duties) and karma (action) plus the pancha rina (fivefold debts). Based on the Vedantic insights, CSR should ideally begin with ISR (Individual Social Responsibility) and to go beyond CSR with GSR (Global Social Responsibility). These three social responsibilities are the essential dharma and karma of corporate leaders. The leaders and the role they play in corporations are crucial in ensuring transparency, good conduct and governance towards the ultimate aim of achieving CSR. This chapter is expected to provide a framework to the study of Vedantic viewpoints in other aspects of corporate management besides CSR in the near future.

Chapter 3: "Re-conceptualizing Corporate Social Responsibility in Japan" by Scott Davis points out that many Japanese corporations have traditionally defined

their corporate social responsibility (CSR) as being the conduct of their business in accordance with the normative values embodied in their statements of corporate principles. This value driven approach has largely emphasised the legitimisation of business on the basis of the social benefits accrued as a result of business activities. Within this approach, relatively little emphasis has been given to the design of processes whereby business activities are planned and implemented or to the input of external stakeholders within these processes. The book chapter presents an overview of how CSR has been defined and debated in Japan in the periods before and after the March 2011 disaster, examine the new conceptualisations of CSR that have emerged in recent years, and present case studies illustrating how two major global corporations based in Japan have changed their CSR policies and sought to redefine their systems for the creation of social value by reintegrating them with their processes for the planning and implementation of business.

Chapter 4: "Corporate Social Responsibility (CSR) Practice and Implementation Within the Institutional Context: The Case of the Republic of Korea", by Ki-Hoon Lee and Chung Hee Kim. Here, the issue of multi-faceted CSR in different instructional environments is said to offer different motivations, value systems, and commitments to different CSR agendas internationally. By applying institutional theory, they attempt to identify institutional pressures on CSR imposed by Korean national and international organisations; and normative pressures by different stakeholder groups. The chapter provides (i) theoretical foundations to examine institutional factors within CSR practice; (ii) description of research methods and data analysis; (iii) empirical findings; (iv) discussion and implications for academics and management. It contributes to (i) the current debate on CSR debate between win-lose or win-win scenario by adding empirical evidence; (ii) Korean institutional factors to affect CSR practices; (iii) Korean firms' awareness between Korean and Western (Anglo-American) institutional factors; (iv) CSR practices in Korean institutional context.

# Chapter 1
# Corporate Social Responsibility in Shaping Corporate Image: An Empirical Study of State-Owned Enterprises in China

**Weiping Yu and Hao Hu**

**Abstract** Corporate social responsibility (CSR) is highly valued by firms for seeking to drive corporate image. State-owned enterprises as special economic and social organizations also look forward to improving its corporate image through engaging into CSR, which is attracting more and more attention in academic and demands theoretical and empirical investigation. This study aims to examine the effects of CSR on corporate image in the SOEs of China. Based on a survey study we test the effects of six dimensions of CSR on two dimensions of corporate image. The authors find different effects of economic responsibility, organizational responsibility, employee responsibility, environmental responsibility, community responsibility and product responsibility on corporate image respectively. Moreover the authors identify the varied moderator effects of consumer CSR support on the relationships between CSR and corporate image. This study not only contributes to understand the internal impact mechanism of CSR on corporate image but also facilitates the explorations about the social context on CSR practices.

## 1.1 Introduction

Corporate social responsibility (CSR) is highly valued by firms seeking to drive corporate image. Mostly state-owned enterprise (SOE) is positioned to serve dual objectives: achieving economic and non-economic objectives. The latter objective is mainly embodied by the terms of fulfilling their social responsibilities (Shen

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et al. 2008). Thus, SOE as special economic and social organization extremely looks forward to improving its corporate image through engaging into CSR, which is attracting more and more attention from academic field and demands theoretical and empirical investigation.

Chinese SOE's social responsibility has been widely emphasized in the past decades. But scholars are debating whether SOEs' social responsibility has really generated positive corporate image, especially in China where SOE is often criticized for monopolizing in many industries and exploiting ordinary consumers. Huang and Yu (2006) advocate that SOEs in competitive industries are more concerned about economic responsibility, comparatively SOEs in monopoly industries are more concerned about the non-economic responsibility. Yu (2011) argues that SOEs have advantages of scale economy, and depend more on government support rather than market cultivation, so bigger SOEs need shoulder social responsibilities, which is also advocated by the government.

Therefore, this study aims to examine the effects of Chinese SOEs' CSR on corporate image through empirical method. As SOEs' CSR efforts on corporate image depend on consumers' cognition and emotional reactions, this study focuses on the perceptions of consumers to explore the realistic reflections of SOEs' CSR on their corporate image, which could contribute to not only understand the CSR practices of SOEs in China but also enrich the field of CSR through inputting the perspective of consumer as main stakeholder.

The rest of this chapter is organized as follows. In Sect. 1.2, we present historical background information on SOEs' CSR in China. In Sect. 1.3, we conducted literature review and provided theoretical hypotheses. In Sect. 1.4, we describe methodology used in this study. In Sect. 1.5, we present data analysis result. In final Sect. 1.6, we synthesise the presentations in the previous sections and provide discussion and conclusion.

## 1.2 CSR of SOE in China: A Historical Evolution

The evolution of Chinese SOEs' social responsibility shows different characteristics because of SOEs' special status in the national economy and the evolutionary process of the socialist economy system in China. As SOEs are regarded as the pillars of the national economy and a means of regulating economy by government, the society and public have more expectation on SOEs' social contribution. Meanwhile, the Chinese SOEs' responsibilities are different in the different periods. Since the establishment of People's Republic of China, SOEs social responsibility is closely involved into the political responsibility increasingly. SOEs are required to 'Emphasizing benefits, Abiding laws, Protecting eco-environment, Assisting public benefit charity, and Promoting social culture'. Its development of CSR is increasingly self-conscious and institutionalized step by step. On the whole, the evolution of Chinese SOEs' social responsibility can be clarified into three stages.

### 1.2.1  The Stage of SOEs' Political Obligation in China (1949–1978)

From the establishment of the People's Republic of China a highly centralized planned system is founded to operate the whole economy and society. In such kind of system SOE is only subordinate of administrative unit and has to obey the orders from government. Therefore, the social responsibility of SOEs is equivalent to a political obligation. Its supreme criterion is of the national interests above the interests of enterprises. SOEs are responsible for the government and workers in the way of providing welfare like 'from cradle to grave' unconditionally for workers. SOE must bear the social welfare functions, such as running schools and medical institutions, supervising market, administrating society, performing public service obligations etc. During this stage SOEs don't have clear ideas about social responsibility while they carry out many social responsibility activities. Mostly, the leaders of SOEs regard social responsibility as political tasks that should be implemented to meet the requirements of government.

### 1.2.2  The Stage of SOEs' Social Responsibility Consciousness (1978–2000)

Since the Third Plenary Session of the Eleventh Central Committee of the Chinese Community Party to the end of twentieth century, this stage is characterised as major adjustment of from a planning economy to a market economy. Enterprises really became the main players in the market, and even SOEs had to compete on market to obtain revenues and profit. Thus, they must consider both their own interests and stakeholders', increased awareness of efficiency, quality and competition. Social welfare activities were regarded as important part of corporate competitive strategy and the modern CSR consciousness was developed. SOE put consumers' interest into corporate interests, and quality management became an important manifestation of the outstanding CSR. Moral self-discipline was included into corporate social responsibilities. Especially from the late 1980s until the 1990s, CSR was linked to corporate image strategy, actively involved in charities and donations to shape 'good citizen' reputation. In this process, however, leading enterprises' awareness of CSR was at preliminary stage. They paid more attention to the economic responsibilities of shareholders. Meanwhile, they neglected or got rid of the responsibility to society, government and environment. On the contrary many firms were criticised for their harmful behaviours, such as tax evasion, counterfeiting and shoddy, wasting resources, and environment pollution. Even some SOEs were regarded as losing a role of their traditional social responsibility and behaving as private firms that only sought economic interest.

### 1.2.3    The Development Stage (Since Twenty-First Century)

Since the beginning of the twenty-first century, the development path of CSR has become conscious and institutionalised. The Accounting Department of Ministry of Finance (2010) required enterprises to fulfil social responsibility as being one of important parts development strategy. With the rising emphasis of CSR in society, SOEs begin to change its policy and engage itself into social responsibility campaign completely.

Firstly, awareness of the importance of social responsibility for firms' development, SOEs set social responsibility indicators within enterprises' performance management system to effetely integrate it into the daily operations of enterprises. These direct CSR indicators direct and push internal managers and employees to combine social activities into their ordinary work.

Secondly, SOEs begin to enlarge its definition of CSR. SOEs advocate that SOEs' major social responsibilities include producing good quality product (service) for consumers, providing a good working environment for employees, acquiring outstanding achievement, and actively participating in social welfare activities, paying attention to environmental protection, and donating to the cultural and educational institutions, and welfare agencies. Meanwhile using resources rationally and protecting environments is also incorporated into corporate ethical norms, which is regarded as not only the important terms for enterprises to win social recognition and reputation but also social and moral obligations for SOEs.

Furthermore, SOEs participate in public undertakings and charity universally in a transcendent, non-utilitarian, and voluntary trend. For example, in the severe fight against SARS (Severe Acute Respiratory Syndrome) in 2003, performance of corporate philanthropy responsibility was prominent, such as China National Petroleum Corporation donated eight million Yuan, China National Offshore Oil Corporation and Lenovo Group donated ten million Yuan. The Civil Affairs Ministry of China receives 1.9 million Yuan donation totally, which mostly was from SOEs. The Wenchuan Earthquake on 12 May 2008 triggered more Chinese SOEs' awareness of charitable responsibility. Moreover, entrepreneurs' ethical personality made progressed greatly, which revealed the advancement of CSR.

Although these three CSR development stages of Chinese SOEs are steadily progressive, there are still two main concerns about CSR of SOEs: (1) lack of a clear standard of social responsibility of SOEs; (2) different levels of CSR awareness and implementation. Moreover, because of SOEs special economic and political status in China, SOEs are often challenged by consumers about their real intention and realistic contribution of CSR activities. Therefore, in the view of consumers it is necessary to investigate the effect of CSR on corporate image of SOEs in China.

## 1.3 Theoretical Review and Development

### 1.3.1 Definition of CSR and Corporate Image

After more than two centuries' academic study and realistic practice, the concept of CSR has become more and clearer. Representatively, Kok et al. (2001) defined CSR as organisational promises to make use of its resource to contribute to the society, which meant that firms need to think about social benefit when they strived to get benefits, and need to try its best to improve the whole social situations. CSR is the responsibility which the company must care about for its social welfare. Although there is no completely consistent definition of CSR yet, most scholars agree that CSR is beyond economic and legal, and includes two layers of content at least: (1) firm responsibility for stakeholder; (2) public benefit responsibility for country and all the global beyond the former (Zhang and Wang 1999).

Corporate image is a related but different concept with CSR. Managers, especially senior managers are paying more and more attention to corporate image (Fombrun and Shanly 1990). Gray and Balmer (1998, p. 697) indicated that corporate image was "the immediate mental picture that audiences knew about an organization". Based on analysis of Chinese firms, Zheng (2008) reported that corporate image was the whole assessment of the corporation from the public who act as raters. He also suggested that corporate image should be evaluated from seven aspects: technology image, market image, future image, corporate culture image, appearance image, operator image and comprehensive image. While there are other different measurements, elements and measurement methods of corporate image haven't been reached a common agreement yet because of the complexity of corporate image.

### 1.3.2 Relationship Between CSR and Corporate Image

Scholars have widely noticed the relationship between CSR and corporate image (Worcester 2009). Fombrun and Shanley (1990) pointed out that CSR activities were an important element to achieve product differentiation and build corporate image. Crane and Matten (2004) thought more and more firms were fulfilling CSR actively because CSR can keep customers and create a positive brand image. Business in the Community (BITC) (2004), Porter and Kramer (2006) suggested that the performance of CSR can improve corporate image and even push up stock value, therefore, many companies test the implementation of CSR by corporate image. Marlen et al. (2010) pointed out that firms conveyed some information of performing moral obligations and expectations beyond ordinary regulatory requirements to the stakeholders through performing CSR, thus to strengthen corporate image and corporate profitability. Carol (2008) suggested that the biggest

motivation of enterprises releasing CSR report was to gain praise from stakeholders and improved corporate image.

In China, scholars have also paid attention on the relationship between CSR and corporate image in recent years, particularly focusing on how CSR behaviours can contribute to gain positive corporate image. Li (2007) thought that a firm with fulfilling CSR can set up good public image, gain public trust, and won markets. Wu (2009) pointed out that a firm with strong sense of CSR was easier to gain a positive public opinion, thus to maintain and improve good organisation image.

In broader terms, most scholars agree that corporate image is the inner motivation for enterprise to shoulder the social responsibility and the fulfilment their social responsibility can improve their corporate image (Cornelius et al. 2007). However, in order to explain and predict the result of the enterprises to perform social responsibility, it is necessary to understand the related mechanisms. It has become a key issue on how to influence corporate image through practicing CSR (Bhattacharya et al. 2009; Sen et al. 2006; Smith 2003).

In the current literature, some scholars indicated that the impact of CSR on corporate image may be partial (Li and Li 2009). For example, Zhang (2010) suggested that it was only for the public stakeholders, not all stakeholders that fulfilling CSR by a firm such as participating in charitable contribution, protecting environments, taking up sponsorship can increase brand value and establish good corporate image. Fulfilling CSR can create value for shareholders, but it doesn't impact on all the dimensions of corporate image significantly. Therefore, the relationship between CSR and corporate image requires further empirical investigation.

The dimensions of CSR of SOEs in China need careful consideration. Jin (2006) suggested it included five dimensions and 16 evaluation variables. Zheng (2007) thought CSR behaviour is a three dimension construct: responsibility to insiders, responsibility to outside business partners, and responsibility to the public. Zhang and Liu (2007) pointed out those SOEs should bear other responsibilities like constructing Chinese national spirits and creating Chinese domestic brands except for general social responsibilities, etc. Qiao and Liu (2010) thought that the state-owned CSR should include political responsibility other than economic responsibility, legal responsibility and moral responsibility. Based on those past researches, this paper will measure CSR from six dimensions: economic responsibility, environmental responsibility, product responsibility, employee responsibility, organizational responsibility, and community responsibility. For corporate image, this study uses Schwaiger's (2004) definition of corporate image will construct and divide corporate image into two dimensions: emotional image and cognitive image.

Thus, these hypotheses regarding the relationship between CSR and corporate image are proposed as follow:

H1a: *Economic responsibility of the SOEs will positively influence consumer's cognition of corporate image;*
H1b: *Economic responsibility of the SOEs will positively influence consumer's emotion of corporate image;*

*H2a: Environmental responsibility of the SOEs will positively influence consumer's cognition of corporate image;*

*H2b: Environmental responsibility of the SOEs will positively influence consumer's emotion of corporate image;*

*H3a: Product responsibility of the SOEs will positively influence consumer's cognition of corporate image;*

*H3b: Product responsibility of the SOEs will positively influence consumer's cognition of emotion image;*

*H4a: Employee responsibility of the SOEs will positively influence consumer's cognition of corporate image;*

*H4b: Employee responsibility of the SOEs will positively influence consumer's emotion of corporate image;*

*H5a: Organizational responsibility of the SOEs will positively influence consumer's cognition of corporate image;*

*H5b: Organizational responsibility of the SOEs will positively influence consumer's emotion of corporate image;*

*H6a: Community responsibility of the SOEs positively will influence consumer's cognition of corporate image;*

*H6b: Community responsibility of the SOEs positively will influence consumer's emotion of corporate image.*

### 1.3.3   Effect of Consumer CSR Support

Besides, more and more scholars realize that whether social responsibility can improve the corporate image is not only based on corporation's effort but also affected by the objective environment, public perception and so on. Mohr and Webb (2005) pointed out that consumer sensitivity to CSR and the strength of preference of the consumer products are the main variables which influence corporate strategy. The more customers pay attention to the social responsibility during purchasing decision progress, the more social responsibility influence the corporation sales, and the corporation is more likely to take social responsibility initiatives. Xiao and Ouyang (2010) suggest during fulfilling CSR process, the corporation and customer form the symbiotic relationship of co-evolution, co-adaptation, common development. In addition to this, the impact of CSR behaviour on consumers is not a simple and straight-line. Consumers will not blindly accept public behaviour, and thus increase the goodwill of the enterprise. On the contrary, sometimes the consumer will resent some public behavior of enterprises, and adopt punitive measures which led to the decline of corporate reputation. Relatedly, Li and Li (2009) pointed that whether CSR can transfer into corporate competitive advantage depends on four conditions: social responsibility market, fair competitive environment, supervision and feedback system, and corporate commitment to social responsibility.
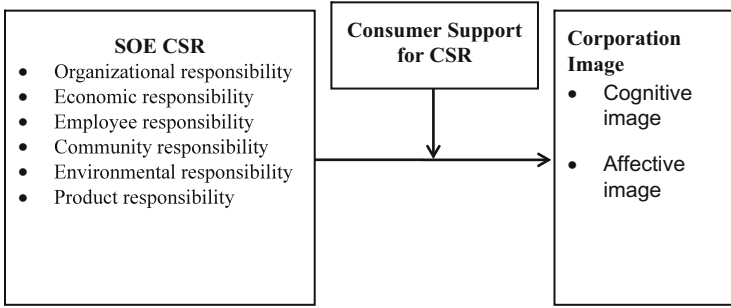
**Fig. 1.1** Theoretical framework

In general literature noticed that the tendency of consumers' supporting CSR would have an impact on the level of corporations fulfilling their social responsibilities. Sen et al. (2006) found that CSR and corporate evaluation was moderated by consumers' characteristics and the level of consumers supporting CSR behaviours. Mohr and Webb (2005) discovered those who stood by CSR in high level tended to approve corporations committed to CSR, the environmental responsibility of corporations influenced consumers' purchase intention more greatly than the price. Zhou et al. (2007) found that CSR behaviours and consumer's response were not a simple correlation, different consumers responded to CSR variously. In summary, the level of consumer support for CSR should be taken as a moderator variable. Then we have the following hypothesis:

*H7: The level of consumer support for CSR is a moderator between the relationship between CSR and corporation image.*

According to the above analyses, the conceptual model can be summarized as shown in Fig. 1.1:

## 1.4 Methodology

### 1.4.1 Data Collection

This study use questionnaire survey for data collection.400 questionnaires are distributed through street investigation and e-mail randomly. At last, 350 of them are returned. The final number of effective questionnaires is 317, with a 90.57 % effective rate. The background information of participants is summarized in Table 1.1.

**Table 1.1** Demographic characteristics of the research object

|  |  | n | % |
|---|---|---|---|
| Gender | Male | 182 | 57.41 |
|  | Female | 135 | 42.59 |
| Age | 18–25 | 116 | 36.59 |
|  | 26–35 | 120 | 37.85 |
|  | 36–45 | 64 | 20.19 |
|  | 46–60 | 13 | 4.10 |
|  | Over 60 | 4 | 1.27 |
| Education | Junior school and below | 1 | 0.32 |
|  | Senior school | 9 | 2.84 |
|  | Junior college | 23 | 7.26 |
|  | Regular college | 163 | 51.42 |
|  | Postgraduate and above | 121 | 38.16 |
| Occupation | Student | 108 | 34.07 |
|  | SOEs manager or employee | 69 | 21.77 |
|  | Government and institutions employee | 22 | 6.94 |
|  | Private enterprise manager or employee | 56 | 17.67 |
|  | Foreign-owned enterprise manager or employee | 43 | 13.56 |
|  | Freelancer | 19 | 5.99 |
| Monthly income | <3,000 | 142 | 44.79 |
|  | 3,001–6,000 | 78 | 24.61 |
|  | 6,001–9,000 | 51 | 16.09 |
|  | 9,001–12,000 | 32 | 10.09 |
|  | >12,001 | 14 | 4.42 |

## *1.4.2 Measurement*

The questionnaire consists of three parts: The first part is measurement scale of the degree of consumer support for CSR; the second one is to measure social responsibility of SOEs in six dimensions; and the last one is to estimate corporate image. Items of every scale are extracted from questionnaires adopted in global researches, and use five-point Likert scale. Every item is measured according to classification indicator and the mean value is calculated as a result. This study processes data analysis with factor analysis and regression analysis methods. The reliability of data is tested with Cronbach's α coefficients and the validity with factor analysis (see Table 1.2).

### 1.4.2.1 CSR

The KMO results for CSR factor analysis is .928, and Bartlett Test chi-square value is 5099.104, and the significance probability is between .000 and .001, showing that factor analysis is fit for the variables. The max rotation factor analysis shows that CSR can be polymerized in six factors (see Table 1.3). The cumulative percentage of variance explained is 70.41 %.

**Table 1.2** Reliability and validity of factor analysis

|  | Cronbach's α | KMO | Bartlett test | Sig |
|---|---|---|---|---|
| Consumer support for CSR | .714 | .747 | 317.411 | .000 |
| CSR |  |  |  |  |
| Organizational responsibility | .839 | .760 | 707.833 | .000 |
| Economic responsibility | .776 | .796 | 403.495 | .000 |
| Employee responsibility | .755 | .672 | 236.934 | .000 |
| Environmental responsibility | .894 | .853 | 910.510 | .000 |
| Community responsibility | .903 | .837 | 798.642 | .000 |
| Product responsibility | .851 | .837 | 771.410 | .000 |
| Corporate image |  |  |  |  |
| Cognitive image | .800 | .794 | 538.223 | .000 |
| Affective image | .862 | .837 | 844.172 | .000 |

#### 1.4.2.2 Corporate Image

The KMO factor analysis for corporate image is .848, Bartlett is 1518.593, and the significance probability is $p = .000 < .001$. Table 1.4 shows that the two factors extracted from ten test variables can explain 63.01 % of the original variable total variance.

#### 1.4.2.3 Consumer Support for CSR

The KMO of factor analysis for consumer support for CSR is 0.747, and Bartlett is 317.411, and the significance probability is $p < 0.001$. The factor analysis result is summarized in Table 1.5.

## 1.5 Findings

As shown in Table 1.6 all six factors of CSR except that environment responsibility is significantly positive with affective image ($p = .000$). Consumer support for CSR is also significantly positive with affective image ($p = .000$).

Community responsibility × consumer support for CSR is significant at the level of $p = .026 < .05$. Moreover, employee responsibility × consumer support for CSR is significant at the level of $p = .076 < .1$.

For cognitive image, Model 2 shows that product and employee responsibility are significantly positive with cognitive image ($p = .004$ and $p = .000$ respectively). Consumer support for CSR is also significantly positive with affective image ($p = .002$).

Environment responsibility × consumer support for CSR is significant with cognitive image ($p = .040$). Moreover, organizational responsibility × consumer support for CSR is significant too ($p = .036$).

**Table 1.3** Factor analysis of CSR

| Item | Factor | | | | | |
| --- | --- | --- | --- | --- | --- | --- |
| | 1 | 2 | 3 | 4 | 5 | 6 |
| The operating performance is always good | −.047 | .110 | .090 | **.783** | −.113 | .093 |
| The corporate governance structure is sound | .144 | .110 | .077 | **.712** | .217 | .209 |
| The shareholders' equity is guaranteed | .165 | −.006 | .223 | **.614** | .375 | −.019 |
| Long-term business plan is drawn up and pulled off | .180 | .138 | −.024 | **.649** | .320 | .224 |
| The corporation manufactures environmentally friendly products | **.686** | .279 | .130 | .202 | .191 | −.036 |
| The corporation participates in environmental protection actively | **.811** | .244 | .156 | .075 | .114 | .029 |
| The corporation manages and compensates pollution | **.808** | .220 | .165 | .059 | .081 | .098 |
| The corporation pays attention to the environmental benefits of packaging and material | **.817** | .120 | .164 | .064 | .028 | .200 |
| The corporation prevents or reduces pollution | **.760** | .149 | .209 | .046 | .081 | .241 |
| The corporation is impartial to every consumer | .255 | .240 | **.742** | .091 | .098 | .056 |
| The corporation can handle complaints or return request of consumers | .296 | .251 | **.731** | .207 | .010 | .112 |
| The corporation does not place false advertising and exaggerate the effect | .162 | .192 | **.754** | .090 | .099 | .132 |
| The corporation does not leak or use consumers' information illegally | .093 | .061 | **.712** | −.012 | .241 | .279 |
| The corporation provides safe and health work environment to employees | .075 | .162 | −.022 | .242 | **.614** | .308 |
| The corporation provides equal opportunity in the hiring process | .165 | .162 | .277 | .154 | **.758** | .136 |
| The corporation provides adequate training and development opportunity to employees | .098 | .280 | .144 | .098 | **.734** | .149 |
| The corporation does not cheat cooperative partner | .121 | .114 | .289 | .136 | .364 | **.634** |
| The corporation can pay taxes according to law and accept supervision of government | .151 | .227 | .169 | .167 | .128 | **.814** |
| The corporation abides by the laws | .223 | .238 | .192 | .257 | .206 | **.704** |
| The corporation can be enthusiastic in philanthropy | .214 | **.758** | .178 | .112 | .138 | .195 |
| The corporation often gives a hand to vulnerable groups | .268 | **.788** | .245 | .057 | .157 | .174 |
| The corporation attends to the programs for public good in community | .252 | **.811** | .198 | .097 | .157 | .109 |
| The corporation does something good for the whole society | .273 | **.745** | .158 | .157 | .232 | .144 |

**Table 1.4** Factor analysis of corporate image

| | Loading | |
| --- | --- | --- |
| | Affective image | Cognitive image |
| I feel the corporate is favourable | **.814** | .137 |
| I approve and support the corporate emotionally | **.889** | .098 |
| Compared with other corporate, I would be regretful if this one closed down | **.793** | .160 |
| 1-4I appreciates and respects the corporate | **.881** | .093 |
| 1-5I often pays close attention to and pursue after news and reports about the corporate | **.541** | .152 |
| As far as I can see, the corporate take the leading position in the industry | .276 | **.642** |
| As far as I can see, the corporate is large-scale and strong | .087 | **.849** |
| As far as I can see, the corporate has a high profile in domestic | −.025 | **.854** |
| As far as I can see, the operation capacity of the corporate is powerful | .297 | **.744** |
| I believe the corporate will have a bright prospect | .552 | **.416** |

**Table 1.5** Factor analysis of consumer support for CSR

| Items | Loading |
| --- | --- |
| I think the corporate should be liable for society in operation as far as possible | **.651** |
| I'd like to pay more money for products which were manufactured by the responsible corporate | **.728** |
| I take the morality reputation of corporate into account when I do some shopping | **.704** |
| I wouldn't buy products offered by the unethical corporate | **.569** |
| I'd like to pay more money for products offered by the corporate which pays close attention to social welfare | **.615** |
| If the qualities and prices of two products offered by different corporate, I will choose the one provided by a corporate with good social responsibility reputation | **.586** |

## 1.6 Discussion and Conclusion

Through empirical study, this study identifies some important points related to the relationship between CSR and corporate image for the Chinese SOEs. First, it shows that product and employee responsibility contribute positively to both affective and cognitive image, implying that the investment of SOEs into product and employee will generate positive image feedback from public. As product is the most direct and important factor for consumer and society, product responsibility could inspire both cognitive and emotional response. Meanwhile, employees are always the most related internal stakeholder, which attracts not only interest consideration but also sympathy reaction. Good employee responsibility can be transformed into attractiveness as firm's to differentiate it from other employers (Albinger and Freeman 2000), and contribute to employee's identification to firm (Kim et al. 2010). Therefore, SOEs in China could utilize employee responsibility's

**Table 1.6** Regression analysis of CSR's effect on corporate image

|  | Affective image | | Cognitive image | |
| --- | --- | --- | --- | --- |
|  | Model 1 | Sig | Model 2 | Sig |
| Environment responsibility | .313 | .695 | −.037 | .835 |
| Community responsibility | .355 | .000 | .149 | .480 |
| Product responsibility | .322 | .000 | −.064 | .004 |
| Economic responsibility | .190 | .000 | .333 | .220 |
| Employee responsibility | .373 | .000 | −.061 | .000 |
| Organization responsibility | .228 | .000 | .167 | .251 |
| Consumer support for CSR | .041 | .000 | .113 | .002 |
| Environment responsibility × consumer support for CSR | .087 | .301 | .033 | .040 |
| Community responsibility × consumer support for CSR | −.052 | .026 | .061 | .544 |
| Product responsibility × consumer support for CSR | −.021 | .182 | −.006 | .244 |
| Economic responsibility × consumer support for CSR | .071 | .603 | .073 | .915 |
| Employee responsibility × consumer support for CSR | .035 | .076 | −.113 | .175 |
| Organization responsibility × consumer support for CSR | .004 | .382 | −.013 | .036 |
| $R^2$ | .570 | | .512 | |
| Adjust $R^2$ | .552 | | .491 | |

impact on both dimension of corporate image as tools to attract and maintain talents from competition from private and foreign firms.

Second, community responsibility, economic responsibility, and organization responsibility contribute to affective image but have no significant effect on cognitive image. Such kind of effects on affective image is generally consistent with the findings in the Western countries (Sotorrío and Sánchez 2008), implying public appreciation of firms' contribution to external community and internal organisation. However, these three kinds of CSR dimensions don't bring cognitive recognition about SOEs in China. Since CSR doesn't have long history in China, especially for Chinese SOEs, these three dimensions may not be thought as necessary components of CSR by ordinary Chinese people. Consequently, while ordinary people show emotional respect to SOEs' these three kinds of social responsibility activities, they don't think about them as rational components of CSR.

Third, no environment responsibility effect is found on either affective or cognitive image. Although environment responsibility is highly emphasised in the Western countries, it is comparatively less mentioned by SOEs in China. Because China just started its economy transition from the beginning of 1980s, to compete foreign investment and local economy development, environment consideration is often subordinate to economy and employment factor. Such kind of political-economy context hinders the development of environment responsibility to a large extent (He and Chen 2009). In addition, measurement of environmental corporate social responsibility is another challenge for understanding environment responsibility for people (Rahman and Post 2012). Consequently, although some SOEs have begun to conduct environment responsibility activities, they don't recognition from public.

Fourth, significant moderator effect of consumer support for CSR exists but influences in a different ways. Our findings show that consumer support for CSR positively moderates the effect of community and employee responsibility on affective image. Differently, consumer support for CSR positively moderates the effect of environment and organisation responsibility on cognitive image. On the one hand such kind of moderator effects shows that consumers' social perception is influential in deciding the impact of SOEs' CSR on corporate image (Feldman and Vasquez-Parraga 2013). On the other hand, consumers' social ideas act in different ways. As shown in Table 1.6, consumer support for CSR does not have moderator effect on product and economic responsibility, which are the two most rationally interest-oriented dimensions of CSR. For the rest four dimensions, consumer support for CSR also generate different impact. Particularly, it significantly moderates the relationship between environment responsibility and cognitive image. All of these indicate consumer's awareness and support to CSR is crucial for shaping SOEs' CSR effect on corporate image.

When CSR in China is getting more and more attention from academia (Kolk et al. 2010; Wang et al. 2011), this study contributes to focus on SOEs and inputting a view of consumer. Moreover, this study also highlights several important issues of CSR of SOEs in China, which demands future research. Firstly, the Chinese SOEs' social responsibility remains at a low level. There may be a large CSR gap compared with some countries. How to improve SOEs' awareness and willingness to engage into CSR remains an unresolved question.

Secondly, there are significant differences for SOEs social responsibility among industries in China. For example, compared with SOEs in the manufacturing industry, their co-partners in the monopolised industries as electricity, gas and water show more respect to CSR but realise less acknowledge by public. Actually, it is in line with China's national conditions, where the industries related to people's livelihood and supported by government in a large profit space have to face the special CSR requirement from public. Therefore future research needs to deepen understanding of CSR among SOEs in different industries.

At last, there is a close connection between the levels of SOEs social responsibility and enterprises scale in China. The research suggests, in addition to product responsibility, other factors of CSR all be significantly affected by enterprise scale (Wang et al. 2011). Although SOEs has a special nature, it still put profit in the first place. Especially with the process of SOE reform in China, carrying out CSR of SOEs is no longer a government behaviour, but a behaviour of an enterprise. Thus SOEs have to get and sustain greater profitability before fulfilling CSR. How to balance the profit demand and CSR in the Chinese SOEs requires longitudinal observation.

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# Chapter 2
# The Roots of Indian Corporate Social Responsibility (CSR) Practice from a *Vedantic* Perspective

**Balakrishnan Muniapan**

**Abstract** In recent years, numerous researches have been conducted on corporate social responsibility (CSR) from various perspectives including contributions from the philosophical and religious schools of thought. Philosophy and religion also have a significant impact to business and management as research suggests that the encouragement of philosophy and religious principles in business can lead to benefits in the areas of creativity, honesty and trust, personal fulfilment, and commitment, which will ultimately lead to increased corporate and business performance. From a survey of CSR literatures from philosophical and religious perspectives, there are studies based on the Quran (Islam), Bible (Christianity) and Confucianism viewpoints made by scholars. The *Vedantic* (Hinduism) view has also in recent years received attention within the field of CSR especially when the roots of CSR practice is explored in the Indian management. Except for few researches in this area which are still at the infant stage, many of the *Vedantic* concepts (with exception of *dharma* and *karma*) have yet to be fully explored within

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the context of CSR. Therefore this article is timely and fills the gap in the CSR literature. In this article, the author employs hermeneutics, a qualitative research methodology which involves the study, understanding and interpretation of the *Vedantic* concepts in CSR. In a nutshell, from a *Vedantic* viewpoint, the CSR is seen from an inside-out perspective, which is the development of individual leader's self-conscience of his or her *svadharma* (prescribed duties) and *karma* (action) plus the performance of *pancha rina* (fivefold debts). Based on the *Vedantic* insights, CSR should ideally begin with ISR (Individual Social Responsibility) and to go beyond CSR with GSR (Global Social Responsibility). These three social responsibilities are the essential *dharma* and *karma* of corporate leaders. The leaders and the role they play in corporations are crucial in ensuring transparency, good conduct and governance towards the ultimate aim of achieving CSR. This article is expected to provide a framework to the study of *Vedantic* viewpoints in other aspects of corporate management besides CSR in the near future.

## 2.1 Introduction

The study of *Vedantic*[1] perspectives of management of business has received wide attention among scholars, especially among those researching the Indian[2] ethos during the past decade. As management and CSR is culture specific (Sharma 2001), to be effective, it has to be rooted in the cultural soil of the country, where it is practiced. Many communities and countries in Asia have created and are creating their own system of management and CSR (Muniapan and Dass 2008). The success of Japanese, Chinese, Taiwanese and Korean system of management and CSR are largely attributed to Confucianism cultural ethics. In Malaysia, the fifth Prime Minister, Datuk Seri Abdullah Ahmad Badawi tried to promote an approach called Islam Hadhari or civilization Islam, in which CSR was included (Swee-Hock and Kesavapany 2006). The Islamic perspectives of CSR in the context of Middle East have also been written extensively by scholars such as Tayeb (1997), and Abuznaid (2005, 2009).

Panda and Gupta (2007) in their paper "Call for developing indigenous organisational theories in India: setting agenda for future" which appeared in the 1st Volume of International Journal of Indian Culture and Business Management; have asserted that during the last two to three decades, academic scholars worldwide have increasingly realized the limitations of universal applicability of

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[1] The word, the word *Vedic, Vedantic, Vedanta* (will be used interchangeably in this article) is a compound of Veda "knowledge" and *anta* "end, conclusion", translating to "the culmination of the *Vedas.* See Radhakrishnan, Sarvepalli; and Moore, Charles A, *A Source Book in Indian Philosophy*. Princeton University Press; 1957, Princeton paperback 12th edition, 1989, p. 3.

[2] The reference to Indians here refers to not only Indians in India but also people of Indian origin in all parts of the world, including the author who is an Indian born and bred in Malaysia.

Western management (including CSR) theories and practices across all nations (e.g. Hofstede 1993; Kiggundu et al. 1983; Boyacigiller and Adler 1991; Gopinath 1998; Rousseau and Fried 2001). This has led to a growing interest in indigenous management theories, i.e. relevant management theories and practices based on local conditions and socio-cultural factors. They (Panda and Gupta 2007) argued that the reviews of literature reveals that most of the findings of existing studies (most of which have been conducted in organizations located in the USA) did not replicate in other nations (Bhagat and McQuaid 1982). They suggests that management (also CSR) knowledge is not universal and it is culture specific and therefore it is essential for developing countries in Asia to explore their indigenous management (includes CSR) thoughts based on ancient wisdom.

However such efforts seem to be absent and this can be seen in the coverage of reading materials in various management and CSR curriculums in many Asian countries such as India and in Malaysia. Most business schools keep on prescribing either American, British and Australian text books or books western tradition (Muniapan 2008). As a result in the mind of the management learners, the western management (and CSR) models seems to be made superior and nowhere good management values from the local culture (indigenous) perspectives are taught. This attitude and mindset is likely to continue unless efforts are not made to develop the culture specific (indigenous) models, otherwise the Indians and Asians will likely to lose their "Asianess" in the near future.

In the Indian context, the *Vedanta* (or *Vedantic*), in recent years has attracted interest among academics not only in theology, philosophy, spirituality, but also in management and CSR. The studies to explore the *Vedantic* approach in management have been made by scholars such as Chakraborty (1993, 1995, 1997, 1999), Chakraborty and Chakraborty (2008), Sharma (1996, 1998, 1999, 2002, 2003), Krishnan (2001, 2003), Kejriwal and Krishnan (2004), Satpathy (2006, 2007), Muniapan (2006, 2007, 2009, 2010), Muniapan and Dass (2008, 2009), Muniapan and Satpathy (2010), Satpathy and Muniapan (2008), Roka (2006), Parashar (2008), Muniapan and Low (2011), Low and Muniapan (2011) and others.

There is abundance of *Vedic* literatures which describes on management and CSR from numerous perspectives. There are also several ancient wisdoms on CSR from ancient India written in Sanskrit and in various other Indian languages. The ancient *Vedic* classics such as the *Valmiki Ramayana*[3] (Muniapan 2007), the

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[3] The *Ramayana* was written by Sri Valmiki Muni (adi kavi or first poet) and contains 24,000 verses in seven *kandas* (books). It is considered to be the first poem (adi kavya) in the Indian context. The *Ramayana* is about a Raghuvamsa prince, Rama of Ayodhya, whose wife; Sita is abducted by demon Ravana. The *Ramayana* provides the essence of the Vedas. The Valmiki Ramayana, translated into English is available at http://www.valmikiramayan.net/.

*Mahabharata,*[4] the *Upanishads*[5] and also the *Puranas*[6] offers several lessons on management which are useful in contemporary CSR, although many of these literature were written in Sanskrit more than 50 centuries ago.

From the *Bhagavad-Gita*[7] which is regarded as the core of *Vedantic* philosophy for example, we learn that lust or desire of the leaders as the root cause of arguments against CSR and other unethical practices. It is the lust or desire of the leaders, latter transformed into wrath, which compels them to commit such unethical practices (*kama esa krodha esa, raja guna samudbhavah; mahasana maha-papma, viddhy enam iha varirinam: Bhagavad-Gita 3.37*). As the fire is covered by smoke, as the mirror is covered by dust, or as the embryo is covered by the womb, the leaders are covered by different degrees of lust or desire (*dhumenavriyate vahnir, yathadarso malena ca; yatholbenavrto garbhas, tatha tenedam avrtam: Bhagavad-Gita 3.38*). Therefore the *Vedantic* view is that anyone who takes up CSR leadership position must from the very beginning curb this great lust or desire by regulating their senses (*tasmat tvam indriyanay adau, niyamya bharatarsabha; papmanam prajahi hy enam, jnam vijnana nasanam: Bhagavad-Gita 3.41*).

## 2.2 Objectives

Although several concepts from the *Vedanta* are relevant to construct a CSR model; the *Vedantic* approach has yet to be explored fully in the context of CSR. Therefore in this article the author attempts to explore CSR insights from the *Vedantic* perspectives. This article also attempts to highlight the CSR thoughts from the *Vedanta*, although for many people and also to the scholars, exploring and

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[4] The *Mahabharata* is one of the two major ancient *Sanskrit* epics of India, the other being the *Ramayana*. The full version contains more than 100,000 verses, making it around four times longer than the Bible and seven times longer than the *Illiad* and the *Odyssey* combined. The *Mahabharata*'s scope is best summarized by one quotation from the beginning of its first *parva* (section): "*What is found here may be found elsewhere. What is not found here will not be found elsewhere*". The Mahabharata of Krishna Dwaipayana Vyasa, translated to English by Kisari Mohan Ganguli, online translation is available at http://www.sacred-texts.com/hin/maha/index.htm.

[5] *Upanisad* literally means "sitting down beside. Different *Upanishad* is affiliated with the four *Vedas*. The *Upanishads* were transmitted orally by the *Vedic* schools. The longest and oldest *Upanishad* is the *Brhadaranyaka* and *Chandogya* respectively. Dr. B.B. Paliwal (2006), Message of the Vedas, Diamond Books, New Delhi, pp. 45–70.

[6] *Puranas* means history; *puranas* are an important part of the *Vedic* literatures. According to tradition, the Puranas were composed by Vyasa at the end of Dvapara Yuga, though modern scholars date them from the fourth Century B.C. to the first millennium A.D. Source: Vinay Lal (2007), Puranas, University of California, Los Angeles. *Bhavisya Purana* means "The History of the Future".

[7] The *Bhagavad-Gita* is a philosophical dialogue between Sri Krishna and Arjuna before the commencement of the war between the Pandavas and Kauravas in Kurukshetra, India more than 5000 years ago. It is a part of *Bhisma Parva* of the *Mahabharata*.

presenting CSR from a philosophical and spiritual perspective such as *Vedanta* may look rather strange. These will eventually dispel the wrong notions and belief that prevails regarding the relationship between ancient Indian philosophy and management (CSR) and will provide a framework for the development of future philosophy related research studies in the area of CSR.

## 2.3   Methodology

This article is based on a qualitative research methodology called hermeneutics, which is the interpretation of scripture and classical Vedic literatures. Hermeneutics is not a well-defined field. It is also concerned with the usage of language and the process of using language (Muniapan 2007). In this paper the interpretation of selected verses from the Vedic literatures; has been made to provide its relevance to the CSR. The interpretation was done based on four stages; namely identification, investigation, interpretation and integration (Muniapan 2010). The identification stage involves searching for the relevant direct and indirect CSR equivalent verses; this will be followed by a detailed investigation of the verses in terms of context and context. The next stage involves interpretation by providing the meaning and the relevance of the verses from the CSR context. The final stage is the integration of the verses involves adopting, modifying the lessons from the verses from the perspectives of CSR.

## 2.4   Philosophy (Religion) and Business (Management Including CSR)

Religion and philosophy plays a significant role in the development of human values and behavior which has a great impact to business and corporate management. Research also suggests that the encouragement religious principles in business can lead to benefits in the areas of creativity, honesty and trust, personal fulfillment, and commitment, which will ultimately lead to increased corporate and business performance (Krishnakumar and Neck 2002; Muniapan 2009, 2010).

In the academic journals, there has been considerable research on the relationship between religion (philosophy) and business (Calkins 2000; Epstein 2002; Weaver and Agle 2002; Zinkin and Williams 2006; Beekun and Badawi 2005 and Abuznaid 2005, 2009). There have been numerous conceptual studies which have linked and integrated the religious faiths and scriptures such as the Bible (Christianity), the Quran (Islam) writings from the perspectives of business (Tamari 1990; Stackhouse et al. 1995; Epstein 2002; Sacks 2004; Zinkin 2004; Zinkin and Williams 2006). This conceptual work has led to empirical research into the relationship between religion and business. Zinkin and Williams (2006) in their

studies on Islam and CSR cited some of the earlier studies made on the relationship between religion and business which includes Miesing and Preble (1985), Ibrahim and Angelidis (1993), Terpstra et al. (1993), Smith and Oakley (1996), and Angelidis and Ibrahim (2004).

In terms of the impact of religious philosophy on CSR practices, several researches support the idea that religious people have a wider notion of CSR than non-religious people (Rest 1986; Agle and Van Buren 1999; Weaver and Agle 2002; Brammer et al. (2005); Zinkin and Williams 2006). In the study by Brammer et al. 2005 on religion and attitudes to CSR, data collected from a large cross country sample of over 17,000 individuals confirmed the notion that religious individuals do tend to hold broader conceptions of the social responsibilities of business than non-religious individuals.

Among the world's major religions and philosophy, Christianity and Islam have received wider attention from a business and CSR perspective. The *Vedanta* (Hinduism[8]) however is yet to be explored in the context of CSR; therefore this article is timely as it fills the gap in the CSR literature.

## 2.5 Corporate Social Responsibility

CSR has received wide attention among business and management scholars for the past one decade and this concept is still evolving. There has been a myriad of CSR definitions by numerous scholars, but there is no universally accepted definition of CSR. One of the primary reasons is that CSR is an evolving concept, which over the years has been used to describe an increasingly wider range of corporate activity (Gutierrez and Jones 2005). CSR, which used to be equated with corporate philanthropy, now, includes everything from charitable contributions and "social investment" to the direct integration of vulnerable populations into a corporation's regular business practice (Gutierrez and Jones 2005).

CSR refers to the obligation of an organization which considers the interests of all their stakeholders which includes the customers, employees, shareholders, communities and ecological considerations in all aspects of their operations. This obligation is seen to extend beyond their statutory obligation to comply with legislation. In the American context, CSR traditionally relates to the practice of

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[8] Many believe that the name Hindu (Hinduism) was developed by invading forces who could not pronounce the name of the *Sindhu River* properly. The Persians, using the word "Hindu" for "Sindhu", referred to the people who lived near or on the other side of the Sindhu River as "Hindus", and their religion later became known as "Hinduism." Prior to that time, Hindus had called their religion *Sanatana Dharma*. See "The Concise Oxford Dictionary of World Religions". Ed. John Bowker, Oxford University Press, 2000; The term can be traced to late nineteenth century Hindu reform movement (J. Zavos, *Defending Hindu Tradition: Sanatana Dharma as a Symbol of Orthodoxy in Colonial India*, Religion (Academic Press), Volume 31, Number 2, April 2001, pp. 109–123).

philanthropic work of wealthy business owners John D. Rockefeller and Andrew Carnegie, who gave away millions of dollars to social causes. However, CSR goes beyond the normal philanthropy or charity activities of an organisation as CSR requires organisation take into full account of its impact on all stakeholders and on the environment when making decisions. In a nutshell, CSR requires the organizations to balance the needs of all stakeholders with its need to make a profit and reward shareholders adequately (Muniapan and Dass 2008).

Eberstadt (1977) asserted that the practices of CSR date back to the ancient Greece. Muniapan and Dass (2008) in their study on *Vedic* CSR highlighted a similar development of CSR in the ancient India. Early conceptualisation of CSR was broadly based on religious virtues and values such as honesty, love, truthfulness and trust. Such values were found dominant in the golden rule constructed by Immanuel Kant's Categorical Imperative (Evan and Freeman 1998; Muniapan and Dass 2008). It has also been argued that this golden rule can be applied in viewing companies as responsible to stakeholders and society (Donaldson and Preston 1995; Evans and Freeman 1998; Muniapan and Dass 2008). Implicitly, this argument suggests that those who do not practice such values are deemed to be unethical and not concerned of societal welfare. Since then, civilisations have been in the process of wealth and the practices of CSR were neglected and overshadowed by the pursuit of wealth accumulation.

The concept of CSR has also led to the emergence of a variety of business practices to be more stakeholder and societal orientated (Freeman 1984; Crane and Matten 2004; Welford 2004; Habisch and Jonker 2005; Fairbrass 2005; Whellams 2007). How a business is viewed and evaluated by stakeholders is likely to have a major impact on its interactions with its stakeholders. The stakeholder theory by Freeman (1984) suggests that investing time and other resources in addressing stakeholders' interests and concerns is an important CSR activity. Organisations have an obligation to society and are responsible to numerous stakeholders including owners, employees, customers, suppliers, competitors, government regulators and communities. By integrating CSR into core business processes and stakeholder management, business can achieve their ultimate goal of creating both corporate and social value. Therefore business corporations are searching for ways to integrate CSR into their long-term business strategies in a way that is beneficial to both business and society.

## 2.6 *Vedantic* Perspectives of CSR

In *Vedanta*, business is viewed as an integral part of society, but essentially it should create wealth for the society through the right means of action. '*Sarva loka hitam*' in the *Vedic* literature referred to 'well-being of stakeholders'. This means an ethical and social responsibility system must be fundamental and functional in all business undertakings. The CSR requirements found in the *Vedic* literatures

stresses on the concept of "*dharma*" which is given great importance in the *Bhagavad-Gita*.

In *Vedanta, dharma* is one of the aims of human life besides wealth (*artha*), desires (*kama*) and liberation (*moksha*). There is a systematic relationship of each of these aims. The ultimate element of life should be interpreted as a drive to achieve *moksha* or liberation guided by *dharma* and *kama* using *artha* as a tool. Business is a means in creating *artha* or wealth. Business principles need to be based on *dharma* and dharma should always be protected. *Dharma* has been explained to be that which helps the welfare of all living being. In the *Mahabharata*, *Karna Parva,* Chapter 69 Verse 58 eulogises *dharma* as one which sustains the society, maintains the social order, ensures well-being and progress of humanity, and *dharma* is surely that which fulfils these objectives (Muniapan 2006).

*Vedanta* emphasizes that one should not run away from his or her *dharma*. For example in the *Bhagavad-Gita* (B.G.), Sri Krishna motivates and encourages Arjuna (as a warrior) to perform his *dharma* (duty) and not to run away from the battlefield. (B.G. 3.8) – "Perform your prescribed duty (*dharma*), for doing so is better than not working, one cannot even maintain one's physical body without work" (Prabhupada 2003, p. 170). Sri Krishna further stressed that duty (*dharma*) needs to be done without attachment and for those who do their duty (*dharma*) without attachment will attain the supreme goal – (B.G. 3.19). In his explanation, Sri Krishna gave the example of King Janaka (father of Sita and father-in-law of Sri Rama in *Ramayana*) who attained perfection solely by performance of his prescribed duties (*dharma*) – (B.G. 3.20). Therefore Sri Krishna instructed Arjuna and leaders to perform their duty (*dharma*) for the sake of educating the people and welfare of all being or all stakeholders. Therefore, it is imperative for organisational leaders to set example to their people or followers as whatever the leader does, the people will follow and whatever standards or example the leader sets people in general will follow (B.G. 3.21). This also implies that for a CSR initiative to be successful, the leadership and support from the top management is essential.

When *Vedanta* is being explored to understand the *dharma* from a CSR context, there are four principal kinds of "*dharma*" known as *chatur-dharma*, which are relevant:

1. *Rita dharma* or the universal duty is the inherent order of the cosmos or the universal law. The protection of the environment falls within this scope of "*dharma*". This is some like global social responsibility (GSR) of leaders. *Vedanta* theory suggests that the *Brahman* (God) pervades the whole universe and promotes the happiness and welfare of all beings and it is similar to the *Bhagavad-Gita's* concept of *loka-samgraha* (bringing the world together).
2. *Varna dharma* or social duty defines the individual's obligations and responsibilities within the nation, society, community, business and family.
3. *Ashrama dharma* or duties of life's stages is a developmental *dharma*. The natural process of maturing from childhood to old age through fulfillment of the duties of each of the four stages of life namely *brahmachari* (student), *grihastha* (householder), *vanaprastha* (elder advisor) and *sannyasa* (religious

solitaire) in pursuit of the four human goals: *dharma* (virtue), *artha* (wealth), *kama* (pleasure) and *moksha* (liberation).

4. *Svadharma* or personal duties, or obligation is one's individual pattern through life, according to one's own particular physical, mental and emotional nature. *Svadharma* is determined by the sum of past *karma* and the cumulative effect of the other three *dharmas*. It is the individualized application of *dharma* dependent on personal *karma*, reflected on physical characteristics, health, intelligence, skills and aptitudes, desires and tendencies. This is the individual social responsibility (ISR) in relation to the individual life and growth.

The concept of *loka-samgraha* in GSR (and also CSR) as described in the *rita dharma* symbolizes a persistent attempt by business connect everything in the cosmic based on oneness of one's existence along with the existence of other beings. This is based on the principle of unity of existence or the vision that the entire human race (also other living beings) as a family (*vasudhaiva kutumbhkam*). The bond of spirituality based on the principle of unity of existence binds together people belonging to various parts world, despite all their differences. Ideally, everybody care and share, demonstrate mutual love and respect, and take responsibility for and cooperate in maintaining and furthering the welfare of the family. *Vedantic* CSR therefore promotes the welfare, progress, development, and happiness of all beings. This is also indicated by a popular prayer – *loka samastha sukhino bhavanthu* – which means that all may be happy and healthy. These ideals can be extended to provide models for CSR in the context of business.

Within CSR (and also GSR), the role of business in the sustainability and protection of environment is well recognized and encouraged in many of the *Vedantic* scriptures. *Vedanta* lays stress on the psychophysical environment as a cocoon for the growth of goodness and harmony (Kapur 2010). The *Vedic* literatures do devote a great deal of attention to environmental protection, agriculture, livestock, rains, and harvests. There is a branch of medicine called the *Ayurveda* and has its base in various herbal remedies. Indians greatly venerate several plants, including *tulsi* (basil) and n*eem*, and use them medicinally. The vivid descriptions of forest and fauna in the *Ramayana* and *Mahabharata* indicate quite clearly that there was then no environmental crisis of the sort witnessed in this century. These accounts and indicators suggest that living according to the principles of "dharma" includes, and results in, an understanding and appreciation for the natural world and a "right" relationship with the natural environment, as well as with others in society (Kapur 2010). This concept needs to be integrated into business practice and for CSR and GSR.

In *Vedanta*, the law of "*karma*" (cause and effect) is also highly relevant for CSR and ISR as it is expected to motivate the business people to carry out their responsibilities and duties to serve humanity. This ancient philosophy implies that the present nature of an individual's life (effect) or organizations is determined by their antecedent actions (cause). Good *karma* needs to be accumulated by business for long term benefits. In the context of CSR, organization should not only be interested in their own welfare but also the welfare of all stakeholders and

society. *Karma* is then a concept of reward or punishment for the choice made by individual or corporation. Hence, the law of *karma emphasized* the *dharma* as a key plank for self-realization and for the organization to reach its potential. In the teachings of *Vedanta*, it has been advised that perfect actions lead one to the 'gateway to liberation (*moksha*)'. Evidently, this Hindu philosophy on "*karma*" has set a framework for organizational action for good corporate "*karma*" by the promotion of CSR (Muniapan and Dass 2008). The *Vedantic* view also promotes the concept of *nishkama karma*; a perspective on action and decision making that emphasizes performing one's deeds without attachment to the fruits thereof– and where both the action and the fruits are offered to the divine. In the ISR, CSR and GSR context, the societal contribution must not have with any expectations in return but rather as a duty need to be done to the society.

The ISR based on *Vedanta* is the individual performance of *Vedic* injunctions such as the *pancha maha yagnas* (fivefold sacrifice) in response to the fivefold debts (*pancha rina*) with which a person is born, namely, debts to the material cosmos, to fellow human beings, to ancestors, to the *Vedic* sages and to the Devas (divine beings), is primarily meant to remind us continually of the interrelationship of the various sectors of the cosmos and the gratitude we owe to each of these sectors. The performance of these five *yajnas* is conducive to the spiritual evolution or growth of an individual as he or she gradually learns that they are not a separate entity or isolated creature or isolated unit, but is a part of a great whole. Feeding guests and the poor, the hungry, clothing the naked, giving shelter to the homeless, comforting the distressed, and the student are all forms of *yajna* and includes all acts of philanthropy, such as tithing and charity. By doing such *yagna* with acts of kindness and sympathy, an individual develops mercy, cultivates cosmic love, his or her heart expands, will have a wider outlook on life and tries to feel their oneness with all beings. He or she learns that they can be happy only by making others happy, by serving others, by helping others, by removing the sufferings of others and by sharing what he has with others.

The *Vedantic* CSR thoughts are also found in other Indian literatures such as the Arthashastra and the Thirukkural, which is a code of ethics. The *Arthashatra* written by Kautilya in the fourth Century B.C. is one of the ancient Indian (Hindu) literatures which had provided some insights to CSR, although it was written for his King (Chandragupta Maurya) to govern the state. In his *Arthashatra*, Kautilya maintained that a king (leader or CEO in the context of organization) should have no self-interest, happiness and joy for himself, his satisfaction lies in the welfare (happiness) of his people, i.e. he has to submerge his personality into the larger personality of his people. Kautilya states in the happiness of his subject lies the happiness of the king; and in their welfare his welfare; the King shall not consider as good only that which pleases him but treat as beneficial to him whatever pleases his subjects– the welfare of the many and the happiness of the many. In fact, this CSR concept of the happiness of the many need integrated into the area of corporate management as the basic principle (Muniapan and Dass 2008). Kautilya stressed the importance of happiness to all stakeholders of an organization as in the stakeholders' theory. He stated that happiness is obtained not only by wealth and

profit, but also by doing things rightly and doing right things. "Dharma" without wealth according to Kautilya is toothless, and wealth without "dharma" is useless because a poor person cannot support the entire society. The Hindu culture has always emphasized that happiness for self and others results from ethical behavior: wealth or resources make ethical behavior possible. This also means that one must strive to generate wealth – resources and money – share it equitably to create happiness for oneself and others. Such generation of wealth must also be through ethical means, which alone would lead to CSR and overall happiness (Muniapan and Dass 2008).

The *Thirukkural* around second century B.C. just like Kautilya's *Arthashastra*, dealt with the characteristics of socially responsible organizations. For instance, when talking about the responsibility or "dharma" of a king (leader), Thiruvalluvar says: the king who administers justice and protects his people will be considered of divine quality; (Vittal 2004). Thiruvalluvar also says: the king protects the world and if he acts according to justice or "dharma", then justice itself will protect him. If a person rules according to "dharma", that "dharma" itself will protect him. In the Indian context, this example can be seen in Ramayana, when Sri Rama (king) had to make the painful decision to banish Sita (queen) from Ayodhya. Sri Rama as an ideal king had to uphold the honor of his dynasty. He needed to set examples for all generation to follow. Although Sri Rama's decision to banish Sita may seem to be harsh, the king sometimes needs to be harsh, as the first duty of the king is to rule his people while other considerations are secondary, even if they affect personal happiness (Muniapan 2007; Muniapan and Shaikh 2007; Muniapan and Dass 2008). In the modern context of business, we would like to see organizational leaders setting such examples for the societal and global wellbeing. Such leadership actions will not only promote CSR but also GSR.

## 2.7 Conclusion

This article has provided the CSR from the *Vedantic* perspective which are the roots to Indian CSR. As *Vedanta* is as wide as an ocean, it is not within the scope of this article to explore all the scriptures within *Vedanta*. *Vedantic* approach starts with ISR, promotes CSR and goes even beyond to GSR which stands for the good of humanity social, cultural, moral and spiritual from global perspectives.

The general perception of *Vedanta* today, is that it contains a lot of rituals ceremonies, and festivals with no connection to business and CSR. The way forward for the *Vedanta* is to integrate philosophy, religion and spirituality in all aspects of life. One way to bring about such integration at the personal, community, national, and international levels is to provide for a much broader dissemination and much better understanding of the spiritual component of the scriptures to help people make them relevant to today's issues. With the help of modern technology the principles of *Vedanta* can, through proper dissemination, change the attitudes

and behavior of people and revive the human values of mutual love, respect, sharing and caring and of course CSR in the business context.

In a nutshell, the *Vedantic* perspective suggests an inside-out approach to CSR, which is development of the individual leader's self-conscience (ISR). The leaders and the role they play in corporations are crucial in ensuring transparency, good conduct and governance towards the ultimate aim of achieving CSR and beyond towards GSR.

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# Chapter 3
# Re-conceptualizing Corporate Social Responsibility in Japan

Scott Davis

**Abstract** In the wake of the devastation of the March 2011 disaster, the ideals of what economic prosperity and social inclusivity should constitute have become the subject of debate in Japan. As a part of this, the hitherto prevailing approach to CSR as being primarily concerned with the amelioration of environmental impacts, ensuring legal compliance and donating money to social causes has been criticised as an inadequate response to the issues currently being faced in Japan. This study will present an overview of the prevailing conceptualisation of CSR in Japan and a historical overview of the conditions under which it has developed, introduce three new models of the social role and responsibility of corporations – the "new public commons," "business continuity" and the "value co-creating company" proposed by the government of Japan, the Keidanren and the Keizai Doyukai respectively – that have emerged in recent years, and present case studies illustrating how two major global corporations based in Japan – the Bridgestone and the Sumitomo Corporations – manage their CSR initiatives in order to embed them as an integral part of their business models.

## 3.1 Introduction

Japan has a long tradition of social thought on the conceptualisation of what constitutes socially responsible business. In the decades following World War Two, rebuilding the economy, achieving industrial development and promoting economic growth were the overriding concerns of governments and corporations in Japan. Balancing the interests of business for growth and profits, with that of society for achieving social stability and wellbeing, as Japanese society, industry and the

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economy underwent rapid change throughout this period posed a series of serious challenges for corporations.

This chapter will explain how the need to reintegrate and harmonize the goals of achieving profitability and wellbeing over time has led to the development of corporate social responsibility (CSR) as it exists today in Japan and explain how, until recently, CSR in Japan has been characterized by three key defining features: an emphasis on legal compliance, environmental management, and the charitable support of the arts, sciences and social causes. The development of these features across a number of distinct historical phases where corporations have sought to adapt to changes in the social and economic context of business will be explained and compared with how in the aftermath of the devastation of the Great East Japan Earthquake on March 11 2011, the ideals of what constitutes economic prosperity and social inclusivity have again become the subject of debate in Japan.

The generally prevailing model of a passive, reactionary form of CSR has come under question a part of this debate and some Japanese corporations are currently exploring new process-based, strategically integrated models of CSR more attuned to government and public demands for greater social sensitivity and long-term responsibility within a business context increasingly defined by needs for sustainability, resilience and wellbeing.

This chapter will present an overview of how CSR has been defined and debated in Japan in the periods preceding and following the March 2011 disaster, describe the characteristics and weaknesses of the model of CSR currently prevailing in Japan, introduce three new concepts of the social responsibility of business that have been proposed in recent years, and present case studies illustrating how two major global corporations based in Japan have designed and implemented their CSR management practices in order to integrate business and social interests and enhance their creation of social value.

## 3.2  Literature Review (Overview of the Development of CSR in Japan)

Japan has a long history of proposals and debates concerning the social responsibilities of corporations. Kawamura (2012) traces the history of this discourse in its modern form back to the Japan Association of Corporate Executive's (In Japanese the "*Keizai Doyukai*") release of a position paper entitled "Awareness and Implementation of the Social Responsibility of Corporate Executives" in 1956. In this paper the Keizai Doyukai argued that the alignment between the pursuit of profit and the public good, which had developed in post war Japan, no longer existed and called for executives to acknowledge their responsibility to society by promoting a harmonious balance between economic development and the public good. Over the 60 years following the release of this report, corporations in Japan have experienced a series of incidents (as shown in Table 3.1) wherein public opinion regarding the

**Table 3.1** The development of Japan's CSR

| | |
|---|---|
| 1956: origin of CSR in Japan | 1956: The Keizai Doyukai releases "Awareness and Implementation of the Social Responsibility of Corporate Executives" initiating the commencement of Japanese style CSR |
| 1960s: phase 1 | Widespread criticism of corporate Japan for causing ever worsening industrial pollution and environmental degradation |
| | 1967: implementation of the "Environmental Protection Act" |
| 1970s: phase 2 | Corporations are criticized for the blind pursuit of profits in the aftermath the oil shocks |
| | 1974: Japanese diet revises the corporate code. Corporations establish departments to manage and control industrial emissions and establish foundations to redirect profits for social purposes |
| 1980s: phase 3 | With the growth of the bubble economy corporations attempt to emphasize their corporate citizenship by establishing social support programs and engaging in philanthropy |
| 1990s: phase 4 | The bubble economy collapses, unethical corporate behaviour and global environmental problems become pressing issues |
| | 1991: the Keidanren introduces its corporate charter |
| | 1996: the ISO14001 (environmental management system) is released. Corporations respond by producing codes of behaviour and establishing environmental management departments |
| 2000s: phase 5 | After a long succession of corporate scandals, corporations are forced to come to terms with the concept of stakeholders. Corporations establish CSR departments and appoint CSR officers |
| 2010s: phase 6 | 2010: the ISO26000 (guideline for social responsibility) is released. 2010: The Keidanren revises its corporate charter. Corporations revise their CSR reporting in light of the ISO26000 |

Source: Adapted from Kawamura (2004, p. 5). Author's translation

social responsibilities of business has shifted and corporations have been forced to restore this balance by redefining their social obligations (Kawamura 2004; Morimoto 1998, pp. 77–84; Umezu 2007, p. 11).

The first serious challenge that the interests of corporations were out of alignment with that of the public good came in the 1960s with widespread accusations that corporations' selfish pursuit of profits during the years of high economic growth rates had come at the expense of widespread public suffering in the form of industrial pollution as epitomised by Minamata disease (methyl-mercury poisoning caused by industrial contamination of water systems in Minamata City in Kumamoto Prefecture). Protests and civil lawsuits against offending corporations proliferated and a feeling of mistrust regarding the intentions and environmental stewardship of corporations prevailed at this time. The government responded to this situation by passing the Basic Law for Environmental Pollution Control in 1967, which required the removal of pollutants from industrial wastes before their discharge into air or water systems (Morinaga 2007, p. 141). The intensity of this backlash – extending to claims that corporations were essentially anti-social in nature – motivated corporations to introduce and implement comprehensive environmental protection policies and procedures. Kawamura identified this change as an important development in initially defining the nature of Japan's CSR with a

strong emphasis on legal compliance and environmental protection, and has suggested that compelling Japan's manufacturers to develop and deploy air and water purification technology at this time was in part responsible for the development of today's environmental technology and served to associate the concept of CSR in a favourable manner with environmental business (Kawamura 2004).

Following the oil shock of 1973 the price of basic goods and necessities soared as a result of commodity speculation by trading companies, hoarding, speculation and unfair price increases by corporations. Skyrocketing prices became the subject of a parliamentary investigation and corporations were criticized for profiteering by cover of attempts to defray otherwise unrelated following year the Petroleum Association of Japan was raided by the authorities and investigated for violation of the anti monopoly law on suspicion of price fixing. This high-profile incident, combined with a spate of scandals caused by the sale of faulty and dangerous products, served to create a pronounced anti-corporate mood among the Japanese public.

Against this background of corporate criticism the social responsibility of corporations became a focus of public attention and a large number of books were published on the subject (Kobayashi 1972; Narumo 1970; Takada 1974). The Ministry of Trade and Industry, the Japan Productivity Center and the Japan Economic Journal all released guidelines for promoting and evaluating business responsibility (Morimoto 1998). The public mood shifted towards mandating CSR and eventuated in 1974 in a motion being passed in the Diet regarding CSR during the reform of the Commercial Code. Despite this debate, and the involvement in it of several major industrial associations, corporate action was limited to the establishment of pollution control departments and foundations to disperse social contributions. It was during this period that CSR in Japan developed its characteristic emphasis on legal compliance and environmental (pollution) management.

The next change came in the 1980s. During this period the rapid appreciation of the Japanese Yen following the 1985 Plaza Accord prompted corporations to expand their manufacturing activities overseas. This created the opportunity for Japanese workers thereby relocated overseas to experience firsthand the living standards of other nations. These comparisons quickly led to the realization that the cramped housing conditions, long working hours, and gender inequalities long suffered by Japanese workers would not be tolerated by their counterparts in developed nations. At the same time the effects of Japan's economic bubble came to being felt as corporations found themselves increasingly cash rich.

In order to defray this criticism corporations adopted the American concept of "Good Corporate Citizenship" and began actively establishing foundations to sponsor the arts and sciences and provide financial support for wide variety of social welfare initiatives. Philanthropy and the corporate patronage of the arts and culture spread among Japanese corporations. The Association for Corporate Support of the Arts was established in 1989 and the 1% Club was established in 1990 by the Japan Business Federation (In Japanese the "*Keidanren*").

This marked the development of a new dimension in Japan's CSR as it came to be seen as including a form of social contribution. This shift in content was

accompanied by a shift in the management of CSR activities. Managing social contribution strategies meant that CSR changed from being primarily a passive response to external pressures from outside the market to a more active form of engagement with society (Tanimoto 2007).

Japan's bubble economy which had become conspicuous from the late 1980s burst at its peak at around 1990. Corporate misconduct including share brokerages having compensated investment losses for their largest clients, cartels formed within the construction industry, COCOM violations by machine manufacturers and the bankruptcy of major financial institutions due to accounting irregularities came to light in the wake of the bubble's end and prompted a new round of corporate criticism. This time, however, the criticism also came from outside Japan's borders.

In 1991 in response to these events and in order to redress the ethical shortcomings believed to underlay them, the Keidanren enacted its "Corporate Charter." Prompted by this, many corporations introduced their own codes of corporate behaviour – each emphasizing legal compliance and the importance of ethical business. At the same time public awareness of serious global environmental issues including the destruction of the ozone layer, exploitation of tropical rainforests, and global warming spread throughout Japan. The United Nations Conference on Environment and Development (the Rio Summit) held in Brazil in 1992 brought official recognition of these problems as issues threatening the sustainability of the environment on a global scale.

Against this background Japanese policy on the environment shifted focus from the direct regulation of industrial waste outputs to a more nuanced industrial and economic policy. In addition to regulating the release of pollutants, the government began encouraging corporations to reduce the actual environmental impact of the products and services they provided. This in effect meant that the Japanese government's concern shifted from a focus on antipollution measures to a full-scale environmental protection policy.

In 1996 with the release of the ISO14001 (environmental management system) corporations enthusiastically sought accreditation and in the process replaced their pollution control departments with newly established offices for the management of global environmental issues. This marked the full-scale commencement of environmental management in Japan. In 1999 Japan's first eco-fund was established (Adachi and Kanai 2004) and environmental ratings were commenced. This period marked the development of an awareness of the importance of environmental sustainability on a global scale and the position within this of a systematic approach towards environmental management based on PDCA management cycles including stakeholders and the supply-chain (Morinaga 2007, p. 143).

By the start of 2000, Japan's corporations were again coming under severe criticism as the result of yet another series of scandals surrounding misconduct by leading corporations – the sheer extent and severity of which caused widespread concern throughout Japan. The incidents started in 2000 when an automobile manufacturer covered up faults in their vehicles and failed to issue a recall, and the occurrence of a large-scale food poisoning incident caused by a premier

Japanese food manufacturer. This was followed in 2002 by an incident wherein a food manufacturer was exposed as having fraudulently sold cheap foreign meat as prime Japanese beef and an electric power company was found to have concealed accidents that resulted in serious radiation leaks at one of its nuclear power generators. In 2004 a major Japanese trading company was found guilty of having falsified engine emissions data in a submission to the government and a railway company was delisted from the Tokyo Stock exchange after having falsified shareholder reports to conceal share ownership in the company. The incidents became so frequent and serious in the food industry that the term the "Crisis of the Table" (*Shokutaku no Kiki* in Japanese) came into wide use by the media and consumers to refer to the basic immorality that was perceived to define food producers for whom falsifying sourcing data and expiration dates were a part of daily business.

The fact that many of these incidents occurred in well-known and highly respected corporations, and that many of them consisted of attempts to defraud or otherwise seriously disregard the public interest, came as a particular shock. The extent to which public confidence in corporations had been eroded can be illustrated by the fact that many of these misdeeds were revealed by whistleblowing employees – a practice which was previously virtually unknown in Japan. The ethics of Japanese corporations were yet again called into question. This time however, in the light of revelations of long-term, organized and systematic deception in Japanese industry, the focus went beyond the issue of legal compliance and extended to question the moral legitimacy of corporations and executives themselves.

During the 2000s, just as Japan was going through its latest series of corporate scandals, SRI rating agencies based in the United States and Europe started to include Japanese corporations in their rankings. For the first time corporations in Japan were subjected to evaluations based upon unfamiliar expectations of CSR encapsulated in Western formulations of governance, human rights, and the management of relations with consumers and stakeholders. Despite initial expressions of opposition and reticence, Japanese corporations eventually began responding to these questionnaires and other demands for information in the understanding that they were based upon the requests of investors throughout the world. Some observers in Japan have draw parallels between this and the arrival of Perry's black ships at the end of the Tokugawa period in order to open up Japan to the world (Kawamura 2012). Japan's corporations responded by establishing CSR departments, and terms such as transparency, accountability and corporate governance entered the mainstream vocabulary of Japanese CSR. This marked the beginning of the "Age of CSR" for Japan and a transition from domestic to Western formulations of CSR.

The severity of the corporate scandals and the backlash against them defined this period and served to maintain and reinforce the corporate focus on legal compliance and business ethics which had prevailed in the past. Kawamura has depicted the development of Japanese-style CSR up until this period as being the result of a reactionary (passive) response to criticism of profiteering and unethical business

practices which has resulted in a corporate centred approach to CSR largely focused upon legal compliance, ethics and environmental management with little regard towards social issues including sustainability and development (Kawamura 2012). This general stance has prompted the Keizai Doyukai to vocally criticise what they called an overemphasis on legal compliance and an overly reactionary stance, and call instead for a more proactive implementation of CSR which could focus on the mutually enhancing and beneficial relationship which ideally should exist between corporations and society (Keizai Doyukai 2006).

Overall, the development of CSR in Japan since the end of world war two was characterized by a conspicuous absence of any substantial debate regarding the rights of capital and focused instead on the obligations of corporations to protect the public good. Due to this, the evolution of the definition of the concept of "public good" has in effect defined the context for the planning, implementation and evaluation of CSR. The next section will present an overview of the defining characteristics of the currently prevailing formulation of CSR as it has developed within this historical context. This will in turn set the stage for an examination of the meaning of recent models of CSR and their significance.

## 3.3 The Current State of CSR in Japan

On face value there seems to be a great deal of evidence that CSR management in Japan is well established and widely implemented. Despite their being no current legal or regulatory requirement in Japan to report on CSR activities 99 % of Japan's largest corporations produced annual CSR reports in 2011. This is second only to the United Kingdom (KPMG 2011, pp. 10–11). Until very recently, however, CSR in Japan has been characterised by a focus on four areas: an emphasis on legal compliance, social support contributions, environmental issues and a preoccupation with immediate stakeholders (see Fig. 3.1).

**Legal compliance:** The first of these features, the emphasis on "legal compliance," is the outcome of an ongoing process of contrition and self-admonition by corporations. The emphasis given to legal compliance within the Japanese formulation of CSR is due to the cultural pressure felt by corporations within Japanese society to respond to immediate criticism of irresponsible behaviour, prove that they are worthy of the public's trust and thereby secure their business continuity. Legal compliance is taken in Japan as being part of CSR. As shown in Table 3.2, recent studies show that although corporate executives in Japan increasingly identify CSR as a central issue in business management (Keizai Doyukai 2010, p. 12) a large proportion still define CSR as a response to legal obligations or social demands.

**Social contribution:** A second feature is the wide spread use of social contribution in the form of financial support outside of business activities. This interpretation that CSR is largely concerned with supporting social activities and events remains strong today. Japanese corporations have established numerous
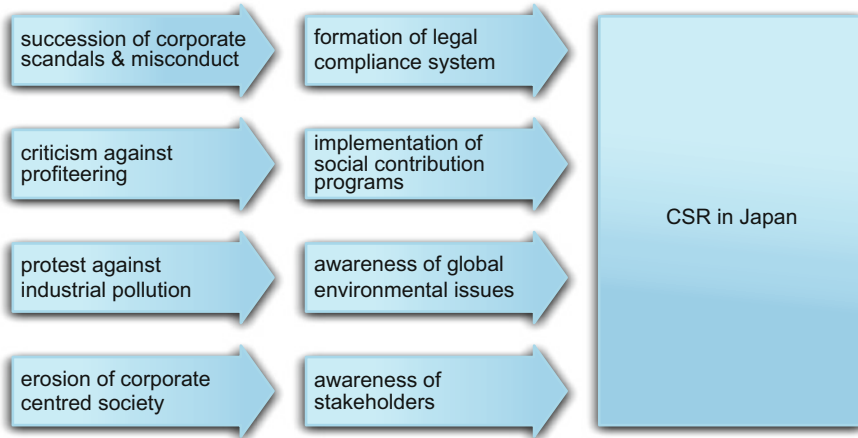
**Fig. 3.1** Factors in the formation of CSR in Japan (Source: Adapted from Kawamura (2005, p. 6; 2012, p. 6))

**Table 3.2** What is the strategic position of CSR in Japanese corporations? (response = %, multiple choice)

|                                                              | 2003 | 2006 | 2010 |
|--------------------------------------------------------------|------|------|------|
| CSR is a central part of management                          | 51   | 69   | 71   |
| CSR is an unavoidable cost of business                       | 65   | 55   | 51   |
| CSR is given a central place in corporate strategy           | 8    | 16   | 31   |
| Only engage in activities mandated by law or social demands  | 59   | 47   | 34   |

Source: Keizai Doyukai (2010, p. 12) Translation by author

foundations to promote the arts and sciences by redirecting profits in an attempt to offset criticism of the negative externalities of their businesses. A recent survey has shown that 62.2 % of major corporations in Japan have established departments dedicated to the planning and implementing social support activities and 66.4 % have formally documented social support policies (Japan Research Institution Ltd 2012, pp. 31–32). Although the scope of issues addressed as CSR initiatives are changing over time (Keizai Doyukai 2010, p. 11) social support continues to be a stable theme as shown in Fig. 3.2.

**Environmental issues:** Thirdly, CSR in Japan is highly concerned with issues of environmental management as can be seen from Fig. 3.2. As a result of Japan's history of industrial pollution, corporations today continue to be sensitive regarding environmental issues. This is reflected in the number of Japanese corporations that have sought accreditation under the ISO14001. Corporations have introduced environmental management systems in response to the perceived threat of global environmental degradation to sustainability. As shown in Fig. 3.3 the implementation of environmental management systems is widespread among Japanese corporations (Japan Research Institution Ltd 2012).

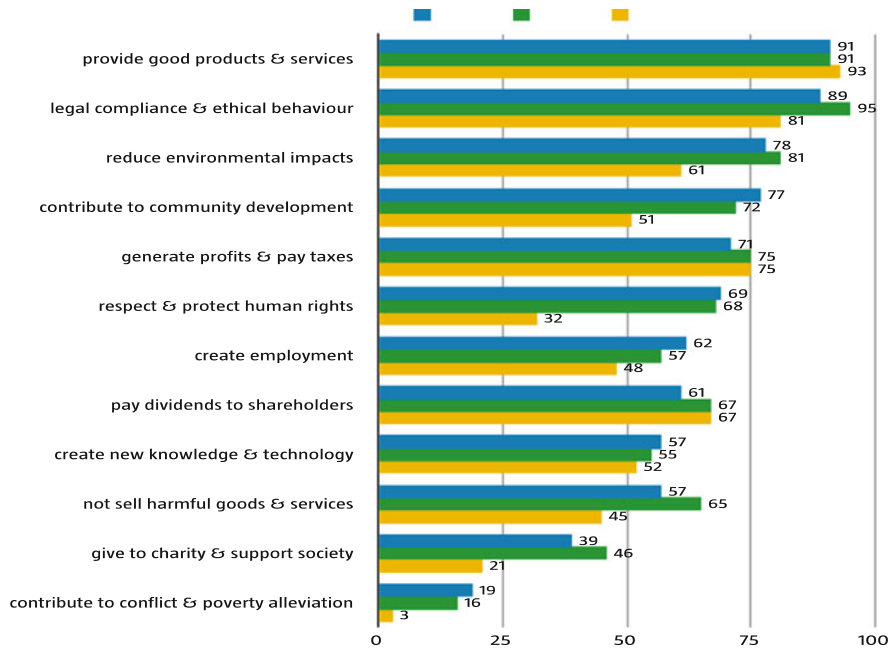**Fig. 3.2** What is your social responsibility as a corporation? (in 2003, 2006 & 2010) (response = %, multiple choice) [Formatting note: 2003 = *yellow*, 2006 = *green*, 2010 = *blue*] (Source: Keizai Doyukai (2010, p. 11) Translation by author)
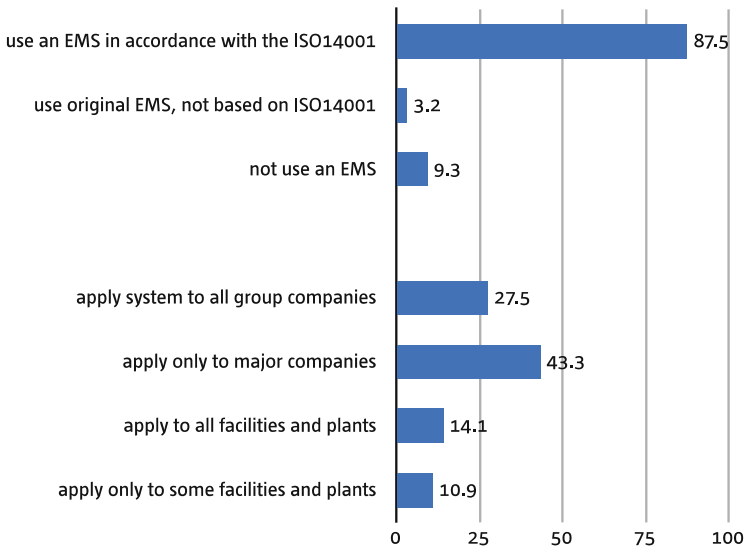


**Fig. 3.3** Extent of EMS implementation (survey of major manufacturing corporations in Japan, response = %) (Source: Japan Research Institution 2012, p. 7)

Disclosure of data regarding environmental performance however is focused mainly upon a limited number of standardised indicators. According to a recent study 73.5 % of all corporations actively disclose their $CO_2$ outputs, 74.1 % disclose water usage, and 72.2 % detail their recycling of waste. However, only 28.8 % of overall corporations respond that they are aware of and monitor their impact on biodiversity, and only 27.8 % report that they actively cooperate with other corporations to monitor and protect biodiversity along their supply chains. In contrast, biodiversity when taken as a form of social support where corporations donate to preserve wildlife reserves and forests, however, is widespread with an average of 71.9 % of corporations participating in such activity (Japan Research Institution Ltd 2012).

**Immediate stakeholders:** The Japanese corporate perception of stakeholders has been strongly influenced by the concept of *Kyosei* (Davis 2013a). According to this concept corporations operate, survive and flourish to the extent that they serve and are in turn supported by their business and social partners. Japanese corporations have repeatedly applied this concept in their attempts to restore trust after scandals. The enhancement of corporate accountability and transparency achieved by this process has been effective in restoring trust but at the same time has reinforced relationships with stakeholders in an immediate *kyosei* relationship. Corporations have in effect concentrated their activities on those directly disadvantaged by, and vocally critical of, corporate misconduct in the past. A preoccupation has thereby developed with customers and employees within Japan as primary stakeholders at the expense of the rights and working conditions of employees of suppliers overseas or to members of local communities where raw materials are sourced. This preoccupation is changing recently however, as many corporations are starting to identify stakeholders outside of Japan and associate them with issues such as human rights and poverty. However, Only 32.0 % of respondents had formally documented policies or regulations regarding the protection of human rights of persons employed by or impacted by the corporation.

Moreover, despite the frequent identification of social issues as an important focus for CSR activities, a large proportion of executives state that they do not know how to address these issues within the scope of business management. This illustrates the difficulty experienced by many corporations in Japan when faced with the task of dealing with issues outside the areas of compliance, environment and charitable activities. A survey of corporate executives by the Keizai Doyukai showed that while 86 % of respondents felt that coming to grips with and resolving social issues was the responsibility of corporations, only 42 % responded that they were actually managing their corporations in such a manner. A further 8 % responded that a corporations only responsibility was to create economic value and that dealing with social issues was beyond their capabilities (Keizai Doyukai 2010, p. 17).

## 3.4    CSR in Japan: A Turning Point

On March 11, 2011 the Northeast coast of Japan was ravaged by a massive earthquake, tsunami and nuclear disaster. These events and their aftermath have had a pronounced impact upon the meaning of the social responsibility of corporations in Japan. They have profoundly altered the perception of corporate responsibility by changing long accepted conceptualizations and prompting calls for fundamental changes in the way that corporations relate to society. Although there are a number of organisations actively contributing to this process of reconceptualisation, this section will focus on the three most prominent institutions to have shaped the development of CSR in Japan to date – the Japanese government, the Keidanren and the Keizai Doyukai – examine their ideas and their importance in shaping the reformulation of CSR in Japan at present.

### 3.4.1    Government Initiatives: The "New Public Commons"

Unlike the European Commission which has explicitly shaped and encouraged the development of CSR through a highly coordinated series of Green Papers, communications, funded projects, and incentive schemes, although the Japanese government is not averse to intervening in the market or in regulating industry in order to ensure the achievement of its economic or social goals, there has been no significant attempt by the government to coordinate a nationwide dialogue regarding the state of and requirements for corporate responsibility, identify a set of goals, and promote mechanisms whereby they may be achieved similar in scale to those of the European Commission. The Japanese government's initiatives to date have not been centrally coordinated to such an extent. The lead in this field has generally been assumed by industry itself in the form of the Keidanren and the Keizai Doyukai which will be discussed below. Japan's policy towards CSR could in a sense be characterized as falling between that of the EU nations and the USA.

   This changed however, when the Hatoyama Administration formed on September 9, 2009 after the Democratic Party of Japan ousted the Liberal Democratic Party in a landslide win at the general elections and came to power on a wave of public support and strong criticism of the policies of the previous administration. A particular focus of the Democratic Party's campaign had been its criticism of the previous administrations preoccupation with "concrete over people." This was a reference to what the Democratic Party saw as the Liberal Democrat's lack of awareness or concern regarding the increasingly serious social situation in Japan and their overreliance on old established policies of economic stimulation by investment in huge public works projects – hence the reference to concrete in precedence to people. Prime minister Hatoyama attempted to redress this situation by introducing a concept which he referred to as the quest for a *Yuai Shakai*. In an

editorial article published in the New York Times on the eve of his party's election to power, Mr. Hatoyama explained this concept as:

> How can we put an end to unrestrained market fundamentalism and financial capitalism that are void of morals or moderation, in order to protect the finances and livelihoods of our citizens? That is the issue we are now facing. In these times, we must return to the idea of fraternity — as in the French slogan 'liberté, égalité, fraternité' — as a force for moderating the danger inherent within freedom... Under the principle of fraternity, we would not implement policies that leave areas relating to human lives and safety — such as agriculture, the environment and medicine — to the mercy of globalism. Our responsibility as politicians is to refocus our attention on those non-economic values that have been thrown aside by the march of globalism. We must work on policies that regenerate the ties that bring people together, that take greater account of nature and the environment, that rebuild welfare and medical systems, that provide better education and child-rearing support, and that address wealth disparities. (Hatoyama 2009)

In his policy address to the 173rd session of the Japanese Diet the newly elected Prime Minister described his plans to introduce a "new public commons" which would enable Japan to accomplish this move away from concrete and towards people. In his government's "Declaration of 'New Public Commons'" he called for corporations to return their profits to society:

> Businesses can make contributions to a society and increase their profits through public relations and improved goodwill. Therefore, companies need to take their social characteristics and contributions to society as seriously as they take their efforts to maximise profits. According to a purely capitalist model, funds shift to wherever the highest returns can be obtained. However, for their long-term survival enterprises must return their profits and wisdom to society in order to help the market on which they depend to thrive. (CabinetOffice 2010a, p. 6)

A round table (CabinetOffice 2010b) was established to debate policy to realise this new public commons based upon a list of policies which included plans to require corporations to support school education by donating funds, engaging in social marketing, launching a social business promotion network and generally promoting social businesses (CabinetOffice 2010c, p. 7). This initiative continued on under Prime Minister Kan, who took office in June 8, 2010, through the East Japan earthquake in the following year, and on into the administration of Prime Minister Noda from September 2, 2011. The New Public Commons eventually developed into a platform of policies to promote charity, NPO and volunteer-based social activities, and social enterprise. Among the key ideas to develop were:

1. *Developing the society for peaceful coexistence*: To implement research aimed at developing methods whereby social conditions conducive to the promotion of wellbeing in peaceful coexistence can be investigated.
2. *Involvement solving global challenges*: Promotion of fair trade, bottom of the pyramid business, in the realisation of a low-carbon society.
3. *Sustainable Regional Development*: Establish local community-based initiatives to develop industry, and promote environmental and social development programs.

4. *Development of human development infrastructure*: promote education for sustainable development, consumer and civic education, and share best practices regarding cooperative initiatives in education for human development (CabinetOffice 2012).

While its direct influence over the actual planning and implementation of CSR by corporations was limited, this New Public Commons did serve to highlight the increasing importance in the public mind of resolving social issues in order to ensure a viable future – especially in the period following the Great East Japan disaster. Apart from the New Public Commons initiative the various ministries within the government have produced a number of reports and proposals in the areas of consumer protection and social sustainability (the Cabinet Office), labour CSR (Ministry of Labour and Welfare), environmental sustainability (Ministry of Environment), and corporate governance and reporting (Ministry of Economy Trade and Industry) which reflect its basic propositions.

Combined, the concept of the New Public Commons and its related initiatives, have served to change the way in which the relationships within which corporations are perceived within the context of communities and society as a whole. Where previously they were identified as the targets, some corporations are currently redefining their perception of society and community as partners to be empowered by their CSR initiatives, while communities and social actors are in turn approaching corporations in their role of innovators and value creators as potential partners in social enhancing and community building initiatives.

### 3.4.2  Japan Business Federation (Keidanren): The "Resilient Corporation"

The Keidanren was established in 1946 as an economic association of publicly traded corporations with the objective of promoting industrial development and economic growth within Japan and throughout the world. The Keidanren's involvement in CSR stretches back to 1973 when it released a policy paper presenting a proposal regarding the responsibility of corporations in ensuring the economic support necessary to provide for social welfare (Keidanren 1973). The proposal identified the responsibility of corporations as the obligation to promote the economic development and wealth creation necessary to support the development of social welfare. In 1991 the Keidanren released its "Corporate Charter" which was subsequently revised in 1996, 2002, 2004, and most recently in 2010. Although it was originally criticized for being too vague regarding the actual responsibilities of corporations (Koga 2000, p. 106), its history of revision parallels the development overtime of CSR in Japan (Morimoto 1998, p. 84).

Implemented immediately following the release of the ISO26000 guideline, the 2010 revision extended the scope of corporate responsibility to include the respect of human rights as a requirement of corporations (Keidanren 2012, p. 3) by stating

that "regardless of its location, a corporation is expected to respect human rights, comply with relevant laws and regulations, observe the spirit of international rules, discharge their social responsibility with a strong sense of ethical values and contribute toward sustainable development of society." This point made in the preamble is further elaborated upon in principle eight which states that corporations must, "in line with the globalization of business activities, comply with laws and regulations of the countries and regions where its business operations are based and respect human rights and other international norms of behaviour. Also, conduct business by taking into consideration the local culture and customs as well as the interests of stakeholders, and contribute toward the development of the local economy and society" (Keidanren 2012, pp. 3–4; 2013a).

Despite this new emphasis on human rights the Keidanren's position on CSR up until this period retained a strong emphasis on compliance, environment management and social support. In the aftermath of the Great East Japan Earthquake however, the Keidanren's conceptualisation of CSR has expanded to include the concept of business continuity planning (BCP) as a necessary component of corporate contribution to society.

Prior to the disaster the Japanese government's position regarding the management of natural disasters had been concentrated upon efforts of prevention. Highly developed earthquake detection and warning systems, tsunami detection systems, and coastline protection based on massive seawalls and tide gates and been developed over decades of investment. In the light of the impact of the disaster, and after the re-evaluation of the effectiveness of these preventative measures, the government has shifted to a policy which reflects an understanding of the importance of mitigating the impact of disasters rather than attempting to prevent their occurrence (In Japanese this is termed a shift to *Gensai* from *Bosai*). The Keidanren's position here is that the government must work with corporations in order to develop a social and industrial infrastructure which is more resilient in the face of disaster. Within this the Keidanren has identified several strategic activities which they argue are necessary to enhance Japan's socio-industrial resilience to disaster (Keidanren 2013b). Among these measures are included collaboration with stakeholders in order to enhance emergency response centres and plans, establishment of inter-corporate emergency response and planning networks within industries, the redesign of supply chains to enhance resilience, and the development of district continuity plans in collaboration with local authorities and other corporations.

These attempts to enhance the business continuity of corporations in the face of natural disasters have exerted a subtle influence over the perception of the social responsibilities of corporations in three ways. Firstly, since the aim of this business continuity is to enhance the continuity of regions and society, and since social continuity is predicated upon maintaining the wellbeing of society, the focus of discussions as to what constitutes wellbeing (the outcome of business activity) thus shifts outside the scope of the corporation. Wellbeing can therefore no longer be unilaterally defined by corporations but becomes instead a matter of dialogue with stakeholders. Secondly, in the course of discussing plans to mitigate the impact of natural disasters the realization has emerged that earthquakes and tsunami are not

the only potential threats to continued social wellbeing. Consideration of potential storm damage over the long term leads to the consideration of weather pattern and climate changes, consideration of influenza outbreaks and possible pandemics leads to the consideration of health risks with changing demographics, and designing supply chains with enhanced flexibility leads to a consideration of shifts in the distribution of regional workforces, the social impact of urbanization, and the impact of aging on communities in rural areas. Planning for continuity therefore means that corporations must move beyond the consideration of current problems in a reactionary manner and instead adopt a more proactive stance by defining potential future problems in the context of expectations of optimal living standards. Thirdly, the inherent necessity of cross-corporate, cross-industrial, and corporate-government cooperation in order to develop and implement business and social continuity plans has led to an increased awareness among the public of the potential benefit of long-term, holistic planning informed by, and measured according to, a wide variety of social interests. This in turn has led to greater public appreciation of the importance for corporations to plan and implement their business activities in accordance with long-term and inclusive corporate visions and values.

By calling for government, social and corporate collaboration for the formulation and systematic implementation of long-term disaster mitigation plans to proactively secure and enhance the wellbeing of society, the Keidanren has in effect reaffirmed and emphasized in the public and corporate mind the need for corporations as businesses to be based upon a socially relevant mission, and to be capable of participating in open dialogues aimed at defining future expectations of social wellbeing.

### 3.4.3   Japan Association of Corporate Executives (Keizai Doyukai): The "Value Co-creating Company"

In 2003 the Keizai Doyukai issued a report entitled "Market Evolution and CSR Management" wherein it called upon corporations to reintegrate the creation of social and economic value by developing and promoting market-based initiatives such as socially responsible investment and green consumption. In 2009 the Keizai Doyukai further developed this position and coined the phrase *Sanmenkyo* (the "three sided" or "triple" mirror) Management. This was a conceptualisation of management which could take into consideration not only the interests (values) of its shareholders (capital markets), but also of its employees (employment) and society (social welfare) over the long term (Keizai Doyukai 2009).

The Keizai Doyukai proposed its *Sanmenkyo* management model of CSR as a means to redress the root cause of the problems it saw as threatening the future: ongoing corporate misconduct and the resulting scandals, economic stagnation and a lack of innovation, and an overemphasis on generating short-term profits. Interestingly however, although the Keizai Doyukai cites a lack of compliance as being

responsible for corporate misconduct it does not call for renewed efforts in implementing compliance systems but instead argues that effective compliance can only be possible in a corporation with a clearly stated, understood, and implemented set of principles (values) and a corporate mission. Furthermore, it attributed economic stagnation and the underlying lack of innovation to the absence of a strong entrepreneurial spirit based on the will to solve social problems and create social value. As a solution for this preoccupation with short-term profiteering, the Keizai Doyukai called for the use of new indicators of value creation other than the currently overemphasised indicators of capital leverage and effective usage. This is the key objective of the *Sanmenkyo* management model. It is intended to serve as a new framework by which to guide and evaluate business activities for the effective creation of long-term, constructive, and inclusive value.

CSR is reconceptualised within this framework as "Future Value Creating CSR" ("*Mirai Kachi Souzo Gata*" *CSR* in Japanese) (Keizai Doyukai 2009, p. 12). In this form the Keizai Doyukai maintains that CSR becomes the key activity for the entrepreneur who seeks to implement a socially context vision for the future in order to realize the value creating potential of ideal markets.

In a report entitled "CSR in a Global Age" (Keizai Doyukai 2011) released 1 month after the great East Japan earthquake, the Keizai Doyukai further elaborated upon its vision of CSR by referring back to some themes that have long defined it's conceptualization of CSR – particularly the need to develop new generations of executives and integrate business goals and social needs (Davis 2013b). In addition to this, the report calls upon corporations to: actively engage in stakeholder dialogue in order to promote social collaboration and identify social problems which can be relieved or resolved by business-based solutions, implement business practices based on PDCA cycles which allow for the standardisation of indicators to measure the creation of social value and enhance the transparency of business activities, and actively engage in collaboration with NPOs and communities in order to enhance the "public mind" of corporations and facilitate a revitalisation of entrepreneurship.

In June 2012 the Keizai Doyukai released its latest report on CSR (Keizai Doyukai 2012). The report describes the Great East Japan Earthquake and its aftermath as having been an opportunity to rethink the sustainability of society and markets as they currently exist and to reconfirm the fact that corporations only exist within the context and with the support of their surrounding societies. Corporate responses to the disaster brought into clear relief the meaning as social entities of each respective Corporation. The Keizai Doyukai attributes the ability of some corporations to make effective and rapid relief responses immediately following the disaster as being primarily due to the extent to which each corporation embodied the *Sanmenkyo* management model. The Keizai Doyukai identifies the Great East Japan earthquake and its aftermath as a watershed event in the development of CSR in Japan. In the course of dealing with the recovery and reconstruction in the aftermath of the earthquake the public's perception of the value of a corporation has changed to encompass a more balanced view of its ability bring to bear its

capabilities in unique and innovative ways that enable the effective utilization of resources to create social benefit.

The report introduced a new concept which it referred to as a "Value Co-creating Company." Based on a thoroughgoing application of the *Sanmenkyo* management model, the Value Co-creating Company is defined as a corporation which "by innovating and creating value by means of its core business processes in collaboration with stakeholders is able to contribute to the sustainable and synergistic development of society." Five features were identified as being essential in order for a corporation to achieve a synergistic development with society: a strong sense of mission as the basic foundation of management, innovative management strategy based on this mission, the embedding of these values throughout the corporation to create a robust corporate culture, corporate governance systems which integrate the values of society with that of the corporation, and business continuity based upon the synergistic development of both businesses and society.

The Keizai Doyukai's contention here is that in order to operate in a socially responsible and constructive manner it is necessary for a corporation to be based upon and managed in accordance with a socially relevant mission which is not only readily understood by stakeholders but also inclusive of their interests by being accessible to them to act in collaboration with it through its business activities.

Combined, the Democratic Party of Japan's "New Public Commons" initiative, the Keidanren's call for "Business Continuity," and the Keizai Doyukai's ideal of a "Value Co-creating Company" signify a significant change in the conceptualisation, implementation and evaluation of CSR in Japan. Moreover, in calling for more intense and constructive interaction with stakeholders, the planning and implementation of businesses based on the solution of social problems with the aim of creating long-term value, and the promotion of mission-based and enabled entrepreneurship respectively, these three highly influential Japanese social institutions are in fact compelling corporations to confront what have been described by many observers (Kawamura 2012, p. 7) as being the three greatest weaknesses of CSR management in Japan at present. As shown in Table 3.3, these weaknesses, which limit the ability of corporations to meet and adapt to the current demands for change, are the vague and superficial nature of the definition of CSR in corporations, the inadequacy or absence of a link between business and CSR strategies necessary to embed CSR into business processes, and the lack of engagement by transformative dialogue with stakeholders.

## 3.5 Two Cases of CSR in "Post-3.11" Japan

This section will examine the design and implementation of CSR management in two corporations in Japan – the Sumitomo and the Bridgestone Corporations – and examine the ways in which these two corporations are facing the changing demands for strategic, actionable and relevant CSR within the current context of the re-conceptualisation of CSR in Japan in terms of how they approach the problems

**Table 3.3** Weaknesses in CSR management of Japanese corporations

| |
| --- |
| *1. **Definition:*** Vagueness and lack of clarity in conceptualizing CSR |
| Corporate value statements and mottos are too abstract to serve as guidelines for corporate action |
| CSR mainly an aggregate of disparate activities including legal compliance, environment preservation policies, customer satisfaction, employee relations, and social contribution projects |
| Lack a unifying strategic sense of direction by which activities may be prioritized |
| *2. **Strategic Integration***: Unclear relationship between CSR and business strategy |
| Lack of understanding and awareness of CSR among executives permits (exacerbates) lack of clear vision and goal formulation for CSR activities |
| Lack of understanding among employees of the meaning of CSR within the business context inhibits its application |
| Return on investment is unclear – this makes expansion of CSR management to group and global subsidiary corporations difficult |
| *3. **Communication***: lack of communication (dialogue) with stakeholders |
| Preoccupation with the explanation of CSR as being "conducted through business" results in only vague explanations of the relationship of core products and services to CSR being communicated outside corporations |
| Preoccupation with the reach (readership size) of CSR corporate report leads to overemphasis of reports as sophisticated, stand-alone works of art |
| Desire for high evaluation by rating agencies and inclusion in rankings motivates corporations to apply standardized, global models of CSR communication |

Source: Adapted from Kawamura (2012, p. 7) Translated by author

of defining and planning, strategically integrating, and communicating and evaluating their CSR initiatives.

### 3.5.1 Case One: The Bridgestone Corporation

The Bridgestone tire company was established in 1931 by Shojiro Ishibashi in Kurume City, Fukuoka Prefecture in the south of Japan. Having started by developing and manufacturing tires using its own original technology, Bridgestone is currently the world's largest tire manufacturer with global net sales of 3.6 trillion Japanese yen in 2010 and 143,124 employees throughout the world.

#### 3.5.1.1 Definition of Social Purpose

The founder is famous for his statement that "I am convinced that a simple profit-seeking business will never thrive, but a business that contributes to its society and country will be forever profitable." This belief was embodied in the original Bridgestone mission statement which is simply stated as: "Serving Society with Superior Quality." The word "quality" here is broadly defined. While of course referring directly to the quality of products it is also used to incorporate quality in

**Fig. 3.4** The "Bridgestone Essence" (Source: The Bridgestone Corporation)



service, the conduct of internal management processes, relationships with stakeholders, role within the industry, and as an employer and manufacturer within each of its various host nations.

The Bridgestone corporate philosophy was introduced in 2002 and refined in 2011. Known as the "Bridgestone Essence" this philosophy adds a four-point "foundation" comprising of four instrumental values for the implementation of the mission (see Fig. 3.4).

These foundations are explained by Bridgestone in the following manner:

*"Seijitsu-Kyocho" [Integrity and Teamwork]: Seijitsu-Kyocho is about adhering to principles of good faith as you carry out your work, in the way you treat others, and as you participate in and engage with society. It is about producing positive outcomes by respecting a diversity of skills, values, experiences, genders, and races and fostering teamwork.*

*"Shinshu-Dokuso" [Creative Pioneering]: Shinshu-Dokuso is about envisioning the future and proactively challenging ourselves to identify and develop innovations that will further benefit society and respond to customer needs – from the customer's point of view. It is about unleashing creativity and innovation to develop new business domains and creating demand for new and beneficial products through our own unique methods.*

*"Genbutsu-Genba" [Decision-Making Based on Verified, On-Site Observations]: Genbutsu-Genba is about taking the time to go on-site and personally verify the facts, then using those observations to make informed decisions. It is about not being satisfied with the current situation, and making informed decisions that will lead us ever closer to ideal products and solutions.*

*"Jukuryo-Danko" [Decisive Action after Thorough Planning]: Jukuryo-Danko is*
*about investigating all options and the full range of possibilities, giving careful*
*thought as to how to execute the decided course of action. It is about identifying*
*what is necessary and deciding on a vision. And once a decision and course of*
*action is determined, it is about moving forward with a sense of urgency.*
(Bridgestone Corporation 2011, p. 6)

The current formulation of these foundations was devised by a committee
comprising of young employees from a number of the Bridgestone group
companies around the world. The committee chose to use Japanese phrases to
convey the meaning of the four values in a way that most closely preserves their
original meaning in whatever cultural context they may be used.

Bridgestone's definition of CSR is highly pragmatic – the operations-based
mission statement being complemented by the use of the four process-based values
in the foundation. The aim of this formulation is to closely embed CSR within
business processes throughout the corporation.

### 3.5.1.2  Embedding and Implementation: CSR Committee and the 22 CSR Focus Points

In order to embed and operationalize its CSR strategically, Bridgestone established
a CSR Promotion Office in 2006, and a General CSR Promotion Committee in
2007. The General CSR Promotion Committee is chaired by the president and
oversees and coordinates five sub committees: the Compliance, Risk Management,
Social Activities, Environment, and Group Safety Committees. In order to coordi-
nate its CSR initiatives Bridgestone produced a list of "22 CSR Focus Points" in
2007. These points consist of a definition, policy and concrete targets to be achieved
in 22 specific areas of activity. The 22 points are derived directly from the midterm
strategic management plan, contain concrete achievement targets which must be
reported upon annually by every corporate division and reviewed and refined by the
General CSR Promotion Committee. The points are divided into four groups:
fundamental, business, environmental and social activities (Bridgestone Corpora-
tion 2012, p. 34) as shown below.

### 3.5.1.3  The Bridgestone Corporation's 22 CSR Focus Points

1. Securing stable profits as a business: To secure stable revenue and profits for the
   company to allow the ongoing development of its businesses while contributing
   to social and environmental sustainability
2. Ensuring a thorough understanding of and adherence to compliance: To build a
   foundation for relationships of trust with all stakeholders through better business
   practices based and to make ethical decisions, adhering to all laws and in-house

rules, practicing proper business ethics, and acting in accordance with company values and decision-making standards

3. Ensuring business continuity: To work first and foremost to prevent and avoid risks; when potential risks become adverse events, to limit damage, protect the safety and profits of stakeholders and minimise the impact on society

4. Communicating with stakeholders: To engage in open and honest communication with stakeholders and bring their input to bear on company activities

### 3.5.1.4 CSR Through Business Activities

5. Providing attractive, high-quality products and services: To provide products and services of outstanding quality throughout the supply chain by embracing the mission of "serving society with superior quality" and striving to achieve an even better quality system by adopting the customer's perspective at Group companies worldwide

6. Technological innovation that generates new value: To respond to the issues society is facing through technological innovation and providing valuable products and services to society that customers can enjoy

7. Development of products and services based on customers' voices: To continuously assess whether the value we provide measures up to customer expectations through dialog with our customers and to apply those research findings to improve our products and services

8. Commitment to fair business practices and competition: To enforce standards throughout the Group to make certain that all applicable national laws and Group principles related to fair business practices and competition are observed based on an understanding of the Group's responsibilities as a corporate citizen

9. Fair procurement activities: To build and maintain fair and equal relationships with suppliers

10. Enhancing CSR procurement: To strive to enhance our CSR activities throughout the supply chain, including suppliers

11. Returning profits by enhancing corporate value: To strive to improve future business performance and encourage business development based on an understanding that shareholder profits are a key priority

12. Disclosing information in a timely and appropriate manner: To communicate a synopsis of the Group's management and business activities, along with a fair evaluation of its value, through the timely and appropriate disclosure of information

### 3.5.1.5 CSR Through Environmental Activities

13. Contributing to the conservation of the environment through products and services: To work with customers to lower environmental impacts and to

offer customers worldwide products and services that help existing in harmony with nature, valuing natural resources and reducing $CO_2$ emissions

14. Contributing to the conservation of the environment throughout the supply chain (procurement, production, distribution, and sales): To pursue business activities in a way that contributes to exist in harmony with nature, to value natural resources, and to reduce $CO_2$ emissions throughout all aspects of the manufacturing process, including procurement, manufacturing, logistic and sales

15. Contributing to the environment through social activities: To help achieve a sustainable society through social activities that strive to exist in harmony with nature, to value natural resources, and to reduce $CO_2$ emissions

### 3.5.1.6    CSR from a Social Standpoint

16. Continued Enhancement of Job Satisfaction and pride: To foster a workplace encourage employees growth and job satisfaction through their work

17. Enhancing workplace safety and health, and employee health management: To maintain safe, accident-free workplaces, and to foster an environment in which employees can enhance their skills by promoting physical and mental health

18. Respect for diversity: To contribute to a working environment in which individuals who have diverse values and personalities can work comfortably and demonstrate their abilities, by doing so, to improve employee satisfaction, activating and improving the company, and increase stakeholders' profits

19. Respect for fundamental human rights, including the rights of children and others to be free from forced labour: To promote human rights, value diversity and treat every employee with dignity and respect

20. Developing social activities to build a sound and sustainable society: To contribute as a corporate citizen to the realisation of better communities

21. Encouraging employees to do volunteer work in their communities: To encourage employees to volunteer in their local communities

22. Helping realise a safe society: To promote safe driving that is free of traffic accidents.

Each point is defined, objectives called "instructions" are stipulated, and a description of the state wherein each objective could be considered is provided. Each department reports annually on its achievements or shortfalls for each of the 22 points. A detailed chart showing companywide progress on the 22 points is published annually on the corporate homepage. The bulk of Bridgestone's annual CSR Report is also taken up by a comprehensive account of progress on each of these points.

Two features characterize Bridgestone's implementation of CSR. Firstly, it is highly formalised and structured in order to enable a comprehensive and balanced assessment of relative progress by area across functions and regions throughout the organisation. Among the defining characteristics of Bridgestone's approach is the

way in which it integrates the corporate mission and strategy in a highly pragmatic manner, and the way in which it vertically coordinates and evaluates action across each of the 22 points yet maintains a very high degree of independence whereby individual departments throughout the organization may respond to each of the instructions by proposing their own strategies and performing their own self-evaluations using a PDCA cycle. Secondly, these points are derived from the corporation's mid-term strategic plan and not based on a separate CSR plan.

By defining its corporate mission in such a highly pragmatic manner, setting behavioural norms for its implementation, and locating its CSR management strategy within the context of its business strategy, Bridgestone is attempting to address the weaknesses of established CSR management practices in Japan.

## 3.5.2  Case Two: The Sumitomo Corporation

The Sumitomo Corporation was founded in 1919 as the Osaka North Harbor Corporation in Osaka City, Japan. Originally involved in real estate management and land works, the company changed its name to the Sumitomo Building and Real Estate Company in 1944 upon merging with the Sumitomo Building Corporation. After the Second World War, Sumitomo reorganised to become a general trading business. Its current name – Sumitomo Corporation – was adopted in 1978. The company currently consists of 25 business divisions divided into seven business units of: metal products, transportation and construction systems, infrastructure, media network and lifestyle retail, mineral resources and energy, general products and real estate, and new industry development. Sumitomo operates in over 65 countries, employs 72,087 people around the world and reported annual sales for 2012 of 3,260,995 million Japanese Yen.

Sumitomo divides its CSR activities into two areas: "CSR through business activities" and "CSR through social contribution activities." CSR through business activities is the creation of value in accordance with corporate principles for the benefit of society – essentially contributing to society through the conduct of its business. CSR through social contribution comprises of charity and volunteer work to support and promote social initiatives – although this is varied and highly innovative it is essentially a form of contribution located outside business activities.

In 2008 the company established an Environment and CSR Department to coordinate its activities. In 2009 the CSR Promotion Committee and the Philanthropy Committee were amalgamated to form the CSR promotion Committee which was in turn combined with the Global Environment Committee in 2012 to form the present CSR Committee. The committee is chaired by the general manager of the Corporate Planning and Coordination Department who is also a member of the Board of Directors.

### 3.5.2.1 Business Principles

Sumitomo's business philosophy is based on the management principles contained
within its corporate mission statement. These principles were produced in their
current form in 1998 upon the basis of the Sumitomo philosophy of business of the
House of Sumitomo which were codified more than 400 years ago by the founder
Sumitomo Masatomo (1585–1652) as the "Founders Precepts." It was a common
practice among merchants in Edo Period to codify their business values and pass them
down in the form of admonitions and letters to their descendants in order to preserve
the continuity and integrity of their business houses across generations (Davis 2013a).
The Precepts exhorted the descendants of Sumitomo to attribute the highest possible
priority to integrity in the conduct of their business, to avoid short-sighted and easy
profits (profiteering), develop an awareness of social and business trends and ensure
that their business strategies anticipate change and create the greatest possible long-
term value for all parties involved. Heavily influenced by Buddhist teachings, the
relevance of these precepts to CSR today is frequently noted (Hirata 2010).

To overcome the difficulty of reading and understanding the Precepts – written
in a style of Japanese used over 400 years ago – Sumitomo has rewritten them on
several occasions in the past. In their present iteration, completed in 1998, the
principles are set out in the Sumitomo Corporate Mission Statement as follows:

**Sumitomo Corporate Mission Statement**
**Corporate Vision**
  We aim to be a global organisation that constantly stays a step ahead in dealing
  with change, creates new value, and contributes broadly to society.
**Management Principles**

  **Corporate Mission:** To achieve prosperity and realise dreams through sound
    business activities
  **Management Style:** To place prime importance on integrity and sound man-
    agement with utmost respect for the individual
  **Corporate Culture:** To foster a corporate culture full of vitality and conducive
    to innovation

**Activity Guidelines**

- To act with honesty and sincerity on the basis of Sumitomo's business
  philosophy and in keeping with the Management Principles
- To comply with laws and regulations while maintaining the highest ethical
  standards
- To set high value on transparency and openness
- To attach great importance to protecting the global environment
- To contribute to society as a good corporate citizen
- To achieve teamwork and integrated corporate strength through active
  communication
- To set clear objectives and achieve them with enthusiasm (Sumitomo Corpo-
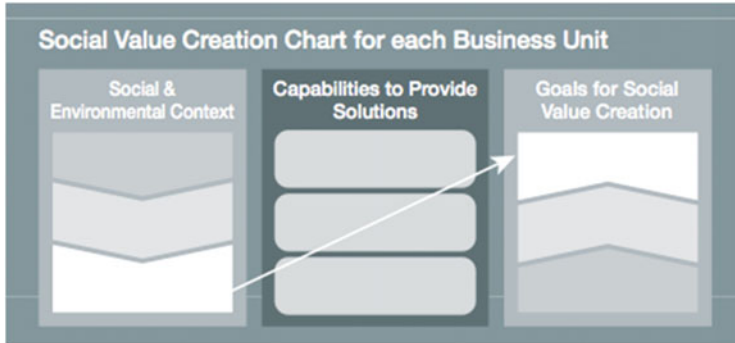  ration 2012, p. 8)

**Fig. 3.5** Social value creation map structure (Source: Sumitomo Corporation 2011, p. 26)

### 3.5.2.2 Embedding and Implementation: Social Value Creation Maps and Reporting

Sumitomo divides its reporting into an annual report for CSR – a "Report on Responsibility and Sustainability" – and a separate report dedicated to social support activities – a "Social Contribution Activity Report." The CSR Report for 2011 introduces one of the defining characteristics of Sumitomo's CSR management – the use of social value creation maps to visualize the activities of each of its business units. These maps were first introduced in 2011 in order to visualise a process-based account of CSR across the company. The maps are used to depict business activities within each unit in three phases or areas: the social and environmental context of the business, the capabilities which the business unit uses to create solutions to the problems identified, and the goals for social value creation that guide business planning and implementation. As shown in the figure below, (Fig. 3.5) the social and environmental context within which each business unit operates is shown on the left side of the map. The context is described on three levels of challenges and issues – the immediately apparent surface issues, the midterm issues within which they are located, and, at the base, the fundamental issues at the root cause of the midterm and surface issues.

The goals for social value creation are shown on the right hand. These goals are also divided into three levels – short-term business goals on the base, midterm business goals which are made possible by achievement of the goals on the short-term are shown in the middle, and long-term goals which can be reached through achievement of short and midterm goals are shown at the top. The centre of the figure explains the core capabilities which the business unit brings to bear in order to transform the issue shown in the social and environmental context into the opportunities for social value creation shown in the three layers of goals on the value creation side. Figure 3.6 shows the value creation map for the Media, Network & Lifestyle Retail Business Unit. In this instance the map explains the source of social value generation in the business unit as being dependent upon its ability to realign advances in information technology, distribution and retailing in

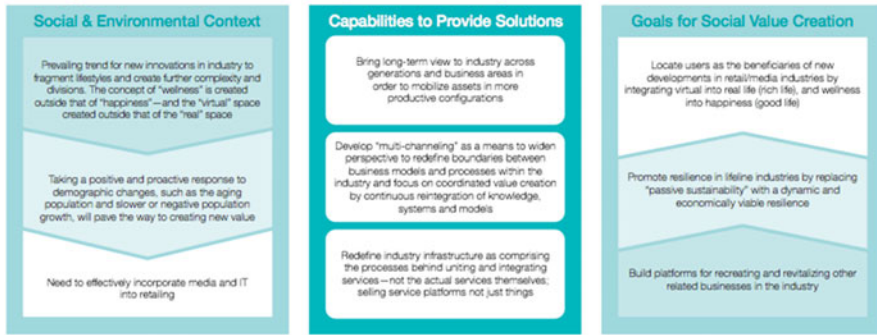**Creating Social Value within the Media, Network & Lifestyle Retail Business Unit**

| Social & Environmental Context | Capabilities to Provide Solutions | Goals for Social Value Creation |
| --- | --- | --- |
| Prevailing trend for new innovations in industry to fragment lifestyles and create further complexity and divisions. The concept of "wellness" is created outside that of "happiness"—and the "virtual" space created outside that of the "real" space | Bring long-term view to industry across generations and business areas in order to mobilize assets in more productive configurations | Locate users as the beneficiaries of new developments in retail/media industries by integrating virtual into real life (rich life), and wellness into happiness (good life) |
| Taking a positive and proactive response to demographic changes, such as the aging population and slower or negative population growth, will pave the way to creating new value | Develop "multi-channeling" as a means to widen perspective to redefine boundaries between business models and processes within the industry and focus on coordinated value creation by continuous reintegration of knowledge, systems and models | Promote resilience in lifeline industries by replacing "passive sustainability" with a dynamic and economically viable resilience |
| Need to effectively incorporate media and IT into retailing | Redefine industry infrastructure as comprising the processes behind uniting and integrating services—not the actual services themselves; selling service platforms not just things | Build platforms for recreating and revitalizing other related businesses in the industry |

**Fig. 3.6** Value creation map of the media, network & lifestyle retail business unit (Source: Sumitomo Corporation 2011, p. 33)

order to transform them into business models that go beyond superficial concepts of "convenience" and "choice" and instead create platforms where economic growth, infrastructure resilience, sustainability and wellbeing are reintegrated as achievable and complementary goals.

Overall these maps are used to explain the social context and social value creation goals of each of Sumitomo's business units within a long-term timeframe in terms of its capabilities to define and implement fundamental business transformations. Visualizing social value creation goals and processes in this highly integrated and strategic manner is unique in Japan to Sumitomo.

The CSR management of Bridgestone and Sumitomo share a number of common characteristics. Both corporations are based on a socially and strategically relevant articulation of sets of corporate values and principles which effectively embed them within the wider social context.

For Bridgestone the concept of quality must be defined both internally and externally in order for it to be valid. The managerial and technical knowledge which is required to create high quality products and services must be matched with a socially context set of needs and aspirations in order for them to be recognized as such. Bridgestone's principles in effect have conceptualised its business as a dialogue between itself and its market and social context within which its achievements are regularly subjected to objective evaluation beyond that of the immediate success or failure of economic transactions.

The emphasis in the Sumitomo Corporation's principals with the long-term outcome of business transactions for all those involved and affected by its business requires that it contextualizes its immediate business performance within a framework of potential future opportunities and or costs.

Both Bridgestone and Sumitomo are characterised by a process-based form of CSR management as opposed to a results-based format which is far more common in Japan. This enables both corporations to integrate their CSR and business

strategies into a unified whole which in turn means that in order to achieve their CSR goals they must be pursued within the course of their business activities. While both corporations still maintain extensive volunteer and charity based social support initiatives outside those of their core business activities, their innovations in the design and implementation of business-based CSR management represents a new phase in the integration and harmonisation of business and social interests in Japan,

## 3.6  Conclusion

The conceptualization of the social responsibility of corporations in Japan has evolved over time during post war Japan, shifting from an emphasis on legal compliance, to environmental management and on to include the administration of programs to provide financial and other support to the arts, sciences and various social issues.

As explained in this chapter, CSR developed in Japan since the 1950s as a result of a series of corporate responses to criticism directed at perceptions of their negative impact of their actions on the public good. As they sought to respond to evolving demands for the preservation of the public good, corporations assumed an implicitly retrospective and essentially passive-reactionary approach to defining their social responsibilities as they attempted to either redress, compensate for or legitimate the social impacts of their actions in the past.
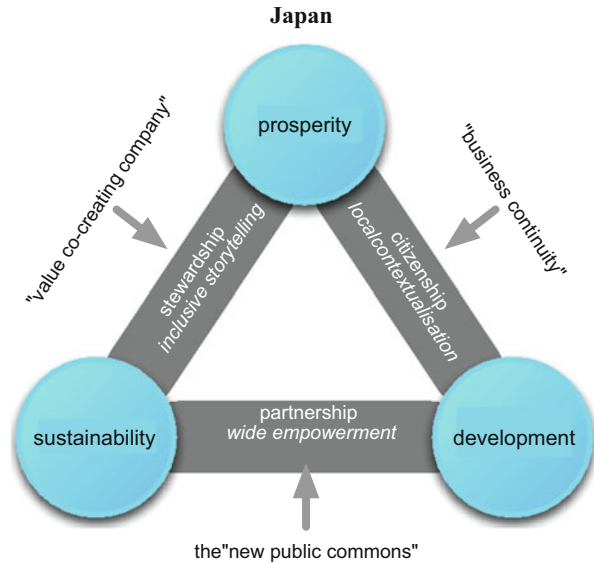
Unlike the United States and Europe, the CSR movement in Japan has largely been corporate driven and at times appears to have been implemented largely as a regulation avoidance activity. CSR has of course been used in Japan as a means to legitimate profit taking and the corporate control of socially vital resources, but as can be seen from the earlier policy proposals and declarations of both the Keidanren and the Keizai Doyukai, it has also served as a guide to corporations which sought to integrate and harmonize the interests of business and society.

On the surface, the themes that comprise CSR in Japan seem to have remained remarkably stable until recently despite the past decade of change in industrial composition, employment patterns, and demographics. Many of the key institutional participants in the CSR debate are institutions that well predate 2003.

On a deeper level, however, relationships between issues that were previously treated as separate have become commonplace. Inclusive meta-concepts which integrate a wide range of hitherto separate concepts have been developed and have promoted by a number of (sometimes competing) entities. With the nation facing unprecedented, paradigm-changing challenges the government, the Keidanren and the Keizai Doyukai are calling for a re-conceptualisation of CSR in post 2011 Japan based upon a redefinition of the social responsibility of corporations and their relationships within society itself.

Combined, the initiatives of these three institutions contain a profound re-conceptualisation of CSR. Through its call for a "new public commons" the government is emphasising the role of corporations as agents of innovation and

**Fig. 3.7** Stewardship,
citizenship and partnership:
an emerging model of CSR
in Japan

**Japan**

prosperity

"value co-creating company"

"business continuity"

stewardship
*inclusive storytelling*

citizenship
*localcontextualisation*

sustainability

development

partnership
*wide empowerment*

the"new public commons"

value creation and positing them as valuable partners in social enhancing and
community building initiatives. By emphasizing the need for corporations as
businesses to be based upon a socially relevant mission, and to be capable of
participating in open dialogues aimed at defining future expectations of social
wellbeing the Keidanren is promoting the concept of a proactive corporate citizen-
ship. In the "value co-creating corporation" concept the Keizai Doyukai is aiming
to develop a framework to guide and evaluate business activities in terms of their
ability to effectively create long-term, constructive, and inclusive value. As
illustrated in Fig. 3.7, these newly proposed formulations of the role and responsi-
bilities of corporations which expect them to act as socially inclusive "stewards" of
the public wellbeing, as well as "citizens" that are aware of and responsive to their
social contexts, and also as "partners" that empower their stakeholders by the way
in which they plan and operate their businesses, constitute a call for corporations in
Japan to rethink and reassess their management and businesses processes in terms
of their roles and obligations as a business.

As illustrated in the cases, the Bridgestone and Sumitomo Corporations are
answering this call by developing CSR initiatives characterized by stewardship,
citizenship and partnership. Although they represent distinct approaches, both
corporations define their social responsibility as their capability and performance
in realising the enhancement of the public good by creating value though long-term,
inclusive and transformative business processes.

This shift in the conceptualisation of CSR in Japan from being a passive, reactive
process primarily concerning environmental, compliance and social welfare issues
into a process based upon the development of socially embedded, inclusive and

transformative business models capable of integrating business and public interests over the long term will require more study. Specifically, it will be important to examine the processes necessary to identify and prioritise key issues affecting the public good, plan and communicate business goals, and measure and evaluate the return on resources invested by both corporations and stakeholders under this new model of CSR.

Whether these changes following the Great East Japan Earthquake will mark the start of a new period in the formulation of CSR in Japan is yet to be seen. However, it is clear that recent proposals such as the "New Public Commons" initiative, the Keidanren's call for "Business Continuity," and the Keizai Doyukai's ideal of a "Value Co-creating Company" have redirected the course of the debate on corporate social responsibility in Japan away from a largely transactional approach involving tradeoffs between established interests and towards a more transformational approach with a longer term perspective regarding wider needs and opportunities.

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# Chapter 4
# Corporate Social Responsibility (CSR) Practice and Implementation Within the Institutional Context: The Case of the Republic of Korea

**Ki-Hoon Lee and Chung Hee Kim**

**Abstract** Corporate social responsibility (CSR) has become a popular paradigm in the lexicon of today's businesses. CSR generally involves voluntary actions by firms to reduce their environmental impacts, make their products safer or healthier, or contribute to the communities in which their operations and facilities are located. The question of whether "doing good and doing well" converge has waxed and waned over recent decades. Although an increasing number of significant studies into CSR have been developed and analysed from different scholarly perspectives, a few fundamental questions remain unanswered. Firstly, for firms, is there a clear line indicating exactly where CSR stops being profit maximizing and starts becoming purely philanthropic? If so (or not), under what conditions do a firm's managers (or decision makers) give great discretion in determining where this line lies? Also, what drives firms to engage in CSR? Lastly, are there any important characteristics or attributes from businesses in newly industrialized non-Anglo-American countries that can be compared to businesses in Asian countries? With Korean institutional environment and industry survey data, we adopt an institutional perspective to explore CSR practice and development in the Korean business context. In particular, social legitimacy, globalisation, and the recent movement towards corporate sustainability management are considered from different theoretical CSR perspectives. We find that these institutions (high regulative pressure, unique normative setting, and critical cognitive-cultural environment) obviously affect Korean firms in their adoption, implementation, and practice of CSR simultaneously. Also we find that governmental regulatory legislations and policy obviously have an effect on a firm's CSR practice and implementation. Importantly,

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governmental legislation and incentives can play an important role in CSR implementation and practice. It is also worth noting that CSR practice is not static but is dynamic, with regulatory legislations and norms.

## 4.1 Introduction

Corporate social responsibility (CSR) has become a popular paradigm in the lexicon of today's businesses. Generally CSR involves voluntary actions by firms to reduce their environmental impacts, make their products safer or healthier, or contribute to the communities in which their operations and facilities are located. Waddock (2008) described the current movement of CSR as "reshaping companies' responses to CSR issues and fostering wholly new practices and behaviours (p. 87)." The question of whether "doing good and doing well" converge has waxed and waned over recent decades. When a firm engages only in CSR activities that it expects will result in more loyal customers, more willing investors, and better financial performance, we might name these activities "profit-maximising CSR". Some scholars call also this "strategic (economic) CSR", which contributes to the value of firms and to their competitive advantage (Porter and Kramer 2006). Another group of firms which will not regain their expenditure or investment costs from beyond-compliance CSR activities, might be named "profit sacrificing CSR" firms, or as is referred to by some researchers, "normative (philanthropic) CSR", highlighting the moral (ethical) dimension of business value creating activities (Carroll and Buchholtz 2003). In fact, there is ongoing debate about the relationship between economic benefit and compliance, or beyond-compliance activities, in CSR activities. One recent study argued that "200 years' worth of work in economics and finance indicate that social welfare is maximised when all firms in an economy maximize total firm value (Jensen 2002, p. 239)". It is tidy logic that puts the onus on corporate critics and CSR advocates alike to show how a firm's voluntary efforts in instigating CSR should benefit its shareholders. However, the policies and guidance of CSR for local and multinational enterprises have different institutional contexts with different regulations, norms, cultures, expectations and behaviours in different countries and regions. The multi-faceted CSR in different instructional environments offers different motivations, value systems and commitments to different CSR agendas, internationally. These emerging institutions have a multi-bottom-line orientation that embeds environmental, social, sustainability, and stakeholder issues into corporate decision making and business models. Notably, an Anglo-American paradigm and perspective dominate recent developments in CSR, which has been largely unaffected by the influence of other institutional contexts, by different pressures in these contexts, or by changes in these pressures over time (Kim et al. 2013).

Although an increasing number of significant studies into CSR have been developed and analysed from different scholarly perspectives, a few fundamental questions remain unanswered. Firstly, for firms, is there a clear line indicating

exactly where CSR stops being profit maximizing and starts becoming purely philanthropic? If so (or not), under what conditions do a firm's managers (or decision makers) give great discretion in determining where this line lies? Also, what drives firms to engage in CSR? Lastly, are there any important characteristics or attributes from businesses in newly industrialized non-Anglo-American countries that can be compared to businesses in Asian countries?

In order to find some answers, we adopt an institutional perspective to explore CSR practice and development in the Korean business context. In particular, social legitimacy, globalisation, and the recent movement towards corporate sustainability management are considered from different theoretical CSR perspectives. In order to develop an institutional context about the Korean environment, we explore regulatory legitimacy, norms and the critical cognitive-cultural environment regarding CSR in the Korean business context. Using survey data, we also provide empirical evidence to support our views on CSR in Korea. Summary and conclusions with implications will be drawn.

## 4.2 The Theoretical Foundation of CSR

### 4.2.1 The Various Claims Regarding CSR

In today's literature, we are witnessing various claims about the issue of corporate social responsibility. Why has CSR been emerging as an increasing topic of concern? Why are debates related to CSR enjoying increasing popularity in the field of management and economics? And, consequently, how can we interpret this stream of data?

Most importantly, economic and management gurus emphasise the necessity for, and emergence of, CSR. According to Porter and Kramer (2002, 2006, 2011), CSR is unavoidable for firms wishing to gain social legitimacy, and may be linked to the creation of competitive advantage and transferred to creating shared value (CSV) ideas. Dunning (2003) advocates that CSR is a requirement of globalisation and responsible global capitalism. For Carroll (1979), CSR holistically encompasses four of society's expectations of organisations, these being economic, legal, ethical and discretionary (philanthropic) expectations. Alfred Chandler (1977) questions Adam Smith's emphasis on the *Invisible Hand* and argues in his *Visible Hand* philosophy that, from the late nineteenth century onwards, the role of coordination of economic activities passed from the marketplace to the visible hands of managers. These ideas show comprehensively that CSR has emerged from the notion that corporate action is not isolated but is an integrated and complex behaviour linking business and the community.

We should also acknowledge the fact that academics are not the only ones who are interested in, and seriously debate, this topic. A myriad of organisations and periodicals report, and work, on corporate social performance (e.g., *Fortune's*

ranking of "Most Admired" companies, "Awards for Excellence" by *Business in the Community*, *The Council on Economic Priorities' (CEP)* "Corporate Conscience Awards", *Business Ethics Magazine*'s "Annual Business Awards", and so on). 95 % of the 250 largest companies in the world (G250 companies) now publish triple bottom-line reports (KPMG 2011). International organisations actively work to guide, measure and control multi-national corporations' (MNCs) CSR (e.g., the *UN Global Compact* and the *Global Reporting Initiative* [*GRI*]) (Kakabadse and Kakabadse 2007) and to create standardisation (e.g., ISO26000). These movements all show that corporate social responsibility is a must in order for firms to gain legitimacy in the global market (Gooderham and Nordhaug 2003), and for their potential roles as society leaders (Bakan 2004).

Based upon the above arguments, in relation to CSR in the areas of both academia and practice, we propose that, at this present time, there are three major drivers of CSR.

### 4.2.1.1 Social Legitimacy

Is it necessary to ask whether "society grants legitimacy to business leaders, shareholders, employees, and customers?" The answer is "Yes". To explain, we investigate the issues within the theme of trust – an especially important focus given the recent global economic downturn and the perceived role that "irresponsible" corporations were seen to play in the crisis.

> The pressure on corporations to become more socially responsible comes from the fact that they are worried about their legitimacy. (Bakan 2004, p. 182)

CSR is emerging as a key global branding theme of the time (Bakan 2004; Werther and Chandler 2005). Firms must satisfy investors and regulators that they can behave responsibly, because without responsible behaviour, firms lack legitimacy and recognition in the wider society. This has always been the case, but now the eyes of nation states and their citizens are on corporations; they are seeking explanations and some sort of rescue from the current global economic crisis. For the first time in many years, the right of businesses simply to do business is being widely questioned. Corporations are going to have to work harder than ever to demonstrate that they are responsible corporate citizens. After all, the notion of *license-to-operate* derives from the fact that every company needs tacit or explicit permission from governments, communities and numerous other stakeholders in order to do business (Porter and Kramer 2006).

At the centre of social legitimacy and social licence, there is one critical issue underpinning the capacity to do business – trust. Trust building is a systematic process. At no time in history have businesses been able to survive without trust. Most attention has recently been focused on the role of trust as a mechanism for the enhancement of contractual security and the facilitation of long-term cooperation (Jones and Pollitt 1998). Businesses have been trying to restore their status as good corporate citizens through CSR-related activities. For example, during the period of

the Great Depression (1930s) in America, when many people believed that corporate greed and mismanagement had created the economic collapse of that period, business leaders embraced CSR. As they believed, it was the best strategy to restore people's faith in corporations and reverse their growing fascination with big government (Bakan 2004). It is now a case of history repeating itself as the first "depression" of the new millennium takes hold.

It is little wonder, then, that corporations try to overcome a legitimacy crisis through CSR engagement. However, some commentators worry that this is not enough and warn of a myopic view of capitalism, which mainly praises the free market for its contribution to material benefit and enhanced human freedom. These commentators warn that society needs to continuously present challenges to business. Recent economic events (e.g., corporate defaults and financial meltdown) prove this point, and highlight the significance of understanding business legitimacy issues in relation to uneasy integration with various realms, such as social structure, polity and culture. As these recent events show, a discretionary approach towards the role of business in society, without holistic corporate strategic radar but with only monetary logic, cannot work in the contemporary market.

### 4.2.1.2 Globalisation

Globalisation has given corporations unprecedented power and influence (Bakan 2004). Meanwhile, attitudes towards the phenomenon of globalisation have also changed vigorously: from nothing but praise in the late 1980s to serious concerns being voiced in the late 1990s, to loud cries for its close control in the first decade of the twenty-first century. There is now more concern than ever about the side-effects of globalisation (e.g., human rights, global warming and the serious gap between the rich and the poor), and it is widely debated in the academic and practical arena. Global order has revealed instability, and the legitimacy of corporate led globalisation has been more severely challenged than ever before. The recent economic downturn of the global community shows how corporations, the dominant power in this globalisation era, misled the world and the impact this has had on society.

We assume that there is little disagreement with the opinion that the primary beneficiary of globalisation is business; for its expansion of market, opportunity and power. Specifically, this applies to multi-national corporations (MNCs) who continually exploit low-income markets across the world as they face problems in searching for new growth opportunities and legitimacy. They recognise, strategically, that boosting social and economic conditions in developing countries can create more productive locations for a company's operation, as well as creating new markets for its products (Porter and Kramer 2002, 2011). A genuine commitment to CSR can be an important source of legitimacy in the international market. However, some companies have damaged their reputation by their lack of integrity in seeking new products and market opportunities in developing countries, with the result that they are seen as exploitative rather than contributing to the health and

wealth of developing nations. For example, the cases of Nike and Gap using child labour in Indonesian factories, Nestlé's unethical behaviour in marketing against breast-feeding and for the marketing of baby formula in Africa, and Coca Cola with its environmental abuses in Nigeria, higher than permitted levels of pesticides in India, labour abuse in Colombia, and union-busting in Pakistan.

In following the ideology of economic growth, economic capital has prospered and, it might be argued, so-called social, cultural and human capital has been exhausted. As a result, business executives are beginning to recognise that a focus on economic capital does not guarantee business success. In other words, in an interdependent world in which new institutional forms that exist beyond nations is beginning to emerge. It is now argued that to run a successful global business, corporations must become actively involved with social and human capital.

### 4.2.1.3 Sustainability Management

A current issue in the global market is the way in which companies continue to survive and thrive, the issue of *sustainability management,* which is highly interconnected with the notion of transformation of capitalism from a profit-driven motivation to a value-driven one. It is reasonable to assume that there may be no doubt that businesses, like human beings, would like to live as long as they possibly can. Senge (1993) insists in his book *The Fifth Discipline* that few large organisations live even half as long as a person does. According to a Royal Dutch/Shell survey, one-third of the firms in the *Fortune* 500 in 1970 had vanished by 1983. From this data, it is also argued that the average lifetime of the largest industrial enterprises is less than 40 years, roughly half the lifetime of a human being, and companies fail because their managers focus only on the economic activity of producing goods and services, forgetting that their organisations' true nature is that of a community of humans.

A critical point that emerges is that the sustainable survival of a business is dependent upon a wise balance between making profit and growth for the long term. That is why growth and profit become equivalent as the criteria for the selection of an investment programme (Penrose 1980). Therefore, to see which companies will be successful in the next century, we need to look away from a projection of today's terms. It is a mistake when looking forward to think that current performance and, above all, current size are the most important elements in future success (Kay 1993). Short-termism is a particular weakness of Anglo-American corporations and supporting institutions (government, shareholders and institutional investors, banks).

One of the most crucial advancements in the CSR arena is the realisation that the nature of business and its performance cannot be assessed with a single criterion (Pava 2008, p. 808). In this respect, the abundance of CSR research on corporate sustainability is related to the triple bottom line approach (Elkington 1997), in which corporate performance is associated with the economic viability of firms, minimisation of negative environmental impacts and action in conformity with social expectations (e.g., Carroll 1979; Branco and Rodrigues 2006; Lee 2012).

However, we should also understand that the "bottom line" for organisations is more complex than at first appears, as good performance is multidimensional (Waddock 2008; Lash and Wellington 2007; Lee 2012).

In sum, we reviewed CSR drivers, focusing on three issues: social legitimacy, globalisation and sustainability management. During the process of the literature review, however, we realised that widespread CSR discussions, in practice, are more complex and dynamic that expected and hence are difficult to explore using a single yardstick. There is little understanding of the complex institutional dynamics of CSR, and it must be illustrated in practice in a more holistic way. We expect that institutional perspectives may contribute to embracing all of the scattered institutional characteristics surrounding organisations in different nations that employ CSR. To see CSR in the light of an institutional perspective may starkly reveal a distinct blind spot in the literature (Campbell 2006), as there has been little research on institutional conditions that influence CSR-related behaviour (Walsh et al. 2003). Therefore, based on this gap, the next section will explore the case of Korea: how CSR are adopted and implemented in real situations by engaging institutional perspectives.

## 4.3 CSR in Korea

### 4.3.1 Why Korea?

The Republic of Korea (South Korea) is regarded as one of the major economic powers in Asia. Since the 1960s, Korea has been one the world's fastest growing economies and is now the fourth largest in Asia. Today, its success story in economic development is known as the "*Miracle of the Han River*", and is a role model for many developing countries. Korea's neighbours are China to the west and Japan to the east, and it shares similar cultural norms and expectations with these countries. We believe that highlighting the case of Korea can show CSR in a contemporary Asian country, where the concept is relatively new (Donleavy et al. 2007) and an ideological struggle is taking place between the institutional pressures of convergence (e.g., international standardisation, regional and international NGOs and regulations) and divergence (e.g., Confucianism culture, unique norms and social knowledge). The interaction of cultural and other institutional roots and economic growth can be shown from the view of corporate social responsibility.

Korean CSR, especially in its integration with business practises, is still at an ongoing developmental stage. Even though Korea has had a cultural heritage of sharing and altruism since the foundation of the country, this heritage has been totally separated from business ideals. Lee and Yoshihara (1997) indicate that the traditional Korean paternalistic attitude creates a different attitude toward fairness and responsibility in the business sector, as well as a competitive market in comparison with other developed countries. In particular, since the economic crisis

in 1997 (the so-called IMF crisis), the question of CSR actively appears on the business stage alongside with fundamental deficiencies inherent in Korean firms, such as chronic problems within corporate governance and transparency. Therefore, the question vigorously and consistently posed to current Korean business practises is "how they can cope with the complex situation of CSR?"

### 4.3.2  High Regulative Pressure on CSR

The CSR phenomenon in Korea is closely related to its unique political and economic history, and hence is strongly affected by changes in governmental policy and interest. Therefore, coercive pressure by government authorities is one of the most discussed topics in Korea. In the early stage (1980s – mid-1990s), there were serious problems of business transparency (e.g., double accounting, illegal political relations) and in order to hide their unethical behaviour, businesses were forced to pursue CSR activities. It has been suggested that, in Korea, the most influential factor in unethical decisions made by individuals engaged in business is "the political climate" of the country (Christie et al. 2003). Therefore, it is difficult to say that Korean CSR has been developed rationally through appropriate business procedures and organic growth.

The turning point in Korean history was "the Asian financial crisis in 1997", not least for the country's economics but more importantly for the politics of the country. Kim Dae-Joong's government (1998–2003) pushed for the restructuring of the powerful *"chaebols"* and CSR therefore emerged as an issue in corporate governance, transparency in accounting practices, and worked in a top-down manner. In terms of budgets, it grew tremendously, with an exceptionally sudden ascendancy. Many parts of the budgets of corporations related to political donations were transferred to social parts and are now classified under the banner of CSR. According to variously expressed and implied pressures, businesses had to concern themselves with the interests of the wider society. Therefore, much of the work on CSR was done inefficiently and with a distinct lack of strategic planning. This was a critical situation for CSR in Korea during the 1990s.

The succeeding Roh Moo-Hyun participatory government (2003–2008) tried more vigorously to enhance CSR by amending regulations and legislation with various policies. They placed the emphasis on sharing between society members, and therefore put serious pressure on businesses to join in this initiative. In addition to the government, the activities of NGOs and civil organisations had developed, and businesses had to concern themselves with pressures from these external sources as well. The succeeding Lee Myung-Bak government (2008–2013) set much more rigorous environmental CSR standards and legislation. On August 15th 2008, the government declared "Low Carbon Green Growth" as a new vision for national development. Green Growth refers to the optimization of synergy created from the virtuous cycle of environmental (green) and economic (growth) interaction or, in other words, establishing an advanced society by making

economic growth patterns more environmentally friendly. As a national development vision, the scope of Green Growth not only covers energy and environmental issues but also extends to creating new jobs and securing new growth engines, building industry competitiveness (Cheong 2008). This new policy offers new business opportunities (e.g. green technology, solar and renewable energy, carbon reduction technology) as well as new threats and pressures (e.g. investment, long-term commitment, and uncertain economic outcomes) on businesses to join the policy.

In sum, although there are international standards and guidelines (e.g., ISO26000, GRI and UN Global Compact), consumers and NGOs which drive businesses to respect and institute CSR, we suggest that Korean CSR closely depends on the interests and security of the country at the time.

### 4.3.3 Unique Normative Setting for CSR

Normative settings of a country are important issues to be considered when businesses implement CSR with actions in the workplace and with society members. That is, the actions of CSR vary according to institutional pressures, in particular, the normative settings of society. When it comes to the case of Korea, CSR implementation tends to be more pragmatic, with a focus on social contributions (philanthropy) and volunteering activities.

The implementation of CSR in Korea focuses highly on the two phenomena of social contribution and volunteerism. Under excessive pressure from external judgment and public commentary (such as government, NGOs, and media) to relate to the ideal standard, and inside influence (from the top to bottom), Korean businesses regard social contribution as the main sector in which CSR should be considered for action. Korean volunteerism is also regarded as one of the most successful CSR actions, embracing unique Korean normative settings. It is argued that volunteerism could be the seed and core of CSR in Korea. It is closely related with the Korean traditions which are based on Confucianism such as *Pum-a-si* (exchange of work); *Du-re* (cooperative group); and *Hyang-yak* (promise for community). The effect is provided in two ways, namely those of the community and of the business. To reiterate, Korean businesses have developed "volunteerism", which can efficiently meet people's normative requirements. Businesses regard this as the best way to implement CSR in the Korean institutional context.

However, there is serious fragmentation in Korean CSR implementation. There is heavy emphasis on philanthropy (in particular, the amount of donations) and volunteerism (in particular, the number of participants), means that in Korean businesses, CSR becomes disconnected from holistic management aims and strategies. We reveal that one of the main reasons for this imbalance is closely associated with the gap between the majority of society members and the businesses themselves. For example, the current rampant ratings of CSR by quantity (amount of money donated) rather than more accurate or reasonable ways of measurement

by various organisations in Korea (economic advisors, NGOs and media), are heavily criticised. We propose that, without providing an appropriate institutional platform for businesses, simply pushing businesses to pursue CSR makes these businesses consider that corporate social responsibility causes unavoidable work on which to spend extra money. Thinking of CSR in this fragmented way negatively affects businesses, and CSR becomes a problem to throw money at, rather than an opportunity from the perspective of business aims.

### 4.3.4 Critical Cognitive-Cultural Environment of CSR

In relation to the short-term approach towards business, there exists a particular Korean characteristic, and it is significant to note that, since the 1900s, institutional dynamics have modified and now stress rather short-term attitudes. In the earlier periods of history, Korean businesses had a long-term mindset, stemming from common cultural roots which lay in Confucianism, however, through the Japanese colonial period (1910–1945), and the Korean War (1950–1953), many of these societal morals and customs changed and diluted. As people were starving and destitute, the main driver in their lives was simply survival. Moreover, during the industrialised period (1960s–1970s), with a growth-driven economy, the situation became even more severe. CSR became synonymous with contributions to the national economy (HERI 2008). It is argued that this stream of thought was influenced not by culture, but by political controllers who led this economic development. We assume that the views of contemporary Korea have changed from traditionally long-term to short-term perspectives during the course of this period. This is because of the fact that the traditional Korean institutional environment has changed because of the globalisation of the Korean economy.

Paradoxically, this short-term approach is regarded as one of Korea's great strengths for current economic development. With this mind-set, the economy of Korea could rapidly catch up with that of developed countries in a relatively short period of time. The phenomenal economic success of Korea during the last 30 years, the so-called *"Miracle of the Han River"* emphasises this short-term perspective. What became important at that time was having a job, having somewhere to live, and having a vibrant market economy; everything, therefore, in terms of priorities, was subordinated to economic matters. So there is a "mind-set" in Korea that the short-term result of current economic success is what is most important. How you deliver the end result (what form the process itself takes) is not as important as the final result. Therefore, Korean people tend to seek the end result with a view to the relatively short term. This short-term attitude places more importance on values associated with the past and present, rather than the future (Christie et al. 2003). That is, contemporary Koreans tend to have a cultural resistance to looking at the future picture of a business in terms of "sustainable development". Even though they have succeeded in the economic arena, their cognitive-cultural attitude of viewing business in a holistic way in the long-term is less developed than that of other

countries and other economies. In this regard, we argue that Korea is in a paradoxical situation, in that it has undergone phenomenally quick economic success, and yet remains so far behind in terms of the race for sustainability.

Since the tipping point in Korean contemporary history, the so-called Asian financial crisis (1997–1998), Korean businesses have had to face a new approach to CSR, focused on more orientation towards long-term sustainability, as well as an integrated approach by business towards economic, environmental and social contexts. Korean businesses were required to restructure their business systems and modes of corporate governance. The financial crisis compelled Korean businesses to be concerned with the true identity of corporate social responsibility and the transformation of social contributions to CSR's core values. Korean companies made every effort to "quickly" catch up with this global requirement (HERI 2008).

Stimulated by a series of accounting scandals and illegal political funds of several large Korean corporate entities – *'chaebols'*, the time of active discussion about the implementation of CSR and sustainability arrived at the beginning of the new millennium. Since this period, Korea's short-term growth-driven economy has been restructured, and sizable disadvantages in competition with other countries in the era of globalisation have been acknowledged. There appears, in short, the question of "sustainability".

In sum, the CSR phenomenon in Korea indicates that CSR is strongly affected by national institutional environments. More importantly, as we critically note, there is complex institutional reciprocation and change which has led various approaches towards CSR, which have often been overlooked in existing theoretical and empirical investigations. The Korean case suggests that the over-simplistic expectations of CSR should be rethought. That is, although the long-lasting institutional setting is important, the complex institutional contexts and the possibility of interaction and modification that lead to a complex approach towards CSR have to be seriously considered.

## 4.4   Current Status of CSR Practice and Implementation in Korea

### 4.4.1   CSR Practice in Korea

From the time of its inception up to the early 2000s, CSR has been understood to encompass philanthropic activities that may, or may not, have a strategic orientation for Korean corporations.[1] Sustainability was sometimes mistaken as being mainly concerned with the social responsibility of corporations. Recently, however, corporate sustainability management has been understood to govern three bottom lines, that is, the economic, environmental, and social performance of corporations.

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[1] In Korea, philanthropy is often called "social contribution."

**Table 4.1** Social contribution expenditure by Korean corporations (2010)

| Social contribution activities | Expenditure (Billion KRW) | Percent (%) |
|---|---|---|
| Social welfare | 384 | 51.1 |
| Arts, athletics | 99.6 | 13.3 |
| Health care | 922 | 12.3 |
| International aid works | 37.8 | 5.0 |
| Education, research | 35.9 | 4.8 |
| Rural support | 33.8 | 4.5 |
| Environmental protection | 12.8 | 1.7 |
| Emergency and disaster relief | 6.6 | 0.9 |
| Other | 483 | 6.4 |
| Total | 7,513 | 100 |

Source: The Federation of Korea Industries, Corporate Community Relations White Book 2010, 2011

Corporations that were faced with very real and imminent institutional pressures regarding environmental issues from various stakeholders, including regulators and consumers, were very slow to develop CSR activities. CSR, as proactive strategic approach, has emerged only recently in Korea, and corporations have just begun to pay attention to the possible costs and benefits of CSR activities. The publication of ISO 26000, as an international guide to CSR, triggered a serious consideration of systematic and strategic approaches to CSR by Korean corporations. Coupled with the rapid economic growth of the leading multi-national enterprises (MNEs), strong demand for CSR by stakeholders, both domestic and overseas, pushed the MNEs into taking a proactive stance towards CSR.

In fact, many large Korean corporations (including *chaebols*) have spent significant amounts of money on philanthropic activities. According to the *Corporate Community Relations White Book 2010*, a survey report by the Federations of Korean Industries in 2011, the average philanthropy outlay by Korean corporations (of 164 respondents) amounts to 13 billion KRW (equivalent to 11 million US$), about 0.2 % of total sales. Of total expenditure, the largest amount was allocated to social welfare, followed by support to the arts, athletics and health care (see Table 4.1). It also reports that 80 % of CEOs who responded to the survey say that philanthropy is incorporated into their overall strategy or their core strategic value is reflected in philanthropy.[2]

Although the average expenditure is not insignificant, stakeholders tend to consider that the corporations' CSR activities are not substantial enough. In reality, according to the above-mentioned survey, the biggest difficulties the CSR staff within Korean firms experience are insufficient social recognition and anti-corporation sentiment, which together make up 51.2 % of the respondents to the survey conducted by the Korean Chamber of Commerce. As documented in its report, donations by Samsung Electronics almost equalled that of the American company Walmart in

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[2] The Federation of Korea Industries (FKI), Corporate Community Relations White Book, 2010, 2011.

**Table 4.2** Industry composition

| Industry | Frequency | Percent (%) |
|---|---|---|
| Electronics | 6 | 15.0 |
| Automobile | 3 | 7.5 |
| Heavy industry | 6 | 15.0 |
| Oil & petro chemical | 5 | 12.5 |
| Telecommunication | 3 | 7.5 |
| Building & construction | 7 | 17.5 |
| Steel & metal | 4 | 10.0 |
| Retailing | 4 | 10.0 |
| Airlines | 2 | 5.0 |
| TOTAL | 40 | 100.00 |

**Table 4.3** Number of departments and units

| Name of department/unit | Frequency | Percent (%) |
|---|---|---|
| Sustainability management team | 7 | 17.5 |
| CSR and environmental management team | 6 | 15.0 |
| Green management team | 7 | 17.5 |
| External relations corporation team | 4 | 10.0 |
| CSR and management planning department | 3 | 7.5 |
| Environment, health & safety team | 3 | 7.5 |
| Environmental management team | 3 | 7.5 |
| Business ethics department | 2 | 5.0 |
| Environmental management department | 3 | 7.5 |
| Strategic planning department | 2 | 5.0 |
| TOTAL | 40 | 100.00 |

2004. The unfavourable response by stakeholders could be evidence of reactive and inefficient CSR, in contrast to proactive and effective CSR, by Korean corporations.

## 4.4.2 Industry Analysis: CSR Practice and Implementation

We recently conducted an industry scale study on corporate sustainability management and CSR to explore the key factors which affect corporate decisions for the introduction, implementation, and integration of CSR activities into corporate organizations in the period July – September 2012. Despite increasing recognition of CSR in Korea, there are a relatively small number of firms which publish sustainability and/or CSR reports. At present, 71 Korean firms' GRI (Global Reporting Initiative) registered sustainability/CSR reports are published internationally. Initially, we targeted 71 firms which publish sustainability/CSR reports because we expected the firms might have relatively good experience with CSR. We approached large-sized firms which are publicly listed in the Korean stock

**Table 4.4** Top 3 stakeholders for CSR adoption and implementation

| Stakeholders | Top 3 |
|---|---|
| 1. Government | *** |
| 2. Consumers | *** |
| 3. Investors & shareholders | *** |
| 4. Suppliers | * |
| 5. Competitors | * |
| 6. NGOs | * |
| 7. Media/public | * |
| 8. Banks & financial institution | * |
| 9. International rating agency | * |

(* indicates the level of CSR adoption and implementation: * – low; ** – medium; *** – high)

**Table 4.5** Top 3 drivers for CSR adoption and implementation

| Drivers | Top 3 |
|---|---|
| 1. Legislation, government policy | *** |
| 2. Top management commitment | *** |
| 3. Government incentives | *** |
| 4. CSR policy and strategy | * |
| 5. Corporate vision and mission | * |

(* indicates the level of CSR adoption and implementation: * – low; ** – medium; *** – high)

market, and 40 firms agreed to participate in our survey. With a small sample size (40), we conducted a semi-structured field survey with managers responsible for CSR activities. All sample firms have more than 10,000 employees and 1,000 million (US$) in annual revenue. Tables 4.2 and 4.3 show the sample composition and corporate departments and/or units which participated in our study.

In order to identify key motivational factors affecting managers which caused them to introduce and implement CSR within their organisation, we ask our sample firms to select the top 3 stakeholders from the list given (see Table 4.4). As seen below, nine stakeholders are presented as being motivational factors and government, consumers, and investors & shareholders are chosen as the strongest stakeholder factors which affected their decisions on CSR introduction, implementation and practice. Obviously, regulatory pressure from the government seems to be the strongest factor which affects CSR introduction, implementation and practice. In addition, consumers and investors & shareholders are major factors for CSR implementation and practice in Korea. As mentioned previously, Korean business people seek relatively short term outcomes, a transitional shift since 1997–1998, during the Asian financial crisis. Consumers and investors & shareholders also put high pressure on Korean firms to reduce their CSR-related risks, and many of the firms are "profit-maximising CSR" firms rather than being "profit-sacrificing CSR" firms. From an institutional perspective, government provides high regulatory pressure while consumers and investors and shareholders offer a normative and cognitive-cultural environment.

**Table 4.6** Top 3 barriers/ impediments in CSR adoption and implementation

| Barriers/Impediments | Top 3 |
| --- | --- |
| 1. Legislation | *** |
| 2. Lack of governmental incentives | *** |
| 3. Lack of financial capacities | *** |
| 4. Lack of top management support | * |
| 5. Lack of organisational capacities | * |

(* indicates the level of CSR adoption and implementation: * – low; ** – medium; *** – high)

Once we identified key stakeholders in the adoption, implementation and practice of CSR in Korea, we continued to ask respondents to select the top 3 drivers for CSR adoption and implementation. According to the study, we identified four top drivers as being legislation, government policy, top management commitment, and government incentives (see Table 4.5). Not surprisingly, Korean firms consider governmental legislation and incentives (external) and top management commitment within the firm (internal) as the main drivers for the implementation and practice of CSR. During the economic development process, in a relatively short period of time, government policy and incentives strongly influenced businesses' economic activities and performance in Korea. Also, top managers (CEOs or executives) were found to play an important role in CSR practice and implementation. When we consider that many of our sample firms are *chaebol*, founding family members are still strongly influential in running businesses. Also employee loyalty for the corporation's founding family is still strong in Korean businesses. Top managers' decisions have a strong influence on CSR practice and implementation (Table 4.6).

We continue to seek any barriers or impediments to the practice and implementation of CSR. Interestingly, governmental legislation and incentives are drivers and barriers simultaneously to the implementation and practice of CSR. Also, financial capacity is considered to be an important barrier for the implementation of CSR in Korean firms. This may indicate that CSR-related financial budgets or capacities are not prioritised within the firm. For our sample of Korean firms, CSR practice and implementation is about decisions on "profit-maximising CSR" or "profit-sacrificing CSR". Under heavy environmental or social regulatory legislation (e.g., carbon emissions, energy inventory, social label), firms feel high regulatory pressure which directly enforces the implementation of CSR. Most importantly, financial capacities and governmental incentives are also important factors in consideration of the implementation of CSR. Many firms seem to give priority to the economic bottom line over the triple bottom line of corporate sustainability management. This can be interpreted as meaning that short-term focused economic outcomes should be secured or sought in order to implement CSR practice. Therefore, "profit-maximising CSR" or "strategic CSR" seem to be dominant in Korean firms.

## 4.5   Summary and Conclusions

This paper has explored the notion of CSR from an institutional perspective, and has presented the case of Korean firms with empirical analysis. In this section, we summarise our answers to the four questions: Firstly, for firms, is there a clear line which indicates exactly where CSR stops being profit maximising and starts becoming purely philanthropic? If so (or not), under what conditions do a firm's managers (or decision makers) give great discretion in determining where this line lies? Also, what drives firms to engage in CSR? Lastly, are there any important characteristics or attributes from businesses in newly industrialized non-Anglo-American countries that can be compared to businesses in Asian countries?

The first question is probably the most challenging issue for many scholars and managers. Where is the line between profit maximising CSR and profit sacrificing CSR? From an institutional perspective, we set three institutional contexts of CSR in Korea: high regulative pressure, unique normative setting, and critical cognitive-cultural environment. These institutions obviously affect Korean firms in their adoption, implementation, and practice of CSR simultaneously. Traditionally, Korean firms engaged in philanthropic CSR, such as giving or donation, without considering economic profit. In recent years, CSR movements seem to have become transitional from pure, philanthropic CSR to profit making or maximising CSR. It is also observed that many Korean firms set an economic bottom line as a baseline for implementing CSR.

The second and third questions are empirically examined from an institutional perspective. Governmental regulatory legislations and policy obviously have an effect on a firm's CSR practice and implementation. Importantly, governmental legislation and incentives can play an important role in CSR implementation and practice. Also a commitment by top management can have a serious impact on CSR practice. However, financial capacities are found as one of the key barriers to the implementation of CSR in Korea. Thus, many firms posit "reluctant CSR" and "strategic CSR" in order to utilise CSR performance outcomes for sustainable competitive advantage.

Finally, the case of firms in Korea delivers some important characteristics relating to CSR practice. Traditionally and culturally, Korea has practiced "normative CSR" or "profit-sacrificing CSR" within the society. In recent period of rapid economic development, short-termism and outcome-oriented cultural changes have caused Korean businesses to take "strategic CSR" or "profit-maximising CSR" in this era of globalisation. However, there are some key factors to take into account in order to better understand Korean CSR in the business context. In the hypercompetitive global market, many large-sized MNEs have sought short-term financial performance outcomes in the past. Recently globally branded Korean firms (e.g. Samsung, Hyundai, LG, Daewoo, POSCO, etc.) began to recognize the importance of maintaining a balance between short-term profit making and long-term sustainable growth, from the perspective

of CSR and corporate sustainability. Obviously, key stakeholders and institutional factors are two main areas for the practice and implementation of CSR. It is worth noting that CSR practice is not static but is dynamic, with regulatory legislations and norms. Exploring complex institutional interaction (regulations, norms, culture) can lead to better understanding of corporate social responsibility practice in Asia.

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# Part II
# Brunei and South East Asia/United States of America

Focusing on Brunei and South East Asia as well as the United States of America, this part comes in two segments. One segment specifically looks at Corporate Social responsibility from the Islamic viewpoint incorporating the notion of helping others with compassion as well as examining CSR issues from the Bruneian perspective. Aptly so, it coincides with what Paul Hawken, an environmentalist once said, that is, "The future belongs to those who understand that doing more with less is compassionate, prosperous, and enduring, and thus more intelligent, even competitive."

The other segment looks at the green practices as practised in the South-east Asian countries of Brunei, Malaysia and Singapore and China. The section also discusses, and accordingly, makes useful comparisons between these countries CSR and that of the United States, a developed economy.

Part II focuses on Brunei and South East Asia/United States of America and consists of Chaps. 5, 6 and 7.

Chapter 5: "Corporate Social Responsibility of Islamic Banks in Brunei Darussalam", Mahani Hamdan explores the corporate social responsibility (CSR) practices of Islamic banks in Brunei Darussalam. Aspects of an investigation cover the definition and role of CSR from the banks' perspective and CSR practices which includes actions or initiatives and reporting. The study collected data from secondary sources such as CSR reports, news and other relevant documents, as well as interviews with several officers. Results from this exploratory qualitative research showed that there was not really much difference between CSR practices of Islamic banks in Brunei and other Islamic banks in the region. The study indicated the importance of CSR from Islamic perspective is not merely to perceive it as a business strategy to create continuous good financial performance, improve bank's reputation and increase stakeholders' social responsibilities, and as a means to legitimize the existence of Islamic banking, but as a responsibility towards God (Allah) and welfare of society.

Chapter 6: "The Koranic Discourse on Corporate Social Responsibility", Abbas Zaidi and Kim Cheng Patrick Low argue that Asia is home to the majority of world's Muslims. Around 1 billion out of total 1.62 billion Muslims live in Asia.

If corporate social responsibility is defined as ethical running of a business which results in the benefits and welfare of not just employees but society at large, the Koran has a great deal to offer by way of ethical-mandatory commands and practical guidelines whether one is a businessperson or a customer. The chapter tries to recount and interpret the Koranic view of corporate social responsibility. It begins by introducing (i) the significance of the Koran in the lives of Muslims; (ii) the importance of the Koran as a business document in the Asian-Muslim context; (iii) corporate social responsibility as a concept; (iv) the Koranic view of the concept of corporate social responsibility and its various implications.

Chapter 7: "Green Practices: A Comparative Study Between South East Asia and the United States", Ina Freeman and Kim Cheng Patrick Low examine and contrast the efforts to be green made in both the United States and in the Southeast Asian countries of Brunei, Singapore and Malaysia and China. The authors argue that when societies and companies adopt green habits and practices; they fulfil some aspects of socially responsibility and in America the financial "bottom line" is paramount, with many businesses and the Republican party arguing the primacy of economics before all else. The paper also seeks to argue that governments in Asia need to tap what Asia inherently has; that is, its green philosophies and values that encourage green habits and practices.

# Chapter 5
# Corporate Social Responsibility of Islamic Banks in Brunei Darussalam

**Mahani Haji Hamdan**

**Abstract** Despite the fact that Islamic banks are governed in accordance with Shariah law, many of the banks are still using the conventional frameworks of CSR, which based on western cultures, values, beliefs and perspectives. There have been various perspectives regarding Islamic CSR. The conceptual framework of Islamic CSR (i-CSR) introduced by Mohammed (*Corporate social responsibility in Islam.* (Doctoral dissertation, Auckland University of Technology). Retrieved from http://aut.researchgateway.ac.nz/handle/10292/354, 2007) integrates Islamic principles of al Qur'an and Hadith, and has become the basic reference to develop further Islamic CSR models. The existing literature generally dealt with the development of Islamic CSR framework and the relationships among CSR dimensions. There have also been several studies that examine the practice of CSR in Islamic banks, but none of the studies is investigated in the context of Islamic banks in Brunei. This study, at its early stage of exploratory research, aims to investigate the Islamic banks' perspectives on the concept of CSR and their practice of CSR. Data were obtained from informal interviews and secondary sources including journal articles, news and the banks' reports and official websites. Results revealed that the banks generally have positive views of CSR. It is based on Tawhidiq approach that the banks viewed CSR not merely as a business marketing strategy and charity, but as a responsibility towards God (Allah) and welfare of society. The study also found no major discrepancies in CSR practicalities between Islamic banks in Brunei and other Islamic banks in the region. Commitment to implement CSR effectively in Islamic banks while maintaining long-term sustainable economic system is crucial to the country's competitiveness.

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## 5.1 Introduction

The founder of the Body Shop, Anita Roddick, once said that "The business of business should not be about money, it should be about responsibility. It should be about public good, not private greed." She reminded us of the importance of social responsibility, humanity and justice towards each other, and perhaps more importantly, businesses to do well and be good. Integrating social responsibility into a business model gives rise to a simple term yet contentious concept. The term is 'corporate social responsibility (CSR)'. The birth of CSR concepts and practices in business organisations and financial institutions can be traced back to as early as 1920s (Hoffman 2007), and the CSR frameworks found in the existing literature are mostly developed from the West. Islamic CSR frameworks, on the other hand, are rarely discussed in the literature.

Islamic banks have witnessed the emergence of CSR for years, but many of them are still using conventional CSR frameworks that developed from the West to guide their strategies and policies (Iqbal 2012). The conventional CSR framework adopted by Islamic banks has been commonly criticized for the lack of structured Islamic inputs. Until today, there is no generally accepted CSR framework available, and the development of Islamic CSR framework just begins to take shape in late 2000s. The focus on socially responsible behaviour of Islamic banks has also been actively in the limelight from the mid-2000s onwards.

As opposed to conventional banks, Islamic banks are managed in accordance with Shariah law based on al Qur'an and Hadith. Therefore, the CSR objectives of Islamic banks must align too with the guidelines of Shariah values and principles. The commitment of Islam to justice and brotherhood demand business organisations including banks to take care of some of the needs of the community, and to see this as a benefit rather than a cost (Hassan and Abdul Latiff 2009). Published research focusing on CSR frameworks of Islamic banks has largely been done in Asia including Malaysia, Indonesia and Bangladesh (Rashid et al. 2013; Samina 2012; Shifa 2012; Yusuf and Bahari 2011), but very few (if any) detailed studies have been conducted on Brunei's Islamic banks. There are currently two Islamic banks in Brunei: Bank Islam Brunei Darussalam (BIBD) and Tabung Amanah Islam Brunei (TAIB). Despite the increasing public awareness of CSR in the country, what type of CSR framework is used by the banks remains largely unknown to the researcher' knowledge. Thus, there is an urgent need to do research on Islamic CSR in Brunei, and to build on current efforts to strengthen the value of social responsibility, either individually or collectively.

The purpose of this study is to study Islamic banks' understanding of CSR concepts and practices in the context of Brunei. There are two major contributions of the study. The study gives us a better understanding of CSR from the perspectives of Islamic banks, and provides invaluable information whether there are any different between the CSR practices of Islamic banks in Brunei and other Islamic banks in the region. The study is also the first of its kind to be conducted in Brunei, an Islamic state in Southeast Asia. This chapter is structured in the

following order: a literature review on CSR, followed by research objectives, methods, results, discussions, and conclusion with some recommendations.

## 5.2 Literature Review

### 5.2.1 An Overview of CSR

The purpose of business or corporation has always changed even before CSR came into the spotlight in big corporations. It is often argued that the basic purpose of business is to make profits for the business and its stakeholders (Friedman 1970). However, the rise of sustainability as a fundamental business concept has encouraged many of today's corporations to achieve and maintain their business sustainability not just by making or increasing profits but also through their relationship with all stakeholders. They now have a social responsibility to contribute to the society in which it exists and towards environmental protection, factoring in negative externalities like pollution and the side-effects of their production activities (Gupta and Gupta 2008). Certainly, CSR is not a new word for corporate leaders.

CSR came into existence in the early 1950s. It was first introduced by Bowen (1953) who believed that all decisions and actions made by businesses would impact on the lives of citizens at many points including customers, employees, shareholders, communities and the environment in all aspects of its operations. Bowen referred CSR to "obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society" (p. 6). Bowen's prediction that CSR will guide businesses in the future has indeed come true. There has been a growing interest and demand for CSR because of multinational corporations' increasing influence on world economy and scandals revealing horrible working conditions in different industries (Classon and Dahlstrom 2006).

Following the early and seminal works of Bowen, Carroll (1979) proposed a fourfold definition of CSR: economical, legal, ethical and voluntary expectations that the society has towards enterprises or firms at any given time. Carroll (1999) further traced the evolution of CSR construct and found that the proliferation of CSR definitions has begun long since the 1970s. The definitions of CSR became more specific emphasizing several dimensions such as corporate social responsiveness, corporate citizenship and corporate social performance (CSP). In the 1980s, these dimensions continued to expand. Wartick and Cochran (1985) extended a three-dimensional integration of CSP (i.e. responsibility, responsiveness and social issues) into a framework of principles, processes and policies respectively. There were also greater attempts to measure and conduct empirical research on CSR dimensions. In the 1990s, businesses started to take an active interest in CSR implementation and strategies. There were alternative themes emerged in the

literature to operationalise the CSR concept including stakeholder theory, business ethics theory and corporate citizenship.

On the basis of stakeholder theory, CSR is seen as the obligation of an enterprise towards its stakeholders which include individuals and groups who have influence on the firm, or are directly impacted by the firms' policies and practices (Bloom and Gundach 2000). It has become an essential part of business language and practice, and also, an obligation that exceeds the legal framework requirements. In this era of new millennium and technology, the attention is currently geared towards the theoretical definitions and developments of CSR and its measurement initiatives.

Business corporations may have varied definitions of CSR across time, geographical locations and sectors but there is considerable common ground between them. The World Business Council defined CSR as 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" (Holme and Watts 2000). Whilst the European Commission's (2001) Green Paper extended the meaning of CSR to companies' voluntary contribution to "a better society and a cleaner environment, and a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis." Overall, these definitions point to three fundamental elements of sustainable development: economic growth, social responsibility and environmental protection. Dealing with sustainable development issues can be challenging, and it is also becoming more complex for a business to balance these areas with the needs and demands of all stakeholders.

CSR is often a subject of debate presenting two sides of an argument. CSR advocates argue that businesses benefit in many ways by operating with a perception broader and longer than their own immediate, short-term profits, whilst the opponents' argument is that CSR diverts from the basic economic role of business and it is nothing more than superficial window dressing (Abou-El-Fotouh 2011). Having said this, corporations should see their CSR differently i.e. to see CSR as a way to benefit them through maximizing their profits while also benefiting society by improving the welfare of other stakeholders (Hedige 2010; Sandler and Lloyda 2009). Corporations must consider the importance of all key stakeholders in their corporate strategies, and this understanding comes from the broader stream of stakeholder theory (Freeman 1984).

There is a strong interdependence between CSR and stakeholder theory particularly with respect to stakeholder management (Jamali 2008). Both concepts can be applied internally (i.e. better cooperation and communication between an employer and an employee), and externally (i.e. better access of global markets), and can assist corporations to create economic, social and intangible values. However, there are common issues between them including the identification of the nature and type of relevant stakeholders (Mitchell et al. 1997), the analysis of the ways in which the relevant stakeholders are able to influence the decision-making processes (Frooman 1999), and the identification of the strategies through which the corporation

involves and engages their stakeholders into the organisation (Jawahar and McLaughlin 2001).

Corporations become involved in CSR for many different reasons. In the past, they embraced CSR to make its brand different from other generic products in the industry (Epstein-Reeves 2012). In the age of globalisation, the need for CSR is especially important for competitive reasons such as innovation, cost savings, long-term financial planning and growth, customer loyalty and employee engagement. In the present competitive environment, corporations adopted CSR as a tool to build a strong corporate image and reputation, and trust through an affective relationship with customers/consumers (Paetzold 2010). All these can contribute to the overall performance of corporations' core business, which in turn, will generate sustainable business value.

### 5.2.2 CSR in the Banking Sector

CSR has increasingly taken shape in financial institutions like banks partly because financial scandals involving major financial institutions still continue to rock the banking world. This gives rise to the need for corporate governance framework to address issues pertinent to banking regulation, corporate ethical management and CSR, and to protect all stakeholders particularly the shareholders against any misconduct or actions of professional managers. The role of CSR becomes significant as it has been shown to have a positive effect on banks' financial performance (Cruz 2009; Ghoula et al. 2011; Ahmed et al. 2012; Scholtens 2008). This important finding to a large extent has attracted many banks to adopt and implement CSR. In other words, CSR contribute to lowering banks' financing costs, decreasing production inefficiencies, increasing profits, sales and access to international financial market, and reducing risk and environmental impacts. The positive effect of CSR on banks' profitability may not be realised immediately, but its activities can be influential in mitigating the risk of damage to brand evaluations in the long run (Lin et al. 2009). CSR activities also enable banks to enhance their local and cross-border economic performance and promote their reputation in the community they serve. In essence, CSR is a driver in building a solid reputation (Brammer and Pavelin 2006; Schnietz and Epstein 2005).

There is a directional relationship between CSR and corporate reputation (Abdullah and Abdul Aziz 2011; de Quevedo Puente et al. 2007). Corporate reputation is "amalgamation of all expectations, perceptions and opinions of an organisation developed over time by customers, employees, suppliers, investors and the public at large in relation to the organisation's qualities, characteristics and behaviour, based on personal experience, hearsay or organisation's observes past actions" (Bennett and Kottasz 2000, p. 234). CSR has impact on the corporate reputation which in turn influences and strengthens bank's social responsibility. CSR and corporate reputation share a common stakeholder framework, and both are linked by a legitimisation process that transforms CSR (an objective flow

variable) into corporate reputation (a perceptual stock variable) (de Quevedo Puente et al. 2007). A high level of disclosure requirement can help improve the relationship between bank's CSR and corporate reputation, and the bank's relations with stakeholders that primarily based on trust as the services they provide are largely intangible (Trotta and Cavallaro 2012).

There have been several studies in the literature that examined the effect of CSR disclosure on corporate reputation and performance of Islamic banks (Arshad et al. 2012; Ahmed et al. 2012; Samina 2012), the Islamic perspectives of CSR (Dusuki 2005), and the criteria and Islamic instrument of CSR towards the creation of a sustainable economic development (Yusuf and Bahari 2011). Although these studies are limited in scope, these studies have shown that CSR activities communicated in annual reports were significantly and positively related with corporate reputation and the Islamic banks' performance. CSR is deeply inscribed in Shariah and therefore, Islamic banking system which underpinned by the forces of Shariah injunctions intertwined in Islamic financial transactions, holds the status as a financial institution fulfilling a collective religious obligation. Finally, besides getting a positive corporate image and basing CSR on responsibility al kifaya (obligatory upon community), CSR is also a method to alleviate poverty and achieve the true economic goals of Islam.

Taken as a whole, CSR practices in the banking sector vary across countries because the existence of CSR and its development are determined by the financial condition of individual banks, the banking systems as a whole and the requirements of regulators. Countries have their own specific national history and cultures with national peculiarities. In the literature, there have been various frameworks formulated in different countries[1] (Table 5.1), but the world's most widespread CSR framework is the American or U.S. model due to the simplicity of its implementation in the short term.[2] The U.S. model works to their advantage because CSR was first observed in the Anglo-Saxon countries in 1950s, and the successful implementation of CSR management systems have opened up their opportunity to be competitive with national corporations and extend performance into international markets.

Charity and philanthropy are the main features of the U.S. model of CSR, which also the major instruments for CSR implementation. American banks put greater emphasis on the interests of major stakeholders' groups and are orientated on community interests. There are no penalties for the lack of CSR in business strategy in the U.S. but the high level requirements of information transparency has created a strong incentive for banks to implement the principles of socially responsible business and gain reputation through community support. CSR activities

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[1] Retrieved March 24, 2013, from http://virtusinterpress.org/IMG/pdf/CORPORATE_SOCIAL_ RESPONSIBILITY_IN_BANKS_AN_INTERNATIONAL_OVERVIEW.pdf

[2] Retrieved February 20, 2013, from ABA Presents the First Annual Community Commitment Awards, American Bankers Association, http://www.aba.com/About/Pages/CommunityCommitment Awards.aspx

**Table 5.1** CSR frameworks in different countries

| Models | Focus | Features | Initiatives |
|---|---|---|---|
| U.S. | Community interests | Charity and philanthropy | Environment, community development, regional/corporate citizenship, philanthropy and charity |
| U.K. | Stakeholder interests and strong brand and reputation | CSR Pyramid includes philanthropic, ethical, legal (self-regulation in CSR sphere) and economics | Human rights, environment, employee/supplier relationships, business ethics, customer service, value of/access to products and services, advertising and pricing |
| Australia | Community interests and market stability | Charity and philanthropy | Employment opportunities, financial capability, sustainability, community services, environment, customer, people, supply chain, responsible investment and lending, trust and team spirit and technology excellence |
| Japan | Relationship between company and society. Honesty in operation and contribution to the society | Philanthropy, social welfare, environmental protection and sustainable development | Safety and customer care, human rights, environment, corporate governance, local community involvement, employee/supplier/shareholder relations and business success |
| Malaysia | Public relations | Charity and philanthropy | Donations, contributions, environment conservation, training of employees, corporate governance, charity, communities, marketplace, environment and social |
| China | Triple bottom line (economic, social and environmental) | Economic, legal, ethical, social/charitable and environmental responsibilities | Community outreach, environmental health and safety, environmental protection, education and corporate citizenship |
| Germany | Triple bottom line (economic, social and environmental) | Charity and philanthropy | Donations, sponsoring cultural activities, responsible investment and lending practices and education |

**Table 5.1** (continued)

| Models | Focus | Features | Initiatives |
|--------|-------|----------|-------------|
| France | Economic efficiency, social equity and control of resources | Economic, social and environment | Employees, social relations, health and safety, education, income, communities, the conservation of energy, environment and sustainable development and planning |
| Italy | Business sustainability and transparency | Economic, ethics and sustainable development | Environment, stakeholder relations, profitability and sustainability |

undertaken in Australia and Malaysia have been said to follow initiatives taken in the U.S (Tilt 2009). Whether Brunei also follows the same CSR initiatives, it is yet to be investigated in this study.

### 5.2.3   CSR in Islam

There has been on-going discussion about Islamic corporate social responsibility (i-CSR) among researchers, practitioners and consultants in professional bodies and business organisations. For example, researchers at the Accounting Research Institute of Universiti Teknologi Mara (UiTM), Malaysia, are in the process of developing i-CSR for Islamic institutions. They work closely with Association of Chartered Certified Accountants and other universities in Indonesia to promote the development of the framework. To date, although there is no agreement in the literature on the conceptual framework of i-CSR for the Islamic banks, there is a consensus about what dimensions or principles should we include in i-CSR.

Mohammed (2007) in his early study of CSR proposed a comprehensive conceptual framework of i-CSR. He incorporated four axioms of Islamic ethical philosophy (unity, equilibrium, free will and responsibility), which are the core values of Islamic ethical system forming the basis of the framework. Elements evolved from these values include trustee, freedom of choice, distributive justice and accountability. The framework also laid down the concept of the lawful (halal) and unlawful (haram) in every aspect of the business transactions according to fiqh (Islamic jurisprudence). Fundamentally, i-CSR itself derives from the core principles of al Qur'an and Hadith. Furthermore, under the guided principles of Shariah law, Dusuki and Irwani (2007) and Darus (as cited in Iqbal 2012) suggested that the concept of tawhid (faith in the Unity of Allah) and ibadah (worship) with the principles of Maqasid al-Shariah (the objectives of Islamic law) and Maslahah (public interest) to also be integrated in i-CSR framework, along with two other

dimensions: caliphate (jurisdiction of a caliph) and taqwa (God consciousness or piety) (Dusuki 2008).

Clearly, there are fundamental differences between the concept of CSR in Islam and the one developed in the West. The differences are rather philosophical and ideological in nature. Islamic CSR model is built on the basis of tasawur (world view) and epistemology of Islam, and the principles of Islamic CSR are based on Islamic values and corporate philosophy according to al Qur'an and Hadith. Based on the theory of Shariah purpose and public interest, Islamic CSR is not just looking at the economic side, but also focuses on spiritual values (morality and ethics). CSR in the West, on the other hand, is based on Western cultures, perspectives and beliefs. It takes into account both shareholder (principal-agent) and stakeholder theories. Despite their differences, they have one important thing in common. They aim at maximising the benefits to society, corporate profits and all stakeholders. Over the years, there have also been different perspectives on CSR concept and practices between Islamic and conventional banks. This study summarises them with respect to relationship responsibilities, social justice and environmental sustainability.

### 5.2.3.1 Relationship Responsibilities

Corporations adopt CSR mainly due to one of these reasons: the responsibility of economy, the responsibility of law fulfilment, the responsibility of ethics, and charity (Carroll 1999, p. 264). They view CSR as a collective responsibility between the corporations and the society to create harmony and alignment with stakeholders' interests. However in the world view of Islam, these relationship responsibilities are categorised into three dimensions: the responsibility to Allah, the responsibility to human beings and the responsibility towards environment. Muwazir et al. (2006) conceptualised these dimensions as *Tawhidiq* approach, and viewed CSR as a form of accountability to Allah, humans and environment (Haniffa and Cooke 2001; Yusuf and Bahari 2011), and Fard al-Kifayah (obligatory upon community). Individuals, groups and organisations ought to comply with Allah's laws as Allah has commanded humans to obey Him by ensuring the survival of human kind and the natural surroundings. As cited in al Qur'an, Allah says:

> It is He who hath made you (His) agents, inheritors of the earth: He hath raised you in ranks, some above others: that He may try you in the gifts He hath given you: for thy Lord is quick in punishment: yet He is indeed Oft-forgiving, Most Merciful. (Chapter al An'am, 6: 165)

### 5.2.3.2 Social Justice

The responsibility dimension to human beings is underpinned by human rights and the principles of social justice. Freeman's (1994) theory of justice appears to be relatively in line with the Islamic justice system. Freeman argued that the distribution of income and wealth within a society is just or fair only when laws and

economic institutions are designed to maximally benefit the least advantaged in a society. In Islam, each individual is given his/her human rights in an organisation, and all stakeholders must be treated fairly or equitably in relation to their relative stake, rather than equally. In other words, all stakeholders get what is just for them. For instance, eligible salaries, training and education, health care and a safe working environment for employees; fair prices and quality products and services for customers/consumers; and fair sharing of profits and losses and truthful information disclosure for investors (Yusuf and Bahari 2011). These principles of justice and equilibrium in every aspect of our lives were explicitly mentioned in al Qur'an.

> Be just! Justice is the nearest to piety. (Chapter al Maeda, 5: 80)
>     Dealt not unjustly and ye shall not be dealt with unjustly. (Chapter al Baqarah, 2:279)
>     We send our Messengers with clear signs and sent down with them the Book and the Balance (Right and Wrong), that men may stand forth in justice. (Chapter al Hadid, 57:25)

Social justice in the broader context of CSR, points toward corporations to provide fair and justice in society, safety and security, justice to people for their belief, life, wealth and prosperity, no discrimination and free from exploitation (Abbasi et al. 2012; Usmani 2002). Also, corporations are prohibited to exploit the right of others and have controversy with societal benefits of society. Hence, the key objective of Islamic CSR is to uphold and maintain the principles of social justice to all stakeholders of a corporation. In conventional banks, social responsibility for the welfare of society generally takes in the form of philanthropic (i.e. charitable contributions and donations), whereas in Islamic banks, social responsibility for the welfare of society works through sadaqah (charity) to those in need and welfare or benevolent loans. Both aspects are stated in al Qur'an, where Allah says:

> So fear Allah as much as ye can; listen and obey and spend in charity for the benefit of your own soul and those saved from the covetousness of their own souls, - they are the ones that achieve prosperity. (Chapter al Taghabun, 64: 16)
>     Who is he that will loan to Allah a beautiful loan, which Allah will double into his credit and multiply many times? It is Allah that giveth (you) want or plenty, and to Him shall be your return. (Chapter al Baqarah, 2: 245)

Sadaqah and benevolent loans are social acts to seek Allah's rewards and strengthening brotherhood among human beings (Tirmidhi-al 1993, Hadith, No. 653). These concepts of Islamic charity can help to create a positive image for individuals and Islamic banks (i.e. increased corporate reputation), and also a network which may result in increasing profits (i.e. improved economic performance) (Arshad et al. 2012; Yusuf and Bahari 2011). However, this comes with a challenge for Islamic corporations to achieve a balance between the need for individual economic freedom and the need to serve the common good, and a balance in the distribution of wealth between rich and poor (Lewis 2001). Zakat (alms), as one of the proper methods to measure the economic growth, can help "to achieve sustainable development in terms of redistribution of wealth between Muslims, as well as bridging the gap between the rich and the poor in the society" (Sarea 2012, p. 242). Zakat is a determined amount of wealth given by the Muslims

to certain parties as alms or charity. The Qur'an classifies the due recipients of zakat under the following eight categories (Ghani and Said 2011).

> The alms are only for the poor (Fakir) and the needy (Miskin), and those who collect them (Amil), and those whose hearts are to be reconciled (Muallaf), and to free the captives (Riqab) and the debtors (Gharmin), and for the cause of Allah (Fisabillillah), and (for) the wayfarers (Ibnus Sabil); a duty imposed by Allah. Allah is knower, Wise. (Chapter al Taubah, 9: 60)

In the Qur'an, Allah also says that only those who pay zakat are in the "brotherhood of faith". The payment of Zakat is indeed an obligatory charity act, ordained by Allah to be performed by every Muslim as it is one of the five pillars of Islam. Zakat has not only been recognised all over the world as an instrument of Islamic CSR (Ekawati 2004), but also as one notable feature of Islamic banks. Zakat fund and micro-finance loans are established in Islam banks as a means to alleviate poverty (Hassan 2010; Yusuf and Bahari 2011), and for establishing social justice that leads the Muslim society to prosperity and security (Sahih Al-Bukhari, Vol. 2, Hadith, No. 24).

### 5.2.3.3 Environmental Sustainability

The responsibility towards environment is an obligation of both individuals and organisations to care for the well-being of society, as well as to guarantee environmental sustainability for future generation. In Islam, the interaction between human and environment is part of evidencing the existence and greatness of Allah for making the universe a place for human beings. Islam clearly prohibits anything that does harm to individuals and the environment. As stated in al Qur'an, Allah says:

> And among men is he whose speech about the life of this world causes you to wonder, and he calls on Allah to witness as to what is in his heart, yet he is the most violent of adversaries. And when he turns back, he runs along in the land that he may cause mischief in it and destroy the tilth and the stock, and Allah does not love mischief-making. And when it is said to him: guard against (the punishment of) Allah; pride carries him off to sin; therefore, hell is sufficient for him, and certainly it is an evil resting place. (Chapter al Baqarah, 2: 204–205)

CSR activities in Islam have clear demarcations between permitted and forbidden. Corporations cannot change activities that are forbidden (haram) in Islam to permitted (halal) or vice versa. With respect to environmental sustainability, CSR initiatives generally include good pollution control, waste and recycle policy, energy conservation and promotions not doing things that harm the environment. Many of these initiatives align with Islamic banks' goals for environmental sustainability, which point to four aspects: ensure that their investment activities do not harm the environment; involve and active in protecting the environment; educate employees to care for and treat the environment; and the use of recycled materials (Yusuf and Bahari 2011, p. 12). Although Islamic and conventional banks have adopted similar dimensions of CSR, and to a greater extent, implement similar practices, perhaps there may just be different in terms of focus dimensions and the

levels of activities. Some Islamic banks conduct more active series of activities, and have stronger commitment on community interests and education than other dimensions such as environment and employee relations.

As the Islamic banking sector in Brunei continues to grow, the role of CSR is also expected to increase following the increase in people's awareness, growing well-educated population and increasingly widespread branches throughout the country. This was highlighted by the Crown Prince, Senior Minister at the Prime Minister's Office, at the opening of the 7th ASEAN Ministerial Meeting on Rural Development and Poverty Eradication (7th AMRDPE) in 2011,[3] where he said that:

> …..…We believe that a good balance must co-exist between the immediate need to alleviate poverty and our longer-term efforts to assist the poor in permanently breaking free of the debilitating cycle of poverty......in particular, business communities must be encouraged to exercise their corporate social responsibilities. And we should do our best to obtain the support and assistance of our dialogue partners and other regional and international organisations, as I am sure that they have much to offer

Based on the researcher's observation, not only stakeholders in Brunei (particularly public at large) seem to be having little impact in driving greater emphasis on CSR, but also, there have not been many studies on CSR practices in the country. Even if there is currently no stock market in the country, Islamic banks as the main institutional factor that can lead to transparency and accountability, must place greater importance on CSR activities, feasibly through information disclosure requirement (Mohd Suria 2008). Hence, this study aims to explore the practice of CSR and the perspectives of Islamic banks on CSR framework in Brunei Darussalam.

## 5.3    Research Methods

This study is based on an exploratory research, given that little is known about the CSR framework of Islamic banks in Brunei. Data were collected from the secondary sources including journal articles, news, magazines and the banks' official websites, and informal conversational interviews with only very few officers (sample size of 3 from each individual bank).

TAIB and BIBD are the only two Islamic banks in the country. The establishment of TAIB in 1991 marked the emergence of Islamic finance in Brunei. This was followed by the conversion of International Bank of Brunei to the Islamic Bank of Brunei (IBB) in 1993, and then followed by the establishment of the Islamic Development Bank of Brunei (IDBB) in 2000. In view of enhancing and strengthening the prominence of Islamic financial institutions in the country and increasing cost efficiency by eliminating duplication, IBB and IDBB were later merged in 2006 and are now known as the Bank Islam Brunei Darussalam (BIBD).

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[3] Retrieved March 5, 2013, from http://www.sultanate.com/news_server/2011/3_nov_5.html

The merger has created the formation of a sole Islamic bank which becomes the largest bank in the country in terms of total assets and the number of account holders (Salleh 2009). BIBD, the country's leading financial institution in CSR, is committed in achieving both its corporate vision of 'Enhancing quality of life through financial solutions' and Brunei's National Vision 2035 in attaining developed and dynamic sustainable economy.[4] TAIB has also implemented several CSR initiatives, but is not as active as BIBD. Overall, these banks are not just catering to the Brunei population with Shariah compliant financial services, but they have also paid attention to their impact on the local community.

## 5.4  Results

Despite concerns that there was not adequate documentation on CSR in Brunei, it can be observed that the CSR concept of the Islamic banks in the country is based on tawhidiq approach (Fig. 5.1) and Brunei's cultural values and traditions (civic society culture), such as respect of the elderly, care and concern for people, honesty, accountability, trustworthiness and etc. Many of these values are embedded in Mohammed's (2007) i-CSR, reflecting the Islamic law and principles of business. This does not come as a surprise because Islam is the official religion of Brunei, and a larger percentage of the population is Muslim. The country is itself governed by a constitution and the national ideology of 'Melayu Islam Beraja' (Malay Islamic Monarchy), meaning that Brunei upholds and preserves the Malay identity and traditions, Islam guides every aspect of Muslim life, and declaring unswerving loyalty and obedience to the Monarch. With strong support from Brunei's government, political stability and a rigorous regulatory and Shariah framework, the Islamic banks have a greater ability to incorporate their relationship responsibility to society, and also treat their customers in a professional and civic manner. Although the state of CSR in Brunei is at the infancy stages, its development indicates encouraging signs.

Both BIBD and TAIB have an overall positive view on CSR. They both have similarities with respect to CSR practices, and there are no major differences. While there is significant CSR awareness, CSR practice and reporting of these banks is still low compared to Islamic banks in Malaysia and Indonesia. To increase our understanding of the role of CSR, the next section examines the perceptions of the Islamic banks on the concept and practice of CSR.

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[4] Retrieved March 25, 2013, from http://www.bibd.com.bn/about/corporate-social-responsibility/

**Fig. 5.1** Tawhidiq approach of Islamic banks in Brunei (Adapted from Muwazir et al. 2006)
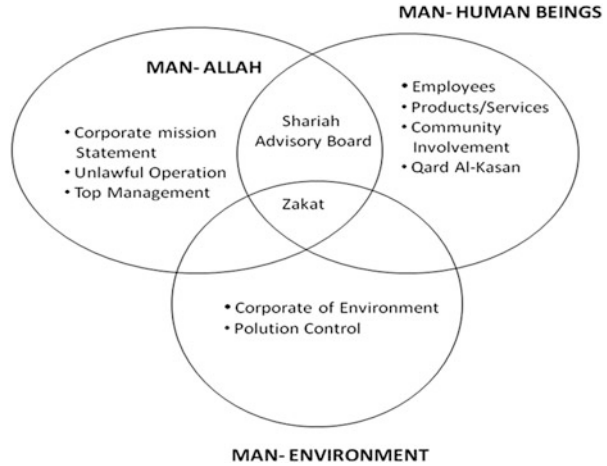


### 5.4.1 CSR Perspectives

Firstly, the social, environmental and ethical concerns must be integrated into the business process. The banks' CSR should go beyond charity and to act beyond its legal obligations. The banks underlined the importance of CSR not to just be examined through an economic lens to benefit the banks' investors or shareholders, but also to increase the welfare of Brunei's society. Although charity in the form of donations and contributions to those who need is part of their CSR, the banks' ultimate goal is to alleviate poverty whilst attaining equitable economic development. This is in line with the nation's goal to achieve zero poverty by 2035 (Abdullah 2010; Othman 2011). The banks also suggested that CSR is not the presumed responsibility of the Islamic banking sector alone, but it requires a wide range of social participation from all individuals and business organisations in the country. The following is an excerpt from one of the respondents:

> I understand what public expects from us (the Islamic banks); our social responsibility to customers, community and society as a whole, but in exchange, the Brunei's society must also accept the reality. Our current CSR initiatives can only offer short-term financial relief to those who in need. . . and mind you, these will not fully solve the country's poverty issue. I urge our people (especially locals) not to be complacent, but to work hard and start improving their ways of life. They cannot always depend on the government and organisations like banks to come to help them in times of need. So we as Bruneians, got to work together and find effective ways to help and turn them into becoming independent and self-reliant

Secondly, the banks pointed 'acts of benevolence' are crucial within their individual employees. Benevolence is a moral principle of human nature, and this affection for humanity can be found in many manifestations such as friendships and charity. The banks identified the acts of benevolence as a way to gain their stakeholders' trust, pave the way for beneficial interaction and business transactions, and strengthen employees' knowledge and spiritual beliefs, and their

spirit of brotherhood. The banks also informed that they have a strong desire and will to have Allah's blessings for all their actions, both individually and collectively. More importantly, the banks strongly believed that acts of benevolence can solve fundamental social inequalities or discrimination. As one respondent has remarked,

> If we go back to our Islamic values and teachings, the key to equality is benevolence. If Islamic banks, business organisations, employees and all individuals have strong sense of benevolence in daily operations and their lives, this can help erase the social and financial discrimination in any society.

Thirdly, similar to Dusuki and Irwani (2007), the banks also viewed CSR as worship (ibadah) to Allah, and thus, their social responsibility acts must be performed in accordance with Allah's Will. To worship Allah is not only through the payment of zakat and either for worldly life or heavenly purposes, but for man's mission on the earth as a servant and a vicegerent of Allah. The banks accepted their duties to fulfill their responsibility to Allah and at the same time to fulfill their responsibility to creation, which consists of other human beings, society and nature - these are the subjects of CSR. Economic responsibility which has been stipulated in the West as one of the essential CSR paradigms is seen in the context of this study, as a prerequisite for sustaining the banks' operations and the foundation on which all other responsibilities rest. One respondent stated that:

> Business is business, and our bank is business. In business, we would still need to achieve and maintain financial stability to enable us to perform CSR, to offer financial assistance to those in need and to organize charity run, cycle and environmental campaigns. I just feel that economic dimension is still important, as it is the bank's key support system for implementing CSR activities.

## 5.4.2   CSR Practices

The practice of CSR of the Islamic banks in Brunei is almost similar to what had already been practiced by Islamic banks in Malaysia and Indonesia. There are largely in the form of donations, contributions, training of employees, charity events and good corporate governance practices. Table 5.2 summarises the Islamic banks' involvement in CSR. The Table shows that BIBD's CSR focused heavily on community, education and entrepreneurship, while TAIB emphasized on employee welfare and relations as well as education and community outreach.

At BIBD, there were three main CSR initiatives: ALAF (Advocating Life-Long Learning for an Aspiring Future); Ar Rahnu; and Sirah Amal programmes.[5] ALAF was introduced in 2012, with the objective to support primary education especially for schoolchildren from underprivileged families including single mothers. The children receive BND100 for school uniforms, books, stationary sets and other

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[5] Retrieved March 25, 2013, from http://www.bibd.com.bn/about/corporate-social-responsibility/

**Table 5.2** CSR practices of the Islamic banks in Brunei

| CSR practices/activities | BIBD | TAIB |
|---|---|---|
| Community | √ | √ |
| Education | √ | √ |
| Entrepreneurship | √ | X |
| Environment | X | X |
| Employee | X | √ |

study materials. Ar Rahnu is the only micro finance programme offered of its kind in Brunei. It is an Islamic pawn brokering service. It takes gold and precious stones as collaterals and offers financial independence to under-privileged members of society, regardless of their ethnicity or religion. Ar Rahnu is an interest-free loan programme for a variety of purposes including paying medical or school fees, repaying debts and starting a small business. Micro-grant and micro-credit schemes were also provided by the bank to find and develop local talent in business. Sirah Amal, the bank's annual Ramadan event, was where the bank's staff will contribute and distribute food, basic necessities and cash in different areas of the country. Apart from these programmes, the bank also has several community projects with various local institutions to improve welfare programmes and issues in the country.

TAIB, on the other hand, was not as transparent as BIBD in communicating their CSR activities to the public. The bank carried out their CSR implicitly with their businesses such as the set-up of Zakat counter and the opening of Haj pilgrimage account. TAIB offered its customers the convenience of making zakat payments through their savings account. The Haj pilgrimage account which was first introduced in 1994 and re-launched in 2011, is a unique savings account designed for Muslims who intend to perform Haj. In addition, the bank has created several financing schemes for education including financing for local or overseas education purposes, and for purchasing computers and related accessories. One significant CSR dimension of the bank was their concern for the welfare of its employees. The bank had organised several events and programmes towards a healthy lifestyle and for employee training and development. A motivational talk was also organised to educate and inspire staff on the aspect of working as 'ibadah', and to create excellent and dedicated workforce which in turn can help the bank to achieve its organisational objectives. Last year, employees had the opportunity to get their eyes checked up, attend the First Aid training and exercise together, get involved and actively engage with the community, and improve ties between the management and other staff in all districts through sharing the spirit of joys and life.

Of all the relationship responsibilities, the environmental responsibility appeared not being taken seriously by the banks. That is, the CSR activities on environmental sustainability were either slow or very little. The banks' efforts including the use of recycling papers and office supplies, improvements in energy efficiency and green project, to ensure that their impact on the environment is considered minimal. Overall, it is these little things the banks do that make a positive impact and a big difference to support the sustainable development of the society.

## 5.5 Discussion

In general, the society in Brunei is not very much exposed to the CSR movement that has swept the more developed parts of the world. Many businesses are still in a comfort zone, away from added responsibilities and accountability to the public (Mohd Suria 2008). Nevertheless, this is about to change as financial institutions particularly the Islamic banks in Brunei had gradually taken up several CSR initiatives. CSR practices of the Islamic banks in Brunei are no far different from CSR practices of Islamic banks in Asian region. Perhaps the difference only lies in terms of the degree of its importance to the banks. For example, Islamic banks in Brunei give greater emphasis to community, education, entrepreneurship and employee. All these have become part of the banks' core business, and therefore indicate strong presence of social responsibility. Environmental responsibility unfortunately has not received greater attention, maybe because environmental issues are less observed in the country and the Islamic banks have not directly to do with environmental issues. Moreover, the banks have little interest on environmental issues partly because to a larger extent, the concern with environmental issues has emerged out of the problems experienced by the oil and gas sector, rather than the banking sector.

Carroll (1991) who argued that economic responsibilities should not just be about maximizing the profits, had also emphasized a firm to remain competitive and be efficient to achieve sustainable development. In Brunei however, there is not much of competition going on in the Islamic banking sector as the country only has two Islamic banks: BIBD and TAIB. Both banks are strictly monitored by relevant government agencies such as the Monetary Authority of Brunei Darussalam and Shariah Financial Supervisory Board, and they are mandated to comply with all laws, rules and legislations (including Banking Order 2006, Islamic Banking Order 2008 and International Banking Order 2000). Competition in Islamic banking is not to be seen as an end in itself, but an important means whereby the country can achieve its economic efficiency. This links to the eventual outcome of CSR that is, sustaining 'economic welfare' for the benefits of the society.

The banks showed full support to the nation's goal to achieve zero poverty by 2035 (Abdullah 2010), and continued to play a significant role in alleviating poverty. Zakat counter was installed in the banks to provide convenience and value-added services for the customers. As a matter of fact, many of the Islamic banks have provided this to allow their customers to make zakat payment from the comfort of homes or anywhere in the world. The practice and management of zakat are different across countries (Hassan 2010). In Brunei, under the Islamic Religious Council Act and Kadi Courts Act Chap. 77, Sect. 114–121, the Islamic Religious Council has the authority over the management of collection and distribution of zakat. In 2011, about BND 2.5 millions of BIBD's total zakat (tithes) contribution from its customers was handed over to the Brunei Islamic Religious Council, Ministry of Religious Affairs for distribution (Thien 2012).

Philanthropic activities including donations, zakat and sadaqah or charities (voluntary alms) are currently the banks' main tool towards poverty alleviation. The recipients of sadaqah are wider than that of zakat. Recipients of zakat include the eight categories of people (see Ghani and Said 2011), while sadaqah is not only spent on zakat recipients, but also on the construction of mosques, community service complexes, and underprivileged individuals who need skills and training to increase and improve their employability. Micro-grant and micro-credit schemes also represent the banks' flagship programme of CSR to reduce poverty. This programme is introduced to identify and groom local talent, and help those stuck under the burden of heavy debt. The question now is how far the banks can go to assist the poor out of poverty. The programme may be able to help reduce the number of people in poverty, but is not simply enough to eradicate poverty. The banks through the religious council are giving money without doing regular follow up and supervision. Hence, it is suggested to the banks to start considering some long-term financial plans for eligible recipients and give them valuable advice so the money is spent well to provide the best possible aid. This indirectly can also help the banks to plan and manage their resources, funds and financial activities efficiently and effectively.

Although the banks put greater emphasis on the acts of benevolence within their individual employees which have become our duty, it is clear that they do not warrant that they will ceaselessly give contributions as they also rely on their economic performance. In addition to economic, social and environmental responsibilities, responsibility to Allah is utmost importance in Islamic CSR. This is because our lives are indebted to Allah as we are made by His grace and thus, we are subjected to his laws. A Muslim only worships and serves Allah and only seeks help from Allah. Therefore, no matter how Muslims receive help (through zakat, sadaqah and etc), they must attribute all to Allah as being in control of everything. Also at the same time, it is important to educate the Muslims that Islam not only teaches us to help the less fortunate, but also to work hard and work our way out of poverty, not relying on the kindness of others for our daily needs. What else important is niyat (the intention behind an action) within one's heart or mind in performing good deeds. All our actions must come with niyat that everything we do is performed solely for Allah's sake. If an act is corrupted by the desire to display one's self (riya), then that action is rejected. Allah will weigh deeds of each and every one of us according to what we intended.

Whilst the banks promote general welfare and the stability of society – the ultimate goal of Islam (Chapra 1983), TAIB demonstrates their primary concern for employee welfare. The bank guarantees rights to employees by imposing duties on the employers as well as the employees, and improve their treatment of employees and impacts of their activities in the communities in which they operate. Employees' rights cannot be disregarded, and as far as the Islamic CSR is concerned, the bank's efforts in fulfilling employees' basic and other needs are considered to be an act of worship to Allah (Rahman et al. 2006; Zahid and Hassan 2012).

CSR has been employed by many corporations as an impression management tool, to influence their stakeholders' perception (Hooghiemstra 2000) and improve corporate image or reputation (Abdullah and Abdul Aziz 2011). The Islamic banks in Brunei however are seen not to be that interested in corporate reputation, perhaps because even before CSR is implemented, the banks have already gained strong public acceptance and recognition for their Shariah-compliant products and services and earned a long- standing interest from people in the country. Part of the reason is because Islam has had a major historical presence in Brunei. A strong commitment to Islam is very obvious given that the majority of the population is Muslims. Furthermore, the country's pervasive concept of the "Malay Muslim Monarchy" which seeks to integrate Islam, Malay language and culture, and the monarchy, stresses the importance of Islam in daily life and governance. These Islamic banks are not only the choice of Muslims but also favoured by various races and religions for their financial needs.

Last but not least, there are several strengths and weaknesses in this study. The study has provided the Islamic banks' perspectives on CSR, the banks' practice of CSR, and explored the visibility of CSR in Brunei. Although the study is at an exploratory stage, it reveals some aspects or issues that perhaps are useful for investigation and future research directions in the field of CSR such as the implementation of CSR strategies on environmental sustainability, CSR management in Islamic financial institutions, performance measurements of CSR, and the relationship between leadership and CSR from the Islamic perspective particularly on how managers lead CSR (see Low and Ang 2012; Waldman et al. 2006, as examples). This study also enriches our understanding of the work as it had addressed the lack of CSR research of Islamic banks in Brunei in the literature. With respect to weaknesses of the study, the study did not take in the customers' and other stakeholders' perspectives on CSR. Informal interviews were conducted only with a small number of employees given that only very few of them were responsible to manage and administer the banks' CSR activities. Regardless of the small number of officers who in charge for the CSR activities, there had been greater participation and involvement from all employees at various levels. Using such a small sample size has limited the researcher's capacity to compare and contrast the perspectives of employees on CSR. Furthermore, with the limited amount of information the banks disclosed and published, data collection can be quite difficult at times.

## 5.6 Conclusion and Recommendations

This study has investigated the perspectives of CSR from two Islamic banks in Brunei. The banks viewed CSR as a means to alleviate poverty and responsibility (worship) to Allah. While community charity, donations and other acts of benevolence are widely practiced forms of CSR, entrepreneurship and employee developments were less practiced by these Islamic banks. Greater attention is

given to the welfare benefits of the community and for education. In the future, the study suggests the banks to consider environmental responsibility in their CSR as this is still lacking in Brunei. Such responsibility can be seen as one of means to respond to environmental crises, and for the banks to enhance both their socially and environmentally conscious business practices. For example, the banks prevent or limit social and environmental harms that may have been caused by activities financed by them. The study also suggests the banks to continuously raise the public awareness of CSR, increase the level and depth of disclosure requirements, be more transparent with their activities and develop long-term CSR strategies. Implementing effective CSR would require strong commitment from all stakeholders and leaders in CSR management, and adequate resources and proper system for cost-effective allocation of funds. In conclusion, Islamic banks do not exhibit the same eagerness to appear socially responsible, but they employ relatively similar means to convey their social responsibility images. Taking CSR as our duty to Allah, nature, human beings and society as a whole, both Islamic and conventional banks must collaborate and join forces to improve the nation's long-term sustainable development through these CSR activities.

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# Chapter 6
# The Koranic Discourse on Corporate Social Responsibility

**Abbas Zaidi and Kim Cheng Patrick Low**

**Abstract**   Asia is home to the majority of world's Muslims. Around 1 billion out of total 1.62 billion Muslims live in Asia. These countries range from very poor to very rich. Some of the Asian corporate hubs are located in Muslim countries. With a very few exceptions, every Asian country has a significant Muslim population. Muslims lives their lives in accordance with the dictates of the holy Koran. There is hardly an aspect of life which is beyond the reach of Koranic ethical dictates, and in principle it is out of the question for a Muslim to disobey what the Book of Allah commands. If corporate social responsibility is defined as ethical running of a business which results in the benefits and welfare of not just employees but society at large, the Koran has a great deal to offer by way of ethical-mandatory commands and practical guidelines whether one is a businessperson or a customer. For instance, paying the *zakat* is one of the five fundamental foundations of Islam whose corporate social responsibility implications are immense. In the third chapter of the Koran, there is warning to those who hoard wealth. Similarly the laws of evidence and contract in Islamic countries, even where English civil law prevails, are understood and implemented with reference to the Koran. This paper tries to recount and interpret the Koranic view of corporate social responsibility. It begins by introducing (i) the significance of the Koran in the lives of Muslims; (ii) the importance of the Koran as a business document in the Asian-Muslim context; (iii) corporate social responsibility as a concept; (iv) the Koranic view of the concept of corporate social responsibility and its various implications.

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## 6.1 Introduction

Asia is home to the majority of world's Muslims. Around 1 billion out of total 1.62 billion Muslims live in Asia. These countries range from very poor to very rich. Some of the Asian corporate hubs are located in Muslim countries. With a very few exceptions, every Asian country has a significant Muslim population. Muslims lives their lives in accordance with the dictates of the holy Koran.

The teaching of Islam originates from the Holy Koran and it encourages all Muslims to embrace and practise the value of faith, integrity, self-discipline, self-restraint, loving-kindness and giving; all Muslims are also encouraged to refrain from sinful acts and live their daily life in moderation. This also means that all Muslims must do the right things according to the guiding principles of Islam (from the Koranic perspective). Referring to the Prophet Muhammad's exemplary leadership paradigm, all Muslims must carry out two important roles as socially responsible individuals in any organizations (Family, company, society and nation).

As Hitti has noticed, the total length of the Koran is about four-fifths that of the New Testament, but in use it far exceeds it. The Koran is the basis of the religion, and of ethical and moral life. It also serves as a textbook in which the Muslims begin their study of language, science, theology, and jurisprudence. The Koran's literary influence has been immense and enduring. The first prose hook in Arabic, it set the style for future products. It kept the language uniform. Thus, "whereas today a Moroccan uses a dialect different from that used by an Arabian or an Iraqi, all write in the same style" (Hitti 1970, p. 27).

## 6.2 Corporate Social Responsibility

There exists a very rich corpus on Corporate Social Responsibility (Carroll 1979, 1999; Drucker 1984; Goodpaster 1991). However, the basic assumption behind Corporate Social Responsibility (CSR) is that in addition to making profits, businesses, or corporations, must contribute to the welfare of society. Eels and Walton give a broad definition of CSR:

> In its broadest sense, corporate social responsibility represents a concern with the needs and goals of society, which goes beyond the merely economic. Insofar as the business as it exists today can only strive in an effectively functioning free society, the corporate social responsibility movement represents a broad concern with the business's role in supporting and improving that society's order. (Eels and Walton 1974, p. 247.

The strength of this definition is that it attempts to establish a link between progress of a business and social order. As the authors will show in the discussion of the Koranic view of CSR later in this chapter, business can hope to prosper only in an orderly society. But what is meant by "society's order" in Eels and Walton's definition? Obviously, it means peace. Our contention, laid down later in this paper,

is that it is only in a just society that: (i) business can prosper and (ii) CSR as an ethical-welfare practice is viable.

Another definition of CSR that is worth-noting is:

> Perhaps the best way to understand corporate social responsibility is to think of it as 'good neighbourliness'. The concept involves two phases. On one hand, it means not doing things that spoil the neighbourhood. On the other, it may be expressed as the voluntary assumption of the obligation to help solve neighbourhood problems. (Eilbert and Parket 1973, p. 7)

This is a significant definition from an ethical point of view as it clarifies that CSR is a voluntary or moral issue, and not one forced upon a corporation through legislation. Another significant point it raises is the notion of 'neighbourliness'. 'Neighbourliness' is a phenomenon comprises physical, emotive, and moral aspects. One's neighbourhood, the place one lives in, affects one from every aspect. If there are good or bad things happening in the neighbourhood, one will be benefited or harmed. One's existence in a place puts responsibilities on one which are morally binding. For instance, one will not harm one's environment by open burning or littering because one is directly affected by the consequences of such acts.

## 6.3   Methodology

Given the wide scope of topics and issues which are covered by CSR, we decided to focus on the following: a just society; environment; conservation; creation of wealth; charity; and financial honesty. There were at least two reasons for choosing these issues were. First, these issues are the most important faced by any society anywhere in terms of CSR and beyond. For instance, few CSR-related activities are possible in a society which is not just. It is in a just society that the rights of people and institutions can be ensured or assured. It is only in a just society that corporations will feel obliged or morally bound to do social welfare. Environmental degradation and depletion of resources are two central issues faced by the world. If corporations can be motivated by concerns for the environment and conservation, it will be a great CSR contribution. It would be meaningless, in the long run, for a corporation to establish schools and build hospital in a place, but at the same time destroy the environment and drain resources. Issues like how wealth is created and to what end and financial honesty are also very important. Last, charitable works done by a corporation are corollaries of CSR.

Second, CSR activities take place within the framework of just society, environment, conservation, creation of wealth, charity, and financial honesty.

After deciding on the above topics, the authors made a close study of the Koran to find out what injunctions it has about them. Religion being a very sensitive issue, the authors did not make any interpretation of the Koranic verses. Accordingly, what were chosen were those verses which were explicit in their claims or commands. As will be obvious below, comments on the Koranic verses were

offered without trying to interpret them in a way which can lead to controversy. Thus the comments are fairly mainstream and standard.


## 6.4 Corporate Social Responsibility: The Koranic View

The Koranic view of CSR is all-encompassing. By this, it is meant that CSR is not an exclusively human phenomenon, but a result of human beings' relationship with God, the Creator. The Koran sets the stage for CSR thus,

> It is not righteousness that you turn your faces towards the East and the West, but righteous is the one who believes in Allah, and the Last Day, and the angels and the Book and the prophets and gives away wealth out of love for Him (God) to the near of kin and the orphans and the needy and the wayfarer and to those who ask and sets slaves free. (2: 177.

The significance of this verse is that God Almighty is not in favour of religion as a set of rituals. Islam, the Koranic religion, is holistic in which here and hereafter coexist in a unity in which the improvement of society is as important as the very religion itself. Thus, CSR is built into the very system of Islam.


### 6.4.1 A Just Society

CSR as a practice is not possible in an unjust society. As has been noted in the introduction, the Koran is not a legalistic-moralistic manifesto; it indeed deals with every aspect of Muslims with few exceptions. Thus there are a number of injunctions in the Koran laying down principles on which a just society can be build. From the Koranic point of view, CSR is meaningful only in a just society.

Before we identify the Koranic injunctions regarding a just society, it is important to understand what is meant by Islamic society. One of the most oft-quoted definitions of an Islamic society comes from Shari'ati who defines it as: "a number of people, or individuals, possessing a common faith and goal, who come together in harmony with the intention of advancing and moving toward their common goal" (Shari'ati 1979, p. 120). Kavoossi (2000) adopting a corporate view, defines in which the consumer behaviour must be analysed in terms of socio-economic context and the atmosphere provided by Islamic teachings. He further says,

> An Islamic society can be defined as a society where Islamic laws and institutions prevail and where the majority of individuals believe in the Islamic ideology and practice its way of life as embodied in a code of conduct and ethics. (Kavoossi 2000, pp. 25–26)

In a just society, a person's superiority over another one will not be based on the incidence of one's birth. The Koran avers that one is superior only so far as one's behaviour is concerned:

> O mankind, indeed we have created you from male and female and made you peoples and
> tribes that you may know one another. Indeed, the most noble of you in the sight of Allah is
> the most righteous of you. Indeed, Allah is Knowing and Acquainted. (49:13)

This elevation of the "righteous" is the result of conscious efforts on his or her part. Goodness of the heart is a matter of personal struggle as made explicit by another of the Koranic statement: "God has preferred in rank those who struggle with their possessions and their selves over the ones who sit at home" (4:95).

It is important to note that the Koranic concept of society is based upon an individual-collective duality. First, there is the individual who has free agency to live and is solely responsible for his/her acts. According to the Koran,

> Nor can a bearer of burdens bear another's burden. If one heavily laden should call another
> to (bear) his load, not the least portion of it can be carried (by the other), even though he be
> nearly related. And whosoever purifies himself does so for the benefit of his own soul.
> (35:18). . . And whatever good you do, you shall not be denied the just reward of it. . . . As
> for the unbelievers, their riches shall not avail them, neither their children against God;
> those are the inhabitants of the Fire, dwelling therein forever. (3:115–16)

But at the same time, the Koran accepts that a just society can be built only on the collective level. The nature of social composition is such that people do not live on their own; they are bound up with one another as social beings. This is said in the following verse:

> The believers, men and women, are guardians of one another; they enjoin good and evil,
> perform the prayer, give alms, and obey God and His Prophet. (9:71). . . Whoever does a
> righteous deed, whether man or women, and has faith, we will give a good life; and we shall
> reward them according to the best of their actions. (16:97)

Thus, there are strict injunctions about how the foundations of a just society can be laid. Some of those are:

### 6.4.1.1   Usury (an Economic System)

Usury as an economic system (or a sub-system) is based upon exploitation. Thus giving or receiving of it is strictly forbidden. The Koran supports trade in very clear terms, but is very much against usury because in a usury-based system social justice is impossible. For example, one verse deals with trade and usury simultaneously thus,

> Those who devour usury will not stand. . . . Allah has permitted trade and forbidden usury. .
> . . Allah will deprive usury of all blessing, but will give increase for deeds of charity.
> (2:275–6)

In another place, the practice of usury is condemned: "O you who believe! Devour not usury, doubled and multiplied. But fear Allah, that you may really prosper" (3:130).

### 6.4.1.2    Anathema

In a just society, exploitation, deception, perjury, and all types of abuses are anathema.

About the sanctity of property, a Koranic verse says,

> Give just measure and weight, and do not withhold from people the things that are their due. And do not do mischief on the earth after it has been set in order. That will be best for you, if you have faith. (7:85)

In another place, it is warned,

> Woe to those that deal in fraud. Those who, when they have to receive some measure from men, exact full measure, but when they have to give by measure or weight to men, give less than due. (83:1–3)

There is an injunction about those who are too weak to protect their own interest,

> To orphans restore their property (when they reach their age). Do not substitute your worthless things for their good ones, and do not devour their property by mixing it up with your own. For this is indeed a great sin. (4:2)

Again,

> Woe to those that deal in fraud. Those who, when they have to receive some measure from men, exact full measure, but when they have to give by measure or weight to men, give less than due. (83:1–3)

### 6.4.1.3    Gambling and Intoxicants

In a just society, there is no room for anti-social activities. Thus, gambling and intoxicants are forbidden,

> O you who believe! Intoxicants and gambling, sacrificing to stones, and divination by arrows are an abomination of Satan's handiwork. Eschew such abomination, that you may prosper. (5:90)

Just like gambling and the consumption of intoxicants, extravagance is also considered a social vice. Since "To Allah belongs the heritage of the heavens and the earth, and Allah is well-acquainted with all that you do" (3:180), these verses give explicit judgment on extravagance:

> [The Servants of Allah are] Those who, when they spend, are not extravagant and not stingy, but hold a just balance between those extremes. (25:67)

and

> O Children of Adam! Wear your beautiful apparel at every time and place of prayer. Eat and drink, but waste not by excess, for Allah loves not the wasters. (7:31)

#### 6.4.1.4 Giving and Charity

Giving and charity are basic to a system which wishes to minimize and ultimately get rid of deprivation. No society can prosper where the rich do not help the poor. This is why the Koran introduces the concept of *zakat* (alms) which is so important in Islam that a Muslim who does not give it to the need ceases to be one.

> And they have been commanded no more than this: to worship Allah, offering Him sincere devotion, being true in faith. To establish regular prayer, and to give *zakat*. And that is the religion right and straight. (98:5)

The Koran enjoins upon Muslims to give more than *zakat*. Muslims are strongly urged to do charity so that people can be taken out of privation,

> Your riches and your children may be but a trial. Whereas Allah, with Him is the highest reward. So fear Allah as much as you can, listen and obey, and spend in charity for the benefit of your own souls. And those saved from the selfishness of their own souls, they are the ones that achieve prosperity. (64:15–16)

### 6.4.2 A Better Environment

Environment finds a very special place in the Koran. Environment as discussed in the Koran has a very wide implication. It is not just the physical environment which is the subject matter of the Koran; environment has psychological, socio-cultural, and corporate aspects. In the Koran, the treatment given to environment is very vast. In this section only relevant facts will be discussed.

#### 6.4.2.1 The Importance of a Favourable Environment

Environment is immense significance. The Koran claims that there is a certain significance of environment: the very purpose of its existence. It claims, "We created not the heavens and the earth and all that is between them save with truth" (15:85)

Thus environment is God's own creation which cannot be purposeless. It is in an environment that God's creation lives and operates and carries out the purpose of its creation: fulfilling His various commands. It is with truth, which is God's power, that environment is protected. This is reinforced with another verse, "Unto God belong East and West. Wherever you turn, there is the face of God." (2.115).

Thus environment is not something separated from God, but a very extension of his own existence. This means that environment is sacred. Human beings are important, but they are not as important as the environment in which they live. Hence, environment is divine and sacred. God himself has this view when He says, "Assuredly the creation of heavens and the earth is greater than the creation of mankind; but most of mankind know not" (40: 57).

Environment is significant from another respect too: It has divine signs in it. Two verses of the Koran can be quoted here: "Lo! In the creation of heavens and the earth and in the difference of night and day are signs of understanding (3: 190)" and "Lo! In the difference of day and night and all that Allah has created in the heavens and the earth are signs, verily, for folks who ward off evil (10: 6)."

The second verse quoted makes it clear that it is from the environment that one can learn what evil is and how to avoid it. Thus environment is not a non-material existence; it is teaches various good things to people if they read it carefully.

If environment has an existence of its own, what does the environment do? According to the Koran,

> Seven heavens and the earth and all that they contain glorifies Him; nor is there anything that does not glorify Him; nor is there anything that does not glorify Him in praise; yet you understand not their praise. (17: 44)

This is an important verse as it shows that (i) at the head of everything that environment is comprised, God exists, and (ii) environment exists too.

### 6.4.2.2 The Relationship between Environment and Humans

Both environment and humans are inseparably connected. The Koran declares that humans are God's vicegerents on earth. Since God is noble, His vicegerents are also supposed to be noble and act as such. The Koran says, "It is He who has made the earth subservient unto you, so walk in the paths thereof and eat of His providence" (67: 15).

It should not be understood that God has in any way allowed humans to ravage the earth to satisfy their needs. Humans do not own anything in the environment they live in. Thus they can use it as something given more in the nature of utilizing a lease as the following verse shows,

> Do you not know that to God belongs the kingdom of the heavens and the earth, and that you have none, besides God, neither protector, nor helper? (2: 107.

### 6.4.2.3 The Role of Humans on Earth

Humans must be very careful and responsible in their dealing with their environment. The Koran persistently shows awareness that humans are liable to do mischief. Since environment is very important in the divine scheme of things, God warns humans to be careful in dealing with it, "The [faithful] slaves of the Beneficent are they who walk upon the earth modestly" (25: 63). Humans have also been reminded that they cannot act with impunity vis-à-vis their environment because they are not the centre of the universe, "Assuredly the creation of the heavens and the earth is greater than the creation of mankind; but most of mankind know not (40: 57)."

It is hoped that by now it should have been clear that the Koran puts a great emphasis on the significance of environment which can be understood from the viewpoint of CSR. People can contribute to their society and improve the condition of their fellow human beings only when their interaction with their environment leads to its improvement, and not its degradation. The Koran clearly says that it is people's responsibility to be forthright and wise in changing their overall condition; otherwise God will not help them. The following verse is evidence of this thinking, "Truly God will not change the condition of a people until they change their own souls (13: 11)."

### 6.4.3 Conservation

In today's world which is threatened by climate change and its unpredictable and often devastating consequences, conservation has become a major issue. Environment is an empty word unless understood in terms of conservation. No CSR practice is meaningful with a focus on conservation because development of any kind must be sustainable which can ensure the future of humanity. Thus, CSR and conservation are synonymous.

The Koran has much to say about conservation for the good of humanity. The very principle of conservation is stated in this verse,

> It is He Who produces gardens, with trellises and without, and dates, and tills with produce of all kinds, and olives and pomegranates, similar (in kind) and different (in variety): eat of their fruit in their season, but render the dues that are proper on the day that the harvest is gathered. But waste not by excess: for Allah loves not the wasters. (6:141)

The Koran does not merely admonish people about wastefulness; it recognizes conservation as a problem and holds humans responsible for it,

> Corruption doth appear on land and sea because of (the evil) which men's hands have done, that He may make them taste a part of that which they have done, in order that they may return. (30:41)

This is an important statement which claims that people's mindless handling of something can have harmful implications for them.

#### 6.4.3.1 Respect for Life

The Koran urges that respect for life in all forms and its sanctity. This is based on the Koranic claim that all life forms have purpose, "There is not an animal (that lives) on the earth, nor a being that flies on its wings, but (forms part of) communities like you" (6:38). This idea is reinforced in the following verse,

> See thou not that to Allah bow down in worship all things that are in the heavens and on earth – the sun, the moon, the stars; the hills, the trees, the animals; and a great number among mankind? (22:18)

When all life forms are one in their relationship to God, there is no way one is allowed to waste or consume the other unnecessarily.

### 6.4.3.2 Humans Are Responsible for Conservation

The Koran places a great responsibility on humans to protect what has been assigned to them. Humans are God's trustees and vice-regents on earth, "Then We appointed you viceroys in the earth after them that we might see how ye behave".

What are human trustees? There are a number of verses which make it clear that God has made humans trustees of his creations and resources which exist on earth. The following verse indicates,

> Believe in Allah and His messenger, and spend of that whereof He hath made you trustees; and such of you as believe and spend (aright), theirs will be a great reward. (57:7)

Another verse makes the issue of conservation and human responsibility even more transparent,

> And when he turns away (from thee) his effort in the land is to make mischief therein and to destroy the crops and the cattle; and Allah loves not mischief. (2:205)

As discussed in the beginning of this paper, CSR and conservation are strongly connected. The Koran also places a great emphasis on conservation for the future of humanity and the rest of creations on earth. But it is humans, and no other creatures or creations, who have been given the responsibility to conserve resources found on earth in various forms. Humans have also been warned that if they do not carry out conservation diligently, the consequences for them will be harmful and of their own creation, "Man shall have nothing but what he strives for." (53:39).

### 6.4.4   Creation of Wealth

Before it is about anything else, the corporate world is about creation of wealth. CSR is possible only when a business has made some profit before making positive contributions to society. But creation of wealth is not a simple matter. The Koran is very clear on how wealth is created. It does not accept legitimacy of wealth created out of unfair means or as a result of greed. Also, the Koran is against the accumulation of wealth because it can cause harm to society.

### 6.4.4.1  A Constructive Social Purpose

Creation of wealth has a certain social purpose. The purpose is constructive: People should create wealth as a means to support themselves, "Your property which Allah has made a (means of) support for you" (4:5).

Thus, wealth must be earned through fair means. Wealth earned through unfair means will have no divine approval and will play no good part in society. How is this done? The answer provided in the Koran is,

> And swallow not up your property among yourselves by false means, nor seek to gain access thereby to the judges, so that you may swallow up a part of the property of men wrongfully while you know. (2:188)

The Koranic views wealth earned from usury as extreme abomination. There is no room for salvation of those who practice usury, "Allah will deprive usury of all blessing, but will give increase for deeds of charity" (Quran 2: 276).

Hoarding is one fact which kills the very purpose of wealth creation in a society. This is why, there are references condemning it,

> O you who believe! Lo! Many of the (Jewish) rabbis and the (Christian) monks devour the wealth of mankind wantonly and debar (men) from the way of Allah. They who hoard up gold and silver and spend it not in the way of God, unto them give tidings (O Muhammad) of a painful doom. (9:34)

### 6.4.4.2  The Danger of Accumulated Wealth

Accumulation of wealth can be dangerous. In fact, there is always a danger that instead of doing good; wealth will create problems in society. This is why the Koranic injunctions about the accumulation of wealth are strict,

> Woe to every scandalmonger and backbiter who piles up wealth and lays it by thinking that his wealth would make him last forever. By no means! He will be sure to be thrown into that which breaks to Pieces. (104: 1–4)

Another danger identified is that wealth accumulation can mislead a person from the righteous path laid down by God,

> Say, if it be that your fathers, your sons, your brothers, your mates, or your kindred, or the wealth that you have gained, the commerce in which you are fear a decline, or dwellings in which you are delight, are dearer to you than Allah or His Messenger, or striving in His cause, than wait until Allah brings about His decision; and Allah guides not to the rebellious. (9: 24)

Such a person is lost and there is no hope for him to do any good in society as the following verse indicates,

> In houses, which Allah has permitted to be raised so that His name be remembered in them, there extol His limitless glory in the mornings and the evenings, by men whom neither trade nor sale can divert from the remembrance of Allah, nor the regular prayer, nor from paying *zakat*. Their only fear is for the day when hearts and eyes will be turned about. (24: 37)

## 6.4.5   Charity

It would not be wide of the mark to say that the Koranic name for CSR is charity. There are countless references in the Koran which urge believers to practice charity. The notion of charity is central in Islam. God equates the giving of charity with the very act of worship. Islam without charity is not a religion; worshipping and giving of charity are on par as if exemplified by this verse,

> And they are ordained naught else than to serve Allah, keeping religion pure for Him, as men by nature upright, and to establish worship and to pay the poor-due (*zakat*). That is true religion. (98:5)

It is interesting to note that worshipping and paying *zakat* (alms) are mentioned in the same breath, and both acts lead to just one conclusion, which is the truth of religion.

This is repeated again and again,

> Those who (in charity) spend of their goods by night and by day, in secret and in public, have their reward with their Lord: on them shall be no fear, nor shall they grieve. (2: 274.

The importance of charity is so much that it can lead to cessations of worst hostilities,

> But when the forbidden months are past, then fight and slay the Pagans wherever ye find them, an seize them, beleaguer them, and lie in wait for them in every stratagem (of war); but if they repent, and establish regular prayers and practice regular charity, then open the way for them: for Allah is Oft-forgiving, Most Merciful. (9: 5)

In fact, there are hundreds of injunctions about charity, which make the Koran a rich corpus on charity. Thus it is impossible to discuss charity in the Koran even from just the CSR point of view. Below only a CSR-relevant outline of the concept of charity in the Koran will be discussed.

### 6.4.5.1   Building a Society through Charitable Means

Just like CSR is a social practice, charity is about building a society through building individual and collective lives of people. The Koran does not encourage charity in terms of the hereafter. For instance, a person who does not take care of the poor is called the one who belies Islam,

> Hast thou observed him who belies religion? That is he who repels the orphan, and urges not the feeding of the needy. (107-1-3)

The social significance of charity is so much that the charitable person holds God in his/her debt. The moral superiority of a charitable person is described in the following verse,

> For those who give in charity, men and women, and loan to Allah a Beautiful Loan, it shall be increased manifold (to their credit), and they shall have (besides) a liberal reward. (57: 18)

The Koranic view of charity is that it is a social practice and those who do charity indeed make a holy covenant with God, and will be rewarded for keep their side of the bargain,

> Amongst them are men who made a covenant with Allah, that if He bestowed on them of His bounty, they would give (largely) in charity, and be truly amongst those who are righteous. (9: 75)

### 6.4.5.2   Ethical Business

CSR is based on charity. People who own any enterprise are urged to build a viable society. The preceding discussion should make it amply clear that the Koran wants people to be socially responsible.

The Koran understands business activities in ethical terms. This is so because CSR is meaningful only if a business operates in accordance with religious-moral dictates. In one of the verses about the relationship between business and religious-moral activities, the Koran says,

> By men whom neither traffic nor merchandise can divert from the Remembrance of Allah, nor from regular Prayer, nor from the practice of regular charity: Their (only) fear is for the Day when hearts and eyes will be transformed (in a world wholly new). (24: 37)

Why is this so? One answer is that religious-moral considerations, such as the fear of God, in business activities lead to compassion and social welfare. This point is elaborated in the following verse,

> If the debtor is in a difficulty, grant him time till it is easy for him to repay. But if ye remit it by way of charity, that is best for you if ye only knew. (2: 280.

This is an extremely important injunction. The notions of compassion and charitable welfare bring peace and prosperity in society.

As has been noted above, the Koran is very much against usury. The Koranic-CSR view is that usury brings misery to people and works against society. This is why God has a very unforgiving stance towards it,

> Allah will deprive usury of all blessing, but will give increase for deeds of charity: For He loves not creatures ungrateful and wicked. (2: 276.

### 6.4.5.3   Giving in Moderation

Charity must be given in moderation. Excess in anything brings about personal and social problems. Although there are hundreds of verses in the Koran urging people to do charity, not a single one of them fails to urge balance and moderation. Here is a verse which emphasizes moderation on the societal level,

> Give the kinsman his due, and the needy, and the wayfarer, and squander not (your wealth) in wantonness. Lo! The squanderers were ever brothers of the devils, and the devil was ever an ingrate to his Lord. (17: 26–27)

Every member of society is commanded to be moderate. However, moderation is not just a money-matter; it is about the entire personality of a person,

> And those who, when they spend, are neither prodigal nor grudging; and there is ever a firm station between the two. (25:67)

### 6.4.6 Financial Honesty

> "O Believers: Honour your contracts." (5:1).

CSR without honest financial dealing is not possible because greed and foul play cannot play a constructive part in the betterment of a society. In Islam, immense emphasis is placed upon financial honesty. There is an oft-quoted verse on business dealing,

> Give full measure when ye measure, and weigh with a balance that is straight: that is the most fitting and the most advantageous in the final determination. (17: 35)

#### 6.4.6.1 The Importance of Trust

In financial dealings, trust is an important component which finds references in the Koran,

> Allah commands you to render back your trusts to those whom they are due; and when you judge between man and man, that you judge with justice. (4:58)

Honest financial dealings are based upon mutual commitments on the part of parties involved. The Koran makes references to it thus,

> And fulfil every commitment. Surely every commitment will be asked about (on the Day of Judgment). (17:34)

In another place, the Koran reinforces this injunction,

> (Believers are those) who are faithful to their trusts and to their commitments. (23:8)

But the point is that even if there is complete trust in financial dealings, problems are bound to arise because people involved in such dealings may have their own interpretations of what was said or made to understand. This is why the Koran comes up with certain injunctions.

#### 6.4.6.2 The Importance of Written Agreements

The Koran urges upon people to make written agreements while making a business deal. Below a detailed injunction is reproduced,

O ye who believe! When ye deal with each other, in transactions involving future obligations in a fixed period of time, reduce them to writing Let a scribe write down faithfully as between the parties: let not the scribe refuse to write: as Allah Has taught him, so let him write. Let him who incurs the liability dictate, but let him fear His Lord Allah, and not diminish aught of what he owes. If they party liable is mentally deficient, or weak, or unable Himself to dictate, Let his guardian dictate faithfully, and get two witnesses, out of your own men, and if there are not two men, then a man and two women, such as ye choose, for witnesses, so that if one of them errs, the other can remind her. The witnesses should not refuse when they are called on (For evidence). Disdain not to reduce to writing (your contract) for a future period, whether it be small or big: it is juster in the sight of Allah, More suitable as evidence, and more convenient to prevent doubts among yourselves but if it be a transaction which ye carry out on the spot among yourselves, there is no blame on you if ye reduce it not to writing. But take a witness, whenever ye make a commercial contract; and let neither scribe nor witness suffer harm. If ye were to do (such harm), it would be wickedness in you. So fear Allah; For it is Good that teaches you. And Allah is well acquainted with all things. If ye are on a journey, and cannot find a scribe, a pledge with possession (may serve the purpose). And if one of you deposits a thing on trust with another, let the trustee (faithfully) discharge his trust, and let him Fear his Lord conceal not evidence; for whoever conceals it, his heart is tainted with sin. And Allah knows all that ye do. (2: 282).

This is a very comprehensive verse and much can be written on it. For instance, it makes a business deal a matter of record which can be reproduced later. Second, it is in favour of a third part which will be neutral. Third, it brings in the claim that God is all-knowing, and thus whosoever is wilfully wrong will incur divine wrath. And, finally, it brings in witnesses to maximize fair play in a deal.

### 6.4.6.3   The Importance of Being Honest

Financial honesty also means how honestly one takes care of interests or properties of those who are too weak to take care of these. In any society, orphans are at risks of being exploited. Thus the Koranic verse,

And come not nigh to the orphan's property, except to improve it, until he attain the age of full strength; give measure and weight with (full) justice; no burden do We place on any soul, but that which it can bear; whenever ye speak, speak justly, even if a near relative is concerned; and fulfil the covenant of Allah: thus doth He command you, that ye may remember. (6: 152.

The weak and/or the poor thus need to be protected.

## 6.5   Conclusion

The Koran is all-inclusive: It takes in its fold every aspect of human activity. Business in its widest sense is also subject to Koranic injunction. It is significant to note that the Prophet Muhammad (peace be upon him) was himself a business-man who set examples of honesty and integrity in his business transactions, and thus earning the title of "the honest one". The Koranic discourse on CSR is based

upon the notion of social justice because it is in a just social system that goodness, in its widest sense, is possible. As should be obvious from the above discussion, humans, their society, and the environment are all integrated and must exist in equipoise and mutually assured survival. The centrality of a just society, viable environment, and charitable human existence form the perfect background against which CSR can be meaningfully practiced.

This is why, the Koran requires people – including corporate areas which consist of people – to be involved and be especially socially responsible. All in all, it can be seen that the Koranic view of CSR can indeed bring about people and business to prosper only in an orderly society. The attendant beliefs of compassion and charity/charitable welfare can bring about caring and being cared for as well as giving/making peace and bringing about prosperity in society.

## 6.6 Further Research

There is a good scope for researching corporate sectors in Asia where the Koranic injunctions on CSR are in operation which is of special interest for Muslims. Take for example, one may ask, "Does a business hub like Dubai practices CSR based on the Koranic injunctions? If so, how would it be able to succeed? If not, then what are or would be the practical significances and/or validity of this Koranic discourse on CSR?"

Whether as a Muslim or a Non-Muslim reflecting on these issues would certainly help to facilitate, improve or enhance CSR practices in their respective job(s) or organisation.

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# Chapter 7
# Green Practices: A Comparative Study Between Southeast Asia and the United States

Ina Freeman and Kim Cheng Patrick Low

**Abstract** When societies and companies adopt green habits and practices; they fulfil some aspects of socially responsibility. In this paper, the researchers examine and contrast the efforts to be green made in both the United States and in the Southeast Asian countries of Brunei, Singapore, China, and Malaysia. Because of differing government roles, the United States needs a greater commitment and more action by governments and business rather than merely talk; in Asia, there is a definite need for governments to do more in terms of creating greater awareness as well as educating the public on sustainability. The paper argues that in America the financial "bottom line" is paramount, with many businesses and the Republican party arguing the primacy of economics before all else. The paper also seeks to argue that governments in Asia need to tap what Asia inherently has; that is, its green philosophies and values that encourage green habits and practices.

## 7.1 Introduction

As the world increasingly focuses on improving the standard of living; increasing the life span as well as the availability of goods, the desire for low cost takes production of goods away from the developed countries to the developing countries. This movement is partially driven by the increasing educational levels of the developed countries, but also by the workers' drive in the developed

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countries for higher and higher wages. These demands are concomitant with the demand for lower prices, a dichotomy that is impossible for many manufacturers to meet if they do not decrease costs of manufacturing by going off-shore. To survive, manufacturing has had to move off-shore to developing countries where wage levels are considerably lower and coincidentally, where environmental standards are not as inclusive as in the developed countries and enforcement is questionable if the standards exist. This has resulted in some countries being noted with extremely high air pollution indexes indicated by the PM10 level which is a World Health Organization (2012a) measurement of the number of particulates in the air that are smaller than ten microns. The published records indicate China measures 60.2, Brunei Darussalam with 48.05, Singapore with 23.2, and the United States of America (USA) with 18.02 in 2009 (The World Bank 2010). The International Programme on Chemical Safety (World Health Organization 2010) recommends no safe level of PM10, but a quality guideline of 20 as an annual mean, below some countries in the Southeast Asia region.

The recognition by many countries that we live on one planet with one air supply and what is done to the air in one country will be of concern to other countries is met by sustainability issues pursued on a coincidental basis rather than as a strategic basis (Baumgartner and Ebner 2010). Because the South East Asian region is primarily developing, within this paper we will examine the differences in the green practices between countries in this region. These practices are compared to those practices embedded in the United States to better understand the reality the world is currently facing. It is hoped that this comparison portends some solutions if governments are able to recognize the failings of limiting their striving for and attaining the "bottom line" mentality. Within this comparison, we are cognizant of the differences in meanings using semiotic understandings of the words according to profession and culture (Broekman and Backer 2012).

## 7.2    Literature Review

Corporate social responsibility (CSR) has a long history, one documented and discussed by Carroll (1999). At the World Summit on Sustainable Development in Johannesburg, South Africa in 2002, Corporate Social Responsibility (CSR) found its unique niche as a unique field. CSR was discussed and debated prior to the World Summit on Sustainable Development, and linked with sustainability due to the impact business has on populations and the environment (Calder and Culverwell 2005). Today, however, due to the emerging recognition of synergism as well as the imprecision of the definition of CSR and the strong linkage between corporate social responsibility and sustainability of the environment, these two ideologies have again merged after finding common grounds.

CSR and sustainability are now a well-established academic topic, and are the topic of debate within many board rooms. This maturity also impacts the level of energy expended towards sustainability with both mature and start-up companies

(Baumgartner and Ebner 2010). Despite the fact some countries rely on non-government organizations (NGOs) such as the Green Cross of Switzerland, a 2012 report co-sponsored by The Blacksmith Institute, the United Nations Industrial Development Organization, the European Commission, the Asian Development Bank, and the World Bank, many ecological problems are too large to be left in the hands of NGOs (The Green Cross & Blacksmith Institute 2012). This report mandates governments to become actively involved to avert a potential crisis (The Green Cross & Blacksmith Institute 2012). Evidencing these concerns, this report estimates the disease burden created by toxic pollution from industrial sources. The report indicates, as would be expected with the large populations in the Southeast Asia region, the impact of this pollution is much more significant in the developing countries of the South Asia region than in many of the developed nations. This is attributed to: poor regulation and oversight; poor control of hazardous emissions and wastes; close proximity of hazardous industries and products to residential areas; limited education of the population concerning the hazards; and, the informal economies present in many of these countries (The Green Cross & Blacksmith Institute 2012, p. 5). Each of these difficulties presents insurmountable obstacles for NGOs, but falls within the range of national governments to control.

Evidencing the need for government intervention are a number of international agreements. With the refusal to ratify the Kyoto agreement the Republican Party put the United States into a less than favourable position in a world conscious of CSR and put the agreement at risk. Eventually the Kyoto agreement failed to control pollution and the world again entered discussion cantering on sustainability. Similarly, the Association of Southeast Asian Nations did establish a partnership to reduce climate change but with no enforcement, this entire agreement failed.

However, the reliance on nations is not without limitations. For example, the United States has called for a decrease in global pollution, including publicizing pollution checks on China conducted from the roof of their embassy in Beijing and Shanghai (Vandenbrink 2012). The American Ambassador has cited as justification the number of Chinese nationals checking their published levels for information (Vandenbrink 2012). This is met with China's environment Minister justifying pollution because China is in a crucial developmental period and that environmental degradation is a natural consequence of development whereas the United States has already developed without these restrictions, making the American condemnation unjustifiable (NTDTVCanadaNews 2012). However, environmental experts around the world, including Chinese scientists, are disputing the government's claims (NTDTVCanadaNews 2012) and have been so since the 1990s when this first started to emerge as a concern of the Chinese government's (Wang n.d.).

This clearly indicates the growing concern for sustainability and corporate social responsibility by nations that recognize the international nature of the ramifications of not complying with united norms and standards, albeit to varying degrees and with varying levels of intensity. However, the need for sustainability and corporate social responsibility is emerging. This call from the public is due partially from the increasing transparency resulting from the technological innovation that side-steps government's attempts to silence the population. This advancing technology is

enabling global communication as never before, and highlighting some of the challenges faced by nations in both the Southeast Asian area and the United States. While both of these areas have an understanding of and implementation of CSR and sustainability, it varies by the culture and the understanding of the culture of the nation. It is to this cultural heritage we now turn.

## 7.3    Asian Philosophies and Values

In South East Asian Confucian and Islamist beliefs, generally one blends their lives with nature. Unlike the Western concept, these Asians recognize nature is not to be conquered. The various Asian cultures have their respective philosophies embedded into their culture. The majority of intellectual beliefs in South East Asia support green living and environmental protection and conservation. However, given the immediate needs of the population for adequate housing and safety and the immediate wants of the business environment in these countries to gain wealth, the lack of implementation of these philosophies has resulted in substantial degradation of the environment. What is needed is increased awareness and education of the public by governments to promote green values while encouraging greater (corporate) social responsibility.

Promoting this education to facilitate the union of CSR and societal advancement with the underlying philosophy or belief system of the population have become the tasks of the government due to the collectivism and hierarchical structures within these cultures. This collectivism and hierarchical structure is portrayed in the belief systems that dominate the countries and their underlying belief systems.

Islam is one of the main religions in Brunei, Indonesia, Malaysia and Singapore. This belief system envisions humans as social beings, necessitating a strong emphasis on social responsibility since the mission for a human is set by God (Allah) with only some men as Allah's representative on the earth. One aspect of Islam is the mandate for humans to care for and manage the worldly affairs in harmony with natural laws (Sunatullah). This is done in the spirit of cooperation and brotherhood in order to achieve personal and societal happiness. Islamic ethics provide guidance and rules concerning how people interact with each other in various relationships. These interactions can be designed to achieve a mission or simply to provide friendship.

Using this understanding, the guidance and rules of Islamic ethics can be applied to and united with CSR and sustainability principles since these guidance and rules are universal for Islam's followers (Alumnawar and Low 2012). One example of the application of Islamic ethics and concern for CSR in Brunei can be drawn from the recent launch by the Ministry of Industry and Primary Resources (MIPR) of the long-awaited 'Wildlife Division'. The intent of this division is to implement full management, preservation, protecting and conservation of wildlife within the eco-system in the country (Hanif 2012). To do so, the agency depends upon the

support and cooperation of other government agencies and non-governmental organizations with common interests and to encourage others to participate thus endorsing the collectivist framework. In striving to make Brunei a green country, areas such as *Kampong Ayer* or the water village continue to work with the government to fulfill the village's mandate to keep the waterways clean and ecologically safe. For example, in *Kampong Ayer,* the government is providing eco-friendly houses. These glistening new structures are the latest initiative to upgrade the living standards of residents living at Brunei's iconic water village, taking the village from the cramped, polluted image etched in the minds of many, to a greener, modern community that preserves Brunei's cultural heritage (Bandial 2012).

In Malaysia, the government engages in shaming and legal actions against residents and companies that participate in non-green activities such as illegal tree cutting and water pollution. But there continues to be a need to increase awareness and more information on greenness to the population as a whole as these actions are insufficient. To garner further support, the Malaysian Government is encouraging the inclusion of the media to educate the population and to enlarge its circle of influence when shaming, as indicated in the Special Functions Minister's speech when opening the Natural Resources and Environmental Board Officers Conference in 2012 (The Star 2012). At that conference, the Minister asked the media to play a significant role in spreading awareness-to and mobilising-of the public about environmental issues. However, recent scandals involving the Malaysian governments' payment to the television production company FBC (Burrell and Hickman 2011) and the growing pressure by the Southeast Asian Press Alliance (SEAPA 2012) to end harassment against the leading human rights organization in the country make one question the authenticity of the government's actions. Other organizations have drawn into question the authenticity of this call including the bestowing of the title of Champion of Corruption upon Malaysia by multiple international agencies and international bodies such as Transparency International, ANI Washington, Hindustan Times, and the Wall Street Journal Live (Meng 2012).

Another predominant belief system in this region is Confucianism. Many believers follow the proverbs, practices, and beliefs that originated over 2000 years ago. These have been integrated into public and private policy, regardless of the recognition of the close association or linkages to Confucius or Confucianism. Though some believe that Confucianism is a thing of the past in China, its influence is, in fact, still pervasive (Lu 2003). Like Taoism, Confucianism stresses natural progression and nature. That is, what is natural is good. This means that humans must be close to nature and regard it as an ally to human development. To fully understand this philosophy, one needs to know the *Tao* and act or work in accordance with the principles or *Tao* of the Universe or Nature (Chai et al. 1994; Ng and Seow 2010; Xigin 2009).

One example of an Asian nation that demands compliance with CSR and ecology is Singapore. Here most people live in high-rise flats (90 % of the population live in high-rise buildings). This nation's government encourages green and

clean habits. This is demonstrated on the enforcement of anti-litter laws, clean air laws and practices resulting in the use of bicycles as the primary mode of transportation within the city, and recycling of food and beverage containers. The fact that Singapore is one of the world's healthiest countries is endorsed by the Bloomberg Rankings (2012) where Singapore ranks first in the health grade at 89.45 %, The United States ranks 33rd at 66.84 %, Malaysia is 51st at 54.91 %, and China is 55th at 53.55 % (Bloomberg Rankings 2012). It is important to note that Brunei does not appear on this list of 145 countries. Despite the amount of eco-friend legislation, there is a definite need to promote greater awareness and education to improve the responsible and green environment associated with all of these countries.

Despite these and many other efforts by the governments, businesses, the population, and outside stakeholder groups, there is a definite need for governments in Asia to do more in terms of creating greater awareness as well as educating the public on ecology and corporate social responsibility. The authors also argue that governments in Asia need to tap what Asia inherently has; its green philosophies and values that encourage green habits and practices.

## 7.4   United States of American Philosophies and Values

While each country in Southeast Asia has a culture that has been developed over centuries, the United States is one of the few countries in the world where many within the current society the population have a culture that originated from elsewhere. While there is only 13 % of the American population born abroad, there are approximately 24 % of children under the age of 17 born to at least one foreign born parent (Migration Policy Institute 2012). This means the changes in the philosophies and values of the America population may be happening regardless of whether or not there is additional immigration. It is an American company that coined the phrase "Young Cosmopolitan" or "YoCo" to represent those who have more than one heritage and see themselves as citizens of the world as well as of a nation. The coupling of technology and immigration compounds the changes, potentially dividing the population into sub-sectors that have little to do with nationality or first/second generation immigration status, but rather divide the population segments by age and technological proficiency rather than other factors. The adoption of technology, including the burgeoning rate of social media, the ability to instantaneously communicate electronically (including photos and live feed), and the sharing and publication of ideas, concepts, and events by the young means this market is more homogeneous and more ready to experience differences and changes than their parents.

Similarly, the business culture has an increasing number of similarities as technologies merge and information becomes global. This has resulted in some unique features, including the reliance upon a "scientific" or Cartesian approach that mandates a quantification and assessment of almost every facet of business. The reliance upon "research" has led to a multitude of differing opinions resulting

in an environment of continuous flux. This continuous change, however, is not seen as the executives changing their mind-set but more as the evolution of the company as though it was independent of the individuals working within it. Companies, in the USA, are legal entities within their own right and not dependent upon any one person or employee for survival. While CEOs in America are envisioned as extremely important for the direction and performance of the company, they are also disposable as seen by the number of appointments and departures of top executives in many corporations. The arrival of incoming management often means change. However, due to the flexibility of American business operations and the ability of Americans to debate, argue, and disagree with those who have authority, the tenure of anyone in business can be abbreviated whether or not the long term plans would be successful for stakeholders. While those with authority are gradually including women, there is still a dearth of women in the boardrooms of corporate America, meaning a limited perspective in a global economy. This constant change not only limits the boardroom's perspective of the horizon, but removes discussion of the impact of today's actions, including those targeting CSR and sustainability, upon tomorrow's environment.

The power and direction of corporate America is seen in the banks and in the stock market, resulting in money being the quantitative element that guides the business and the stockholder as pre-eminent. While there is some movement towards establishing Codes or Statements of Ethics, corporations that are seen as operating ethically have been disgraced, such as Enron, WorldCom, and others. Even the government and organisations sponsored by the government are not immune, such as Fannie Mae, the failure of the Securities and Exchange Commission to catch Bernie Madoff since the first concern was raised in 1992, or the use of Trouble Asset Relief Program funds to pay bonuses for the Wall Street Executives including the AIG executives (considering the company was owned by the government in the startling sum of 80 %). The focus upon the stock market means a short term perspective, most frequently 3 months. Considering the time necessary to implement and experience the results of changes, very little is can be accomplished with a time horizon of 3 months. However, the constant of money is used to determine the success or failure of policies. Thus, CSR, ethics, and sustainability are often verbalised but not enacted as the drive for monetary returns supersedes all else.

However, despite the United States continuing to boast of their global dominance, it, like Japan and Germany, has experienced no gains in the productivity of many sectors in the past 20 years (Dobbs et al. 2013). This draws questions about the viability of business as practiced in these companies as well as the impact a no-growth finding has on economic and social well-being of countries considering the population growth, particularly as the same report estimates the need for $57 trillion USD in infrastructure investment between 2013 and 2030 (Dobbs et al. 2013, p. 1). This report finds that if companies would scale up to the best practices of CSR, approximately $1 trillion USD on average could be saved (Dobbs et al. 2013) but the short time horizon of companies stops them from the longer term perspective required to envision this savings.

While all of the countries of Brunei, Singapore, Malaysia, China, and the United States have industry and commerce operating within them, distinct differences in practices are obvious due to differing cultures and heritage. We will now look at the social costs of the CSR, sustainability, and ethical practices, comparing these two areas on similar traits.

## 7.5 Comparison of Social Costs: Southeast Asia and the United States

While the United States has a large immigrant population from Southeast Asia, the United States retains many of its own beliefs and practices that are different as indicated in the following table (Table 7.1).

Despite the similarities exhibited by this table, the lack of compliance with CSR and sustainability mandates is noted by Lowson (2012) who notes that despite recent political initiatives to tighten and mandate CSR reporting including environmental, social, and governance (ESG) disclosure, there remains avenues for non-compliance. So while America speaks about CSR and Southeast Asia proclaims to comply with the Kyoto protocol including CSR and sustainability, the practice is yet to be incorporated in many of its businesses or activities that impact society, stakeholders, and the environment.

## 7.6 Impact of CSR Activities on Society: Comparison of USA to Singapore, China, Malaysia, and Brunei

The cultural understanding of CSR will vary among these nations due history, different philosophers leading to different belief systems, the influence of other nations, social orientation (Varnum et al. 2009), and the semiotics of any language. Thus, it is mandatory that cultural and semiotic interpretations be taken into account when comparing CSR and sustainability across international borders as the connotation of each of these terms may vary within the societal context. If we look to Hofstede (n.d.), a well-respected academic who looked at variances across countries of important concepts, all the countries differ with the United States in their individualism/collectivism belief set. Islam looks to the union of the collective and the individual whereas Hofstede (n.d.) saw these as distinct. However, when you look to the union of these two by Islam (Musah 2011), the individual is to use their resources for the collective good – meaning that there is a distinction and the semiotic understanding is different. While the United States scores high on individualism, all four of the other countries have a stronger belief in collectivism. It is understood that these measurements may be somewhat dated given the movement toward Individualism in the move toward economic progress and the growth of the

**Table 7.1** Style comparison of USA and Southeast Asian countries

| Social aspects | Southeast Asia | United States |
|---|---|---|
| Individual health/stress level | Across Southeast Asia, more than 1 billion people live on less than $2 US per day. This is due to uneven distribution of wealth (income disparity); war and poor governance (Szczepanski 2008). The health problem is due to the under-development of the healthcare as well as the economic development of the countries involved | The health problem here is more of stress generated in any developed country, and the health care services can be assessed as adequate. One in five American adults (22 %) believe themselves to be in fair or poor health, and those adults who rate their health as fair or poor also report higher levels of stress and are more likely to report physical symptoms of stress than those who rate their health as excellent or very good (American Psychological Association 2010). The most common physical symptoms of stress reported were irritability (45 %), fatigue (41 %) and lack of energy or motivation (38 %) (American Psychological Association 2010) |
| Family | Collectivism; Familial Value; there is a collective culture to be socially responsible for others within the community | Individualism; Unitarianism. CSR is very much dependent on the level of economic development of the country, chiefly USA |
| Aged | Population aging is much more advanced in Japan than in the other countries of Asia; here, Japan relies heavily on foreign workers to look after their aged. In future, many Asian countries may simply not be able to afford a (growing) large dependent elderly population size. Perhaps even more important, they might not have the necessary institutions and financial systems in place, including efficient and well-managed pension and healthcare programs, capital markets, and accounting and regulatory systems (East – west Center 2002). In other words, Southeast countries are still very much less developed than | The US is an ageing society. Between 2000 and 2050, the number of older people is projected to increase by 135 %. Moreover, the population aged 85 and over, which is the group most likely to need health and long-term care services, is projected to increase by 350 %. Over this time period, the proportion of the population that is over the age of 65 will increase from 12.7 % in 2000 to 20.3 % in 2050; the proportion of the population that is age 85 and older will increase from 1.6 % in 2000 to 4.8 % in 2050. This will place substantial additional |

**Table 7.1** (continued)

| Social aspects | Southeast Asia | United States |
|---|---|---|
| | the United States in terms of health and caring services for the aged | pressure on publicly-funded health, long-term and income support programs for older people (Weiner and Tilly 2002). Here, in short, they have the established institutions or the basics are in place, but the much needed thing or issue is to cater for the growing population of the aged in future |
| Children | Two-thirds of the global burden of child nutrition; poor and less educated people living in rural areas (WHO 2007). Children also suffer from child labor, mal-nutrition and tourist child sex/paedophile. Indeed in terms of protection of the children and their rights, there is a glaring negligence of corporate social responsibility in Southeast Countries (such as Cambodia and Indonesia) | Undeniably, the children are more or less better looked after. About one in three American kids and teens is overweight or obese; nearly triple the rate in 1963. Childhood obesity is the No. 1 health concern among parents in the United States, topping drug abuse and smoking (American Heart Association 2013) |
| Environment | *Mercury pollution and other environmental contamination* | *Mercury pollution and other environmental contamination* |
| | Hundreds of tons of mercury have leaked from the soil into rivers and lakes around the world. Emitted from sources like coal burning and small-scale gold mining, where it is used to separate metal from ore, mercury also comes from discarded electronic and other consumer products. Mercury in the air settles into soil and then finds its way to the water. In Vietnam, Agent Orange (the after-effects of Vietnam) is still lingering and has not been eradicated, and in Cambodia, mines in some places are still present | Mercury pollution is a local, regional, and global environmental problem that adversely affects human and wildlife health worldwide. As the world's largest freshwater system, the Great Lakes are a unique and extraordinary natural resource providing drinking water, food, recreation, employment, and transportation to more than 35 million people. The widespread loading of mercury into the Great Lakes environment is responsible for mercury-related fish consumption advisories in the eight U.S. states and the province of Ontario that border the lakes (David 2011) |

**Table 7.1** (continued)

| Social aspects | Southeast Asia | United States |
|---|---|---|
| Natural disasters/ earthquakes | *Storms, Hurricanes and Floods*<br>Floods are often caused by storms and hurricanes, and also excessive rainfall has been worsened by climate change. The floods in Pakistan and Thailand in are estimated to have cost each country around US$30 billion. But floods also result from the clearing of forests, especially in the highlands. Instead of seeping into the soil, the rains run off into streams due to the removal of tree cover. Moreover, soil erosions raise the river beds when they flow into streams. This causes more flooding when the waters overflow from river banks. The climate change crisis also affects water supplies. The increased melting of glaciers reduces water supply. The shrinking of Himalayan glaciers that feed many great rivers in India, China and South-East Asia is expected to cause an ecological catastrophe (Khor 2013) | *Storms, Tornadoes and Floods*<br>In 2011, there are 753 fatalities due to natural disasters in the USA (Munich Reassurance America, Inc. 2012) |
| | *Earthquakes*<br>Although earthquakes are detected and recorded every day, and that there are early warning systems incorporated to warn and move people, the infrastructure involved is rural and in fact not well-developed to heed the warning and/or take actions. Note that the earthquakes in these lesser developed countries are more frequent and severe. In December 2012, there are 86 earthquakes and the largest earthquakes in Southeast Asia are recorded as 6.1 magnitude in Luwuk, Sulawesi Tengah and Indonesia (Earthquake Track 2013a) | *Earthquakes*<br>There are early warning systems incorporated to warn and move people. Earthquakes, for example, are detected and recorded every day. In December 2012, there are 50 earthquakes and the largest earthquakes in the United States are recorded as 4.1 magnitudes in Anchorage, Alaska and United States (Earthquake Track 2013b) |

(continued)

**Table 7.1** (continued)

| Social aspects | Southeast Asia | United States |
|---|---|---|
| Waste management | There is a growing concern among the ASEAN countries on the increasing rate of waste generation as their populations grow. There is a significant variation of waste types and in percentages of waste generation due to varying income levels and extent of urbanization in the different countries. There are a number of laws for waste management but in most countries these do not address waste management in its entirety. What is especially missing is legislation for storm water management (Tan 2004)<br><br>Rapid urbanization, increasing industrialization, rising incomes and a more sophisticated form of consumerism are leading to an increase in the amount and toxicity of waste in middle-income Asian countries, especially in the cities. According to the World Bank, urban areas in Asia generate about 760,000 t of municipal solid waste (MSW). Densely populated cities in Singapore, Japan, Thailand, Malaysia, South Korea, Indonesia, China and the Philippines are thus under pressure to modernize their solid waste systems, bring their waste streams under control, and shift from pure disposal to recovery of both energy and materials (UN 2010) | Here, the gaps between Southeast Asian countries and the United States are very obvious, if not big. Very limited to zero waste challenge is reflected in solid waste system support for encouraging use of 3R (reduce, reuse, recycle) and maximizing sustainable development, repair, and purchasing. It also involves banning troublesome goods such as plastic bags and superfluous packaging, and promoting alternatives such as recyclable or compostable take-out food packaging and reusable transport packaging. Most of these actions require ongoing outreach at homes, schools, businesses and events. In some cases, mandates and ordinances are required, such as mandatory segregation of recyclables and organics, and construction and demolition debris. One next major step includes supporting the passage of state-wide legislation that holds manufacturers, businesses and individuals accountable for the environmental impact of the products that they produce and use (UN 2010; USEPA 2013) |

knowledge economy (Rasmussen et al. 2012; Bhawuk et al. 2010). This may stem from the influence of Confucius within the Southeast Asian region. Similarly, although varying among the four Southeast Asian countries, is the difference displayed in the Power Distance characteristic. Again, the influence of Confucius with the deference given to elders may account for some of this difference but the political and cultural aspects also play a role. The other important element in the South East Asian region is that of Islam, which claims support of both collectivist

**Table 7.2** Hofstede cultural characteristics (Hofstede n.d.)

|  | Power distance | Individualism | Masculinity | Uncertainty avoidance | Time orientation |
|---|---|---|---|---|---|
| United States | 40 | 91 | 62 | 46 | 29 |
| Singapore | 74 | 20 | 48 | 8 | 48 |
| Malaysia | 104 | 26 | 50 | 36 | – |
| China | 80 | 20 | 66 | 30 | 118 |
| Brunei | (High)[a] | (Low)[a] | (Low)[a] | (High)[a] | (–) |

Note:

[a]Brunei has not been studied by Hofstede; however, Malaysia and Indonesia were included in the sample of ten countries in 1983 (Blunt 1988)

() = Data extracted from Mohiddin (2007)

(–) = Not known

and individual traits, as stated above (Musah 2011). Within the Muslim belief system, the semiotics of language are important. Western philosophy has these two traits distinct and oppositional. In the Muslim ideology, these two concepts are interdependent that cannot be separated although the two exist separately from each other.

In newer concepts such as CSR and sustainability, the adherence to old belief patterns and the "wisdom" of elders may be questionable due to the existing concepts that produced the need for concepts such as CSR and sustainability. Attending to the "old" way is what led to the need for CSR and sustainability. The fourth of the Hofstede characteristics indicated in the Table below shows the lower scoring of uncertainty avoidance for the Southeast Asian countries whereas there is more tolerance for ambiguity in the United States, although not always substantially different. It must be noted that Singapore is extremely low, perhaps due to the effects of the current government which is recognized as unwilling to accept deviation. The time orientation, while a later concept for Hofstede (n.d.) indicates that the United States has a shorter time horizon than the other countries, although it given the poor performance on sustainability rankings, it appears the United States thinks of the environment in longer time horizons than the Southeast Asian countries (World Health Organization 2012a, b, c) (Table 7.2).

These characteristics are not belied by the effects of outdoor pollution concerning sanitation, improved water coverage, and the environmental burden of disease characteristics collected by the World Health Organization (2012a), indicated below.

While there may be debate concerning the lower scoring for some of the Southeast Asian countries, being published on the World Health Organization website gives these figures legitimacy. In examining Table 7.3 it is obvious that China has problems with its sanitation and water cover, as well as scoring high on the environmental burden of disease. However, even the lowest ranking of 32 of 289 indicates very little impact of poor sanitation and less than optimal water coverage. The quality of air has to be questioned given that China has now asked other nations not to release collected data concerning air quality, insisting that the

**Table 7.3** Country environmental statistics (World Health Organization 2011)

|                   | Sanitation                   | Improved water coverage                                    | Environmental burden of disease of total highest 289 |
|-------------------|------------------------------|-----------------------------------------------------------|------------------------------------------------------|
| United States     | Sanitation improved 100 %    | Piped water in urban is 100 %, in rural is 94 % improved   | 19                                                   |
| Singapore         | Sanitation improved 100 %    | Piped water is 100 % improved                             | 13                                                   |
| Malaysia          | Sanitation improved 94 %     | Piped water is 99 % improved                             | 27                                                   |
| China             | Sanitation improved 44 %     | Piped water is 77 % improved                             | 32                                                   |
| Brunei            | Unrecorded                   | Unrecorded                                                | 15                                                   |

air quality of the whole of China is not reflected in the air quality of cities (Bradhser 2012). Thus, while this report assumes that the environmental practices of CSR are not significantly negative in any one of these countries, there are questions concerning the veracity of governmental reports. This is especially important in the Southeast Asia region due to the nature of the collectivist belief system under which these countries tend to function.

The World Health Organization (2012b) has developed a program to measure the health gains from sustainable development including housing and other structures, energy and basic utilities, urban air, and transportation indicating their commitment to sustainable development. In looking to various aspects that can be linked to CSR, such as food production, safety, and distribution; jobs and the effect on human health; access to safe and sanitary drinking water; and, the impact of sustainability on energy production all at the forefront of the program indicates the commitment of many to CSR including sustainability, but it is insufficient to stop climate change (World Health Organization (2012c). The reports of the success of this program are tentative as the initiative is new. Like the quarterly or annual financial statements of business, the results of programs such as this have many mitigating factors, not all of which are controllable or identifiable.

Concomitant with the growing public awareness, rankings for the greening of corporations have been developed by public magazines, including Newsweek. In ranking the 500 greenest global companies, Newsweek (2012) records the first appearance of the United States with IBM in the number four position. However, despite this good showing, no American companies appears again until the 22nd position with Hewlett-Packard, and onward for a total of over 260 American companies represented (Newsweek 2012). The south-east Asian countries are dominated by China, with a total of 37 companies represented with the first appearance in the ranking at 159 and ranging in rankings to 493; Singapore with 185, 491, and 500; and Malaysia at position 495 (Newsweek 2012). Brunei is not represented (Newsweek 2012). This invokes questions as to whether Brunei is focusing on sustainability and corporate social responsibility given their economic

dependence on shrinking natural resources. This also indicates that although Malaysia, China, Singapore, and Brunei all have signed and ratified the Kyoto agreement, companies in the United States have a better record for being green, bringing to question the effectiveness of this agreement and the sincerity of business in engaging in sustainable activities within their responsibility under CSR as well as to their commitment to Confucian principles and the long term perspective.

With the growing awareness of the need for sustainability and corporate social responsibility, many of the leading business and news magazines are highlighting corporate activities, both when engaging in CSR and when failing. With increased transparency in the United States, more of these companies come to light when failing, but with the increased media and public attention, the corporations in the United States appear to succeed at heeding the call for the implementation of actions directed to enhance their positioning concerning CSR, ethics, and sustainability. Questions such as: Can these positions be improved? Are we moving in the right direction? can be asked.

## 7.7   The Future of CSR and Sustainability in Southeast Asia and the United States

The future of CSR and sustainability around the world is in the hands of both business and the governments. For many businesses, the movement toward globalization has decreased costs. While multinational companies with head offices in the United States are held accountable in their operations and products in the United States, their practices offshore may be questionable. The business belief of adapting to the requirements of the country of operation has meant poor business practices have been continued at the expense of CSR and sustainability in developing countries where legislation is inadequate. Business in the developed world is accustomed to recording increased profits when CSR and ethics are applied. However when these businesses operate off shore, are they retaining the practices and operations required in the United States or do they rely on practices that are not accepted in the United States because the higher or more advanced standards are not demanded offshore. If so, this is not acceptable. Accountability, human rights, freedom of the press, and citizen or employee participation in the operations of the company should be standard practice, regardless of which country the business operates. The rebuttals by corporations operating within the ethical and environmental norms of the country where their operations are lodged that they are within the country's laws and norms of practice are not sustainable in a global environment. The United Nations has called for universal recognition of Human Rights regardless of the country. The call for CSR and sustainability is also global – without national barriers. While the corporation may operate in one country, it is incumbent upon the corporation to comply with the

highest standards of ethics, CSR, and sustainability because it all comes down to the butterfly effect: the world is a whole and what happens in Southeast Asia or the United States impacts every other region of the world as seen in recent events being:

(a) Arrival on the shores of Canada and the United States the goods swept to sea by the Tsunami in Japan;
(b) The global financial crisis caused by the failure of the American government's regulation concerning the activities of Wall Street and the financial industry (Chan 2011); and
(c) The global food crisis created by ignoring the increasing world population, the short-term interventions that ignored long term needs, emerging technologies that have found uses for food that previously fed people, and changing weather patterns.

These three are among many global events that could have been avoided, if business and governments began to recognize the interconnectedness of the countries and people of the world. We are no longer one country on the planet; we are one participant in system called earth.

This recognition implicates collectivism and individualism, but is not exclusively either collectivist or individualist. While it is recognised that the collectivist cultures of Southeast Asia tend to shield those who are responsible for breaches of CSR, ethics, and sustainability, this may be changing with the emergence and growing transparency of the internet, particularly Web 2.0 wherein communication is two way and instantaneous. Currently, the existing practices occasionally lead to corruption that can be recognised. Unfortunately, more often than not, it does not due to the resistance to "shame" another or draw attention to one's self for breaching the code of silence. This may be changing with the anonymity, global reach, and other democratising implications of the internet. These tenets may facilitate the bringing of corruption to light faster and with more force than ever before. The global reaction to corruption will create a negative environment for the business, necessitating changes until the corporation begins to act according to the norms of the global community. Companies that breach codes of conduct are being held accountable, not by their governing bodies, but by the public of the world.

Just as one of the primary unifiers of business and people around the world has been the internet, and with the evolution of Web 2.0 that allows for two way communication, CSR and sustainability will evolve. Whether this is then called CSR 2.0 or not is immaterial. Ethical Codes, Standards/Statements of Practice, or other similar documents are becoming instantaneously available. These are examined by stakeholders. Thus, human rights, accountability, and employee participation in the operations of the company are increasingly becoming fodder in the news, leading to enhanced democratisation.

The partnering of companies and corporations, both in globalisation and in finding mutual advantage is similarly being experienced in organisations that are trying to change, alter, and modify detrimental policies. This partnering, either with other businesses or with not-for-profit or educational organisations, facilitates the exploration and realisation of novel, unique, and purposive policies and practices

that are beneficial to the global population as well as being environmentally sustainable. These organizations are both participants (for example the use of WalMart's logistics immediately following Hurricane Katrina) and stakeholders (for example the collaboration of the government of the United States of America and BP following the Deepwater oil spill in 2010). By bringing together all corporations involved in the manufacture and delivery of any one product, good CSR coupled with sustainable and ethical practices will cross-pollinate and spread, potentially enhancing the effect of the United Nations Global Compact. This will also enhance the potential for corporate transparency and universal standards to be applied to all practices taking place on the one planet we currently inhabit.

The largest limitation to this paper is that the authors are academics and not political or corporate leaders. While there is not much written on the South East Asian environment, the authors have relied on primarily international bodies for research. This restricts the amount of factual information available opposed to the amount of information that is published that may or may not be factual. While the authors have investigated these issues, they are limited by their access to information. The direction of future research will depend upon if this call to action is heard and action is taken.

## 7.8  Conclusion

This paper has looked at the comparison of the implementation of sustainability and CSR concepts within businesses operating in the USA, Malaysia, Singapore, Brunei, and China. While a book could be written on each of these countries individually, this paper gives an overview finding that governments must do more to create a greater awareness of these concepts and these issues as well as educating the public about the need for these. Business must comply and become partners with governments in the practice of CSR and sustainability. All of these countries have a disappearing natural environment, and this paper hopefully will open the eyes of those who need to understand the need for sustainable practices within a socially responsible environment.

The gaps between the policies and procedures of CSR as well as lapses in the practices that incorporate sustainability and ethics are evident. This paper adds to the literature on CSR and sustainability in the Southeast Asian countries. These countries share somewhat of a common heritage, develop and implement similar standards on one hand, but clearly dissimilar practices on the other. The differences may stem from a multitude of sources including religion, history, and heritage, the recognition that this world is one globe with interacting parts must become a reality. Many of these countries are hampered by low GDP and undeveloped accountability systems. That does not, however, excuse corporations for capitalizing on the low wages and low standards to produce low cost goods for developed countries. It is time that CSR and sustainability become recognised requirements and standards established for ALL business, regardless of the country or place of origin or

operation. We inhabit one planet. We are one population on the one planet. It is time for business to recognize our similar needs that are tied to biological sustainability and begin to think in longer time frames into the future and in terms of tomorrow's generation that will inherit the mess we leave behind.

Future research must not only look into the "on the ground" activities without believing what is printed because it is printed, but must be heard by those who are able to implement the changes necessary to further develop these nations and enhance the lives of their citizens and subsequently all global citizens. As evidenced by the reports from the World Health Organization, CSR and sustainability have been researched and discussed. It is now time for those with the power and authority in these nations to come to terms with the circumstances they have allowed to become reality.

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# Part III
# Asia

This part, Part III, can be put in a nutshell in the words of both (i) Pope John Paul II (1920–2005): "modern society will find no solution to its ecological problem unless it takes a serious look at its lifestyle" and (ii) The 14th Dalai Lama, Tenzin Gyatso's (born 1935): "Today, more than ever before, life must be characterised by a sense of Universal responsibility, not only nation to nation and human to human, but also in terms human to other forms of life".

Part III focuses on Asia and consists of Chaps. 8, 9 and 10.

Chapter 8: "Implementing CSR Practices Through the Value of Filial Piety", Ang Sik Liong and Kim Cheng Patrick Low put forth the notion of the centuries-old Confucian value of filial piety, linking it to the implementation of CSR practices in Asia. The authors explain the Confucian value of filial piety and practices of social responsibility values; and in doing so, the issue and problem of looking after the old as well as the transference of such value(s) to the young are being examined.

Chapter 9: "Outsource to Asia: How Multinational Corporations Legitimately Forget Corporate Social Responsibility", Yue S. Ang aims to show the inefficacy of implementing the concept of Corporate Social Responsibility (CSR) in a globalised world. It advances a criticism of the voluntary adoption of CSR by businesses. The incorporation of CSR preserves the image of businesses because consumers perceived them as 'ethical traders'. However, the proliferation of outsourcing has facilitated the disregard of CSR whereby businesses are externalising their manufacturing tasks to Asia. This chapter explores the case of *Doe v. Wal-Mart Stores, Inc.* (2007) in the attempt to highlight the process of externalisation by which through outsourcing multinational corporations legitimately forget CSR principles.

Chapter 10: "Corporate Social Responsibility and Sustainable Development: Trends in Asia", Mohammad Nabil Almunawar and Kim Cheng Patrick Low explore and discuss the development of CSR and sustainability development in major Asian countries: China, India, Indonesia, Japan, South Korea, and Singapore. China, India and Indonesia represent developing countries with large population while the last three countries represent developed countries. China, Japan, South Korea and Singapore share Asian values influenced by Confucian ethics, Indians root their values in Hinduism while Indonesian values are highly influenced by Islam.

# Chapter 8
# Implementing CSR Practices Through the Value of Filial Piety

Sik Liong Ang and K.C. Patrick Low

**Abstract** In this Chapter, the authors put forth the notion of the centuries-old Confucian value of filial piety, linking it to the implementation of CSR practices in Asia. They expound the Confucian value of filial piety; and its applications and practices in socially responsible organizations. In the discussions, the issues and problems of looking after the young and the old and more so, the transference of such value(s) to the young are also being examined.

## 8.1 Introduction

The Classic of Filial Piety (孝經*Hanyu Pinyin: Xiàojīng*) is a Confucian classic treatise attributed to a conversation between Confucius and *Zen Zi* (曾子) when the master gave his advice on the value of filial piety to his disciple; that is, how to behave towards a senior such as a father, an elder brother, or a ruler (Xiao 2013). This classic book holds the key belief and value of filial piety as a human instinct and as a sign of natural law, a behavioural standard of human beings and the foundation of national politics. It is what a ruler must base or anchor on his or her state governing principles for the people to follow, behave and manage their families.

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## 8.2    Why Filial Piety Is Important?

There are many stories written about filial piety in the Chinese culture/education and one of the most famous collections of such stories is "The Twenty-four Filial Exemplars", 二十四孝 *hanyu pinyin: èr shí sì xiào*. These stories show examples of how children practise their filial piety in the past. The first filial exemplary is the story of Emperor Shùn (舜, 2200 B.C.), a legendary figure from remote prehistory, also the founder of the single-emperor Yú dynasty (虞). Before he was an emperor, Shùn was a village boy, his mother died when he was still a small child. His father Gúsǒu (瞽叟) remarried, and Shùn was joined by a younger sister and by a younger brother named Xiàng (象). Shùn's stepmother was cruel, and boorish, and she spoiled her own children while treating Shùn very badly and beating him frequently. Old Gǔsǒu, under her influence, soon treated his son badly. Xiàng, his step-brother grew up to be lazy and arrogant man. Each day Shùn worked alone in the fields on the slopes of Mount Lì (歷), in Shāndōng province (山东) and he was not allowed to return home for food until the day's work was completed. Although Shùn was being treated badly, he was by nature filial, and he did not complain and not at all resentful or show any grievances. Shùn's filial piety was so great that even the animals were moved. One day, as he was working, a mysterious wind arose. Suddenly elephants appeared and ploughed for him; and birds in large numbers came out of the sky and weeded for him. Neighbours who saw this phenomenon were astonished, and soon all were talking about it. Emperor Yáo 尧 (2356–2255) heard that miracles were happening. He was very much impressed by Shùn's filial piety to his parents even when they treated him badly, and he knew that Shùn was the noblest man in the land. He sent cattle and goats to Shùn and gave him two of his daughters, Éhuáng 娥皇 and Nǚyīng 女英, to be his wives. Emperor Yáo even sent nine of his sons to live and learn from him (or, some say, to join his village). Emperor Yáo also sent gold and other treasures to honour Shùn. Some people claim that Emperor Yáo was not merely moved by Shùn's admirable character, but also had another plan in mind: namely to see whether he was worthy to become emperor after Yáo became old and feeble. These people say that the emperor sent Shùn around the realm to work in various positions especially to settle disputes for the people. One day he abdicated the throne in favor of Shùn. Shùn was a good monarch loved by his people. It is said that after he died his two widows, Éhuáng and Nǚyīng, the daughters of Emperor Yáo, wept so much that they left tears stain on the bamboo in the land of Chǔ 楚, which remains speckled to this day. People claimed that Emperor Shùn died in Cāngwú 苍梧 in Húnán 湖南 Province. They also said that his wives went there to be with him in his last moments, but that they both slipped and fell into the Xiāng Jiāng river (湘江), where their spirits can still sometimes be heard singing sadly late at night (http://dss.ucsd.edu/cgi-bin/cgiwrap/dkjordan/chopera.pl?taleid=Story101). This first filial exemplary shows that leaders who embrace and practice Confucian value of filial piety enables one to self-cultivate in pursuit of the *Tao,* the way of life (Low 2011a; Low and Ang 2013).

It is believed that when one is close to nature, one can attain peace and harmony; and this also means that taking the right actions are more critical than just holding the belief(s). To help individuals to attain peaceful and harmonious livelihood, Confucius stressed that leaders need to be benevolent and compassionate like Emperor Shùn. In Confucianism, family values and relationships, ancestor worship, and filial piety (孝; *Hanyu pinyin*: *Xiào*) are the primary basis of the philosophical system, and these concepts are seen as virtues to be cultivated. Filial piety is to be held above all else: a respect for the parents and ancestors. This Confucian value also tie-in/links to the concept of Corporate Social Responsibility (CSR) which calls for the continuing commitment of business (behaving ethically) to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life (WBCSD 2000; 2002 cited in Low and Ang 2012d). And CSR is also used to describe the work that organisations such as corporations/firms/companies, society and nations do voluntarily that have positive impact on the society, the environment or the economy (SI 2011). It is very clear that there are organizations that perform great CSR initiatives. However, the most important key success factor in practicing these CSR initiatives is having a strong moral foundation in leadership and management which can then help organisations prioritise the right goals for their businesses; and ensure that they are serving the community properly and well.

Absolute poverty is one of the most serious challenges facing many developing countries in the Asia Region. Based on an international poverty line of US $1 per capita per day at 1993 prices, around 800 million poor, or approximately two-thirds of the world's poor live in the Asia-Pacific Region (Gerlock 2006). This poverty line has seen to decline slightly for those living below the $1.25 poverty line decreased from 903.4 million to 753.5 million and those below the $2 poverty line from 1.8 billion to1.63 billion. However, Asia (and the Pacific region) remains home to the majority of the global poor. And the performance of poverty reduction varied considerably across sub-regions and countries, with poor economies generally lagging behind (Wan and Iva 2011). This also implies that some Asian countries are still not able to meet the basic needs in life for their people (in a socially responsible manner). Poverty is often more serious for older persons and children as they may have needs for medicines and health care, as well as suitable diets and accommodation than for the working age adults (Gerlock 2006).

In this Chapter, the authors put forward and explain the value of filial piety, linking it to the implementation of CSR practices in Asia. They explain the Confucian value of filial piety and practices of social responsibility values; and in doing so, the issues and problems of looking after the young and the old as well as the transference of such value(s) to the young are being examined.

## 8.3 Differences Between Confucian and Western Concepts/ Thoughts on CSR

CSR in Confucianism stresses on the compelling and natural need for an individual or an organization unit to return/give back or contribute to the community; thus, in a gist, CSR is a natural function and an inclusive part of the process or a loop when doing business. On the other hand, CSR in the Western concept entails quality, benchmarking and its measurements to ensure standards and results. In the West, because of the primary need to protect individual rights, the emphasis on transparency also floats out and it becomes part of the CSR process. Furthermore, the companies may be classified as acting competitively and selfishly; they would export non-CSR practices to subcontractors in other developing countries. So they are actually keeping themselves clean (in line with the CSR practices) while soiling or dirtying others (other companies/subcontractors and other countries). Take the case of a US Company which has been criticized for contracting with factories (known as sweatshops) in countries such as China, Vietnam, Indonesia and Mexico; and using child labour to manufacture their products at lower costs. The company has been subjected to critical coverage of the often poor working conditions, violation of minimum wage and overtime laws and exploitation of cheap overseas labour employed in the free trade zones where their goods are typically manufactured (Daily Mail 2011; Locke 2002; Kenyon 2000; VLW 1997). Table 8.1 shows the differences between Confucian concept/thoughts and Western concept/thoughts.

Importantly, to be effective in implementing CSR practices through the value of filial piety, one has to really understand the positive linkage between filial piety and corporate social responsibility and also to be aware of its negative impact when an organisation (family, company, society and nation) practices ageism.

## 8.4 Definition of Filial Piety

The word 'filial' refers to the duties, feelings, or relationships which exist between the children and their parents. Piety is a strong religious belief, or behaviour that is accepted to be morally correct. Filial piety is the virtue of a child expressing sincere gratitude to his or her parents or parental figures, both living and deceased. The practice of filial piety includes a person's responsibility of his or her parents; obeying them, living and looking after them (with loving kindness) as they age; One also advises one's parents such as in solving their aging problems as the time arises, and to overall takes care of them and loves them. Loving one's parents and offering them respect is the starting point from which other forms of filial piety flows. A relationship with one's parents must be based on love and respect; hence the practice of filial piety starts at home with the son or daughter embracing and

**Table 8.1**  The differences between Confucian concept/thoughts and western concept/thoughts

| Issue(s) | Confucian concept/thoughts | Western concept/thoughts |
| --- | --- | --- |
| Ethics | Spirituality; living with and in the *Tao*; he or she becomes a person because of others; where he or she is never a person independently or in and of oneself but develops into one only in community | Utilitarianism; he or she that maximizes utility, specifically defined as maximizing happiness and reducing suffering |
| Social obligation | Everyone is part of the main: One whole world; there is a familial or collective value and pull | Individualism and the rights of the individuals are upheld as paramount |
| Governance | Administer with wisdom and talent, keep it with benevolence and at the same time govern the multitude with conscience and rituals | Based on individual rights with democracy that is, the right of the people to elect and select their public officials or leaders. Upon election, the leaders and his or her people decide on the governance |
| Corporate Social Responsibility (CSR) | CSR in Confucianism stresses on the compelling and natural need to return or give back to the community; thus, CSR is a natural function and part of the process or loop when doing business | CSR in the western concept entails quality, benchmarking and its measurements to ensure standards and results. In the West, because of the primary need to protect individual rights, the emphasis on transparency also floats out and it becomes part of the CSR process |
| People (Labour) and Corporate Social Responsibility (CSR) | The element of humanism is strong in Confucianism, and by virtue of the heavenly mandate, the leaders are accountable to the people; and if the leaders are not responsible, then the people have the right to remove the leaders | Human and individual rights are stressed, and hence workers' rights are part and parcel of the human rights spectrum |

Extract from Low and Ang (2013)

practicing loving-kindness and respect to the elders. This good behaviour would then apply and extend to the community at large (Low and Ang 2012a, b, c).

Filial piety can even be extended to include not causing any sense of anxieties or anguish to one's parent(s) or guardians. For example, a teenager daughter who knows that she will be coming home late around midnight, she would filially inform her parents or guardians beforehand.

In fast-paced, work-centred modern times, filial piety can in fact be adapted or extended to even include working adult children (finding time) spending with the aging and/or aged parents. And these can also include such practices such as married children with families regularly or periodically bringing their offspring to visit their grandparents. Grandchildren can also be taught by their parents to offer/ give pocket money, bringing food or giving gifts when visiting their grandparents; these would foster relationships between the grandparents and grandchildren as

well as between the parents and children – with the grandchildren learning from the parents' examples. The old may not get lonely while the young can also gather some learning or lessons as well as listening to stories told by the grandparents.

In such ways, it is very Chinese, and all these are done to ensure balance and harmony and it is a Chinese belief when there are good relationships, peace and harmony, prosperity prevails – at least, these were what the authors were taught, brought up or perhaps imbued with since young.

According to historical records and legend, General Yue Fei (1103–1142 A.D.) is one of China's most famous patriots in Chinese history. When he was a child, his mother inscribed four Chinese characters 盡忠報國 (*Hanyu Pinyin: ĵn zhōng bào guó*) literally means "serve the country with the utmost loyalty" or "Be loyal to your motherland" across his back and these markings became his lifelong inspiration and motivation to serve his country. As a military general, he did much in driving back the Jin invaders from the north, but was executed at age of 39. Widely seen as a patriot and national hero in China over many centuries, since after his death, Yue Fei has evolved into a standard epitome of loyalty in Chinese culture (BT 2003). From here, one can see or relate the concept and practice of filial piety extending from one's love for/ loyalty to one's parents to love for others and in fact extending to one's love and loyalty towards one's nation. It grows, extending outside and non-selfishly or it becomes other-centred. Figure 8.1 shows Yue Fei's inscription of four Chinese Characters by his mother.

## 8.5   Why Is Filial Piety Critical in the Corporate Social Responsibility (CSR) Context?

In Confucianism, family values and relationships, ancestor worship, and filial piety (孝; *Hanyu pinyin*: *Xiào*) are the primary basis of the philosophical system, and these concepts are seen as virtues to be cultivated. Filial piety is to be held above all else: a respect for the parents and ancestors. Interestingly, there is a Chinese saying that goes, "百善 孝 为 先" *Hanyu Pinyin: bǎi shàn xiào wéi xiān* meaning among all things, filial piety (respect) is the utmost virtue.

*Zǐ yóu* (子游, a disciple) asked Confucius about how to judge a son being filial. Confucius said, "Nowadays, one is called a filial son only because one is able to support one's parents. Actually, however, even dogs and horses are no less able to do this. If one does not treat one's parents with reverent respect, what is then the difference between him and animals?" *(Analects of Confucius, II: 7).* This means that money and other helpers cannot buy love and respect. It is the children themselves who can spend time and energy in looking after their elders. In fact, it is anticipated that looking after the old is not an easy task. For this, Confucius remarked, "It is most difficult for a son to serve his parents with a consistently joyful gesture and expression on his face. If he does nothing more than laboring for his parents whenever they needed and sharing food and drink with them whenever

盡

忠

報

國

These four Chinese Characters are the inscription or tattoo worn on the back of Yue Fei, a famous Chinese warrior who lived from 1103 until 1142 A.D.

The tattoo can be translated as "Serve the country with the utmost loyalty". More literally, it means, "Ultimate Loyalty in serving the Country".

The first two characters have come to create a word that means "serve the country faithfully" or "die for the country". It is more a willingness to die for one's country than the actual act of dying.

The last two characters have come to mean, "Dedicate oneself to the service of one's country".

**Fig. 8.1** Yue Fei's Tattoo

he has some, how could he deserved to be called filial?" This also means that one should serve one's elders willingly with one's heart and loving-kindness, just by labouring for them is not considered enough to be called as filial in the eyes of Confucius. Filial piety involves on-going relationships very much similar to the parent looking after their children; it must be done in a nurturing way. This has to do with more than simply physical comforts, in fact, it has to do more with psychological comfort and ease; and that, when the time comes, when parents should pass out or die, they die in the presence of their children. And that they would be at peace when they leave the world.

At this juncture, it is worthy to note these: It is also a Chinese belief that one's existence and well-being in this world is wholly, if not largely, dependent on the blessings of one's parents and ancestors. Hence, ancestral veneration, in Chinese culture, has its roots in filial piety (孝, xiào) put forth by Confucius. It is the practice of living family members who try to provide a deceased family member with continuous happiness and well-being in the after-life. As a continuing way of showing respect to the dead, the ancestral worship reinforces family unity and lineage. It encourages children and relatives of many generations to come together to know, help and support each other; they are to strengthen the heritage bond, to celebrate on each other's successes; and to help each other when member(s) of heritage is(are) in difficulty. Showing respect to one's ancestors is an ideology deeply rooted in Chinese society. By seeking to know one's ancestors, an individual would return to one's root. Confucius summed up this teaching as Reverence for his ancestors: "慎终追远" (*Hanyu Pinyin: shèn zhōng zhuī yuǎn*) meaning "To earnestly handle a proper funeral and not forgetting to pay respect for years to come" (Low and Ang 2012a, b, c, d).

All the positive social relationships to attain peace and harmony in a society must start with the practice of filial piety or respect at home, perhaps similar to the English proverb "charity begins at home". In Confucianism, when an individual embraces and practices the value of filial piety, (s)he is, in fact, cultivating and developing him(herself) to become a good leader (君子, *Hanyu Pinyin: jūnzǐ*) or a

role model and set example for his people to follow. Only with the good characteristic and behaviour of *jūnzǐ* that one can lead people and encourage people to carry out a proper lifestyle and livelihood. Moreover, the concept of Fu Lu Shou (福祿壽 *Hanyu Pinyin: fú lù shòu* meaning Wealth, Prosperity and Longevity) has been a life force for most Chinese and it is perceived that these three elements play a very important part for them in pursuing a good peaceful and harmonious life. It is essential for them to strive for a complete set of these elements, for lack of one; (s) he is perceived not to have a happy life (Low 2010. This can be illustrated as follows:

### 8.5.1   The Importance of Wealth *(*福*,* fú*)*

It would not be a happy life if one has a big family and a long life but one is always short of money to meet one's end. This means that one has work hard, toiling for one's whole life to support one's big family. With limited money for a big family to spend, one may not have a happy and prosperous family (Low 2010). The children may thus be filial but not able to support the parents well or give them the good life in their old age. In this respect, wealth is important and a must for every Chinese to live in happiness.

### 8.5.2   The Importance of Prosperity *(*祿*,* **lù***)*

It is also not good if a person has a long life and plenty of money but he or she leads a lonely life. When reaching old age, it is worrisome if there is nobody close to look after him or her. Hence the concept, theory and practice of filial piety are critical here, one has to serve, respect and has good relationship with the young and the old so that one can work and live in a peaceful and harmonious way. The value of prosperity makes a complete whole and is very important in the lives and happiness of the Chinese.

### 8.5.3   The Importance of Longevity *(*壽*,* **shòu***)*

It would not be complete if one has a lot of money and a big family but one has a short-life. One cannot enjoy the riches with the big family and it would also be a great concern that the money that one has left behind to the big family may not be used according to one's own wishes. This means that a person's health is very important, and in this modern world, the medical field has advised one to have a

healthy lifestyle such as healthy food, good sleep and proper exercise to maintain and sustain one's life. A long life is a better and more meaningful life when one's children are also filial.

Therefore, to have a good life, the Chinese minds have been influenced by their ancestors to strive for the three elements: Fu Lu Shou and that is the ultimate goal for living. This concept is, in fact, a key motivator and has a great influence on an individual leading his or her daily life.

When most people are kind and helpful to each other in a peaceful and harmonious setting, this would create good relationships within the society. This friendly and conducive environment would further influence and encourage more and more people to attain similar good virtues such as filial piety; and if this continues to be so, there would be fewer frictions or less conflicts in relationships, and thus this would create positive energies in group dynamics and teams. All would then be working towards a peaceful and harmonious society, and since everybody behaves in a socially responsible way, the people in business and in the government when relating with their stakeholders (community and society) would be able to prosper in doing their daily living and in executing their social responsibilities. There would be fewer problems in the community dealings and business transactions in the wider society and country (Low and Ang 2012a).

The value of filial piety is still practiced by the overseas Chinese living in most of Confucian-influenced Asian countries such as China, Korea, Japan, Vietnam, Malaysia, Indonesia and Singapore. One must agree that parents provide protection, food and clothing to the newly born and the young. It is natural for the loving parents; father and mother (or sometimes even grandparents) to sacrifice their comforts and sleep to look after their new born baby. When the children are growing up, the parents take care of the children and the family. Both parents also work hard to provide the children with their physical, educational and psychological (and spiritual) needs. In return, the old expects the young to be good to one's parents; to take care of one's parents; to engage in good conduct not just towards one's parents, but also outside the home so as to bring a good name to one's parents and ancestors. They are also expected to perform the duties of one's job well, obtaining the material means to support parents as well as to carry out sacrifices to the ancestors. Connected to this, a good society is thus built upon by children who love and respect their parents and take care of them when they age. This would enable the children to help the society in taking care of the aged population; and in this way, it also encourages one who wants to practice corporate social responsibility should inevitably start at home. After all, everybody will go through the natural process of ageing in one's life time and by practicing filial piety at home; by respecting the elders and not discriminating them in the society, it would indeed help the elders to age positively and healthily (Low 2011a); and by taking care of the olds, the nation would attain peace and social harmony. All the positive relationship to attain peace and harmony in a society should start with the practice of filial piety or respect at home. Figure 8.2 shows the influence of filial piety on the stability of social relationship.
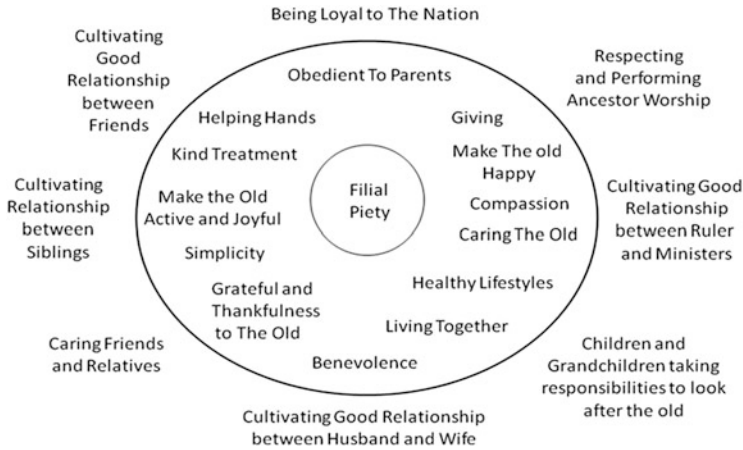
**Fig. 8.2** Filial piety and the positive social relationship

### 8.5.3.1 Data from Literature

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## 8.6 Definition of Ageing

Ageing in humans refers to a multidimensional process of physical, psychological, and social change. Some dimensions of ageing grow and expand over time, while others decline. Take, for example, reaction time of a person may slow down with age, while knowledge of world events and wisdom may expand as one ages. Research shows that even late in life, potential exists for physical, mental, and social growth and development. One thinks positive about ageing and lives longer (Stilbich 2009). Ageing is an important part of all human societies reflecting the biological changes that occur, but also reflecting cultural and societal conventions (Low 2011a).

Sweden, along with France, was one of the first countries whose population was seen to be aging, in the late nineteenth century. It is another country associated with

high levels of state welfare expenditure, again until recently when more fiscal cutbacks have occurred. Japan, in contrast, has aged recently, following World War II when fertility levels dropped and aging became more and more prevalent. Japan is now widely recognised as becoming the oldest population and the home of the "oldest-old", with those 85 years or more becoming a high proportion of the total population. The other three countries with the older population are more representative of Third World rather than the First World countries, namely China, Nepal and South Africa (Powell and Chen 2012).

## 8.7  Definition of Ageism

Ageism or age discrimination is the discrimination against individuals or groups of people because of their age. It is a set of beliefs, attitudes, norms, and values used to justify age based on prejudice, discrimination, and subordination (Kirpatrick et al. 1987). Ageism is defined as (1) harmful attitudes towards older people, old age, and the aging process; (2) the discriminatory practices against older people; (3) the institutional practices and policies that perpetuate stereotypes about older people or discrimination against senior (Wilkinson and Ferraro 2002); and (4) prejudice and discrimination against adolescent and children, including ignoring their ideas because they are too young, or expecting and assuming that they should behave in certain ways because of their age (Dominic and Ebrahimi 2005). In a nutshell, ageism is a stereotyping of and discrimination against seniors at the one end and young people (including children) at the other end of the human spectrum.

## 8.8  Old Age and Lower Productivity

It is also assumed that old age brings lower productivity among the elderly which is a myth that companies need to dispel with. One should accept that productivity reductions at older ages are particularly strong for work tasks where problem solving, learning and speed are needed, while in jobs where experience and verbal abilities are important, older individuals' maintain a relatively high productivity level (Skirbekk 2003). The weight of the different causal factors physical abilities, mental abilities, education and job experience in determining individual productivity is steadily changing, where mental abilities and education have long been growing in importance, while physical abilities have become less important. Continuously changing types of work can imply that the ability to absorb new information is becoming increasingly important relative to having long experience. This means that companies as such need to also employ the old for their mental abilities, education and job experience; and they should be gainfully employed. The seniors can also be productive. In Asia, a common Chinese saying that is often used by the old people as an advice to the younger generations is that "old people eat salt more

than you eat rice; (老人家 吃鹽多過你吃飯. *Hanyu Pinyin:lǎo rén jiā chī yán duō guò nǐ chī fàn*)". Old people are said to have taken more salt (having more experiences and exposure); they work smart, and hence can be more productive.

## 8.9 Age Discrimination Against the Aged

Age discrimination is widespread because age is difficult to conceal, easy to check and age limits are simple to administer. Age limits exist in every field of society and there are also unwritten prejudices about age, which affect the way people are treated. Reasons for the imposition of age limits are varied. They may be used to protect a particular age group, for reasons of cost-effectiveness or to limit risks. This age discrimination is also highlighted in Low and Ang's (2011) case study in which they hope to create awareness, promote discussions and allowing business leaders and employees to see things from different perspectives, broadening their minds when making decisions that have ethical implications on older people. This is because such age limits fail to take into account differences between older people and their life expectancy. Many age limits are based on the assumptions that there is a standard course of life, but the fact is that ageing is a very individual process. According to 2009 data from the European Social Survey, an academically-driven social survey of the attitudes, beliefs and behaviour patterns in 28 European countries, 46 % of respondents report experiencing at least one form of age-related prejudice. In Canada, six-in-ten seniors 66 years of age and older report they have been treated unfairly or differently because of their age; more than one-third of Canadians admit to ageist behaviour; and 71 % agree older people are less valued in our society than younger generations. As a significant worldwide social issue, ageism must stand alongside those that have been waged for decades against gender- and race-based discrimination (IFA 2012). The two main concerns of older people in developing countries are health care and material security.

## 8.10 Insufficiencies of Health Care and Material Security

Health is often not free at the point of delivery, and even if there are exemptions from charges, many people are unaware of their entitlement or cannot claim them. Discrimination occurs as hard-pressed officials manage demand with scarce resources. Older people are marginalised and often seen as a waste of resources especially in health and medicine. Material and physical security is a major concern.

**Developed Countries**
- Main reasons of discrimination are cost-effectiveness and to limit risks
- The idea of all citizens bearing rights is a new concept in developing countries
- Old age concerns are health care and material security
- Harassment of older people in the workplace is less of an issue than in the community.
- Health is often not free at the point of delivery
- Discrimination occurs as hard-pressed officials manage demand with scarce resources
- Material and physical security is a major concern.

**Age Discrimination**
- Age is difficult to conceal
- Easy to check
- Age limits are simple to administer

**Underdeveloped Countries**
- Main reasons of discrimination are cost-effectiveness and to limit risks
- No legal framework
- Employment law is relatively underdeveloped
- It is often discriminatory, for example mandatory retirement ages
- Discrimination is also widespread in access to goods and services.
- Older people, particularly older women, experience abuse from their families, public officials and their communities.
- Material and physical security is a major concern.
- Harassment of older people in the workplace is less of an issue than in the community.

**Fig. 8.3** A summary of age discrimination in the five continents

## 8.11 Harassment of Older People

In underdeveloped countries, some old people are considered as useless and a burden for the family and society; however, harassment of older people in the workplace is less of an issue than in the community. Older people, particularly older women, experience abuse from their families, public officials and their communities. This ranges from denial of their inheritance rights, which can lead to abandonment of the elderly relative, to charges of witchcraft. Even where protective laws exist, older people are often unaware of their rights, but more likely they are reluctant to bring cases for fear of reprisals and lack of resources (Low and Ang 2012c). Figure 8.3 summarises the reasons and the status of age discrimination in the five continents namely United States, Europe, Africa, Australasia and Asia.

## 8.12 Embracing Positive Aging

The authors wish to propose these: Indeed no one is aging or becomes older alone. One should not become so fixed onto one's age that one develops an age ego or make oneself exclusive. One should just float, and live accordingly; there is no big deal whether one is 5 years old or 60 years old. If you have to eat, eat, and if you have to sleep, sleep; just do it. Simply put, one simply lives and not going around telling others how old one is. One simply gets on the business of life and living. One must also be responsible to do what they can.

True our society tends to glorify the young, and even celebrities undergo countless procedures to chase the fountain of youth, attempting to look younger than their age. It is of human nature that one's parents would feel that they have not been forgotten and that they are still being loved by their families. Confucius said, "One should remember one's parents' birthdays for on the one hand, one is happy to congratulate and celebrate with them for their longevity and on the other hand, one is to worry about their getting older by a year." (*Analects of Confucius*, Chap. 4 verse 21.) Therefore, an individual is said to be filial if one makes one's parents happy at all times; one cherishes them. In a society where more children are filial, and respect their parents and the elders; the elders and the seniors would be less lonely. Besides, there would be fewer homeless old people living in the streets since the aged will naturally be taken care of by their own children, families and relatives. As more and more children become filial; they become socially more responsible, and consequently, the country would be alleviated from the burden, if not, responsibility of taking care of its aged population (Low and Ang 2012b, c).

## 8.13   Active Ageing and Exercise

One should adopt learning and continuous learning and improvement when one embraces positive aging (Low 2012). This includes lifelong learning, volunteerism and physical exercise such as dancing, stepping exercise and other effective strengthening and balancing exercise in improving functional abilities among older people. Through active participation, elders could enjoy the learning process, keep active mind, increase self-confidence, and improve communication and social networks. Life-long learning has been widely recognized as a key strategy of achieving active ageing (Chan et al. 2010).

## 8.14   Social Inclusion

Social inclusion is a multi-dimensional concept that broadens goals of poverty reduction to goals that call for equal opportunity, strengthening capability and increasing participation. In developing social inclusion policies, some countries such as Hong Kong, Australia, New Zealand and Singapore explicitly address issues and concerns of the accessibility to health services, transportation, financial and social support, funding for activities, motivation and enthusiasm to participate, development of new skills, create opportunities for them. Fundamental Right of elders make decisions in their well-being is a critically important aspect of involvement and engagement. Defining social and physical distances between elders and their community may induce isolation, marginalization and depression. This may reduce reliance on Health/Aged Care System and affect health and well-being of
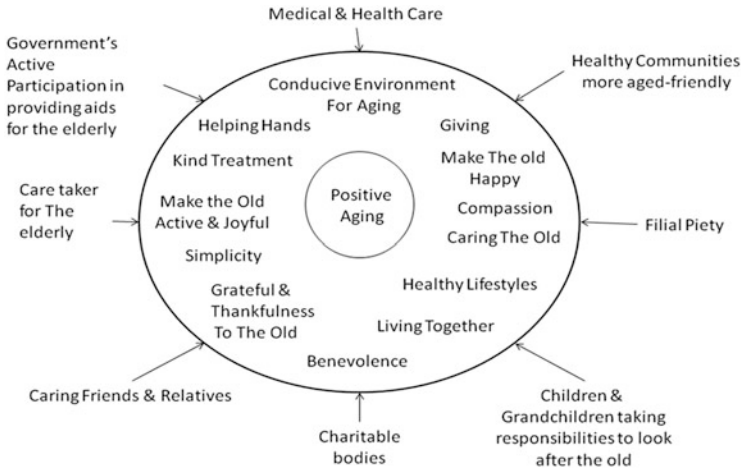
**Fig. 8.4** The key success factors of positive aging

the older population (Chan et al. 2010). Figure 8.4 shows the key success factors of positive ageing.

## 8.15  Benefits and Limitations of the Study

The benefits of the study are to enable people (1) to understand the meaning of CSR in the context of Western and Confucian perspectives and (2) by doing so, they would appreciate the importance of the Confucian value of filial Piety and its overall impact on the success of CSR practices and implementation in any organisations. However, the limitations of the study are that it only discusses the Confucian value of filial piety and its benefits to CSR practices and implementation. Other values should also be considered – after all Chinese philosophy and thoughts are often seen holistically – and perhaps should be taken into account in a follow up study.

## 8.16  Future Directions

In this study, the Western and the Confucian perspectives on the CSR practices and implementation are explained and clarified. In this respect, this study can be further extended to include other values or the key beliefs of the people living in Asia so that people at large can understand the theory or more importantly, the understanding of the thinking and rationale behind CSR more coherently and hence forth

effective CSR practices can be established and implemented in a unanimously social responsible way.

Chinese in Brunei and Indonesia, for example, may see things more in parts rather than in totality, and sadly so, these parts, to them, may not even make any sense; what more, they may not really see or understand the concept and/or the practice of filial piety as a whole. Some may even dump these as nonsense, rubbish or just perfunctory. However, through this writing, it is hoped that they may further understand or appreciate the cultural logic and sense as well as the practice and the benefits of the value of filial piety. And these would benefit the future generations.

## 8.17   Concluding Remarks

In the final analysis, to add a modern interpretation and relevance, the authors would like to assert that as individuals, whether young and old, all of us have a unique energy, perspective, wisdom, and enthusiasm. Do patronize anyone young or old, and this would indeed be more humanistic in nature and approach and in essence, Confucian value of benevolent (仁, *rén*). Confucius said, "A benevolent man helps others to establish what he himself wishes to establish and also helps others achieving what he wishes to achieve. If one is capable of treating others as one would be treated oneself, this is the best way to be benevolent" (*Analects of Confucius, VI: 30,* Yu Dan 2006, p. 28). It is worthy to note that in order to allow each of us to live with the dignity each of us deserves at every age, it is critical or important for us to put aside the names or labels, stereotypes, and preconceptions we routinely or ordinarily associate with certain phases of life – young or old. One can make a wonderful difference in the lives of those around one, especially one's loved ones or family members by declining to assume that one's older friends have less inclination to dream about the future or set challenging goals. Simultaneously, one can refuse to take it that one's younger friends lack certain skills or are bound to act light-heartedly or playfully. Do not take for granted or make assumptions. Instead, each of us should rejoice in the unique or exclusive path of each individual life.

Overall, organizations, along with the individuals, when implementing CSR practices through the value of filial piety would ensure their focus on social context resulting in a sense of collective purpose; and are readily applicable to situations, such as nation building or business activity. CSR practices through the value of filial piety include human qualities such as loving-kindness, respecting others, courage or integrity that are important and valuable for the common good. These values contribute to the organisations such as family, company, society and nation in attaining good livelihood of human kind in a peaceful and harmonious setting; and not for instrumental reasons or because they produce some other instrumental goodness.

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# Chapter 9
# Outsource to Asia: How Multinational Corporations Legitimately Forget Corporate Social Responsibility

**Yue S. Ang**

**Abstract** This article aims to show the inefficacy of implementing the concept of Corporate Social Responsibility (CSR) in a globalised world. It advances a criticism of the voluntary adoption of CSR by businesses. The incorporation of CSR preserves the image of businesses because consumers perceived them as 'ethical traders'. However, the proliferation of outsourcing has facilitated the disregard of CSR whereby businesses are externalising their manufacturing tasks to Asia. This article explores the case of *Doe v. Wal-Mart Stores, Inc*. (U.S. Dist LEXIS 98102, 2007) in the attempt to highlight the process of externalisation by which through outsourcing multinational corporations legitimately forget CSR principles.

## 9.1 Introduction

The concept of Corporate Social Responsibility (CSR) suggests that businesses ought to look after the well-being of stakeholders because they have benefited from the resources and labour of these stakeholders. CSR promotes sustainability in the act of doing business. However, multinational corporations have manipulated this concept by outsourcing to Asia for private gain. This article attempts to highlight a problem of outsourcing which leads to the failure of implementing CSR in the following.

The concept of CSR is briefly discussed in Sect. 9.2. Section 9.3 explores the business practice of outsourcing in a globalised world. It focuses in on the standard practice of outsourcing which is done through a bilateral contractual agreement. With that, businesses can access cheap labour and resources in Asia. By analysing the case of *Doe v Wal-Mart Stores, Inc*.,[1] Sect. 9.4 highlights the problems of

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[1] Does v. Wal-Mart Stores, Inc. (2007).

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outsourcing under a bilateral outsourcing contract which depicts the exploitation of labour in Asia through an agreement between Wal-Mart and its outsourced partners. In this case, the law neither recognises nor upholds Wal-Mart's social responsibility to those stakeholders. Section 9.6 therefore draws a conclusion that large and powerful corporations such as multinationals can legitimately forget their CSR through outsourcing.[2]

## 9.2   CSR Is Voluntary

The concept of CSR is voluntary,[3] meaning that businesses can choose whether or not they adopt CSR principles into their daily undertakings. CSR takes the interests of stakeholders into consideration thereby a business, adopting its principles, chooses to be accountable to its stakeholders. Many scholars of business and corporate law contest the idea of CSR being beyond a business's voluntarism because that may expose a business to unlimited liability.[4] In their view, a business should only be legally accountable to their shareholders. Thus the task of making a profit is prioritised over the task of making sure that the well-being others is met.

Following their line of thought, it is perhaps an ideal approach by which businesses can either opt-in or out of being socially responsible for their stakeholders. After all, businesses have the expertise and resources to fund and commission projects promoting social responsibility and protecting the well-being of stakeholders. The creation of a corporate code of conduct (CCC) is a ubiquitous business practice. A CCC demonstrates a business taking steps to ensure that the well-being of stakeholders is taken into consideration. It contains, and pledges to protect, the interests of stakeholders such as the suppliers, the resources and more importantly the labourers.

A business with a CCC indicates to the consumer that it acknowledges the interests of the stakeholders. A business can choose to publish CSR reports with evidence of projects benefiting the livelihood of the stakeholders which it has either funded or commissioned.[5] Such CSR reports have demonstrated that a business has chosen to internalise some of its cost when utilising the labour or resources of its stakeholders. Thus, it is perceived by the consumer that such a business is an 'ethical trader'.

Businesses adopting CSR principles have improved their business image and reputation. Modern consumers are more ethically aware of the products and

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[2] See Ang (2012) at 237.

[3] A study shows that voluntary CSR is profitable and more effective then mandated CSR. Armstrong and Green (2013). See also Parkinson (1993).

[4] Lowry and Reisberg (2012) at 71.

[5] Examples of Unilever's Sustainable living projects and achievement are found here at http://www.unilever.com/sustainable-living/ourapproach/awards/.

services which they use and therefore they find businesses with a CSR record appealing. CSR projects have also generated more product brands. The 'fair trade' and 'organic' range have provided consumer with choices. The 'green', 'paperless' and 'low carbon emission' services have also generated consumer appeal. These examples given are focused on the branding of products. The concept of CSR has been manipulated into focussing on the finished products and services. It seems that the stakeholders who have helped with delivering the finished products and services have been forgotten.

It seems that CSR principles have been used by businesses to champion the sustainability of their image and reputation rather than the sustainability of doing business with their stakeholders. Outsourcing has also facilitated the interests of the former because an outsourcer benefits from accessing cheap labour and resources. Fair trade and organic products can be obtained at a low cost through the externalisation of costs elsewhere along the supply chain.[6]

## 9.3 Outsourcing Norms

Outsourcing is a ubiquitous business practice whereby the tasks are contracted out by an outsourcer to an outsourced partner. The list of tasks, which are contracted out, usually includes the manufacturing of products,[7] the supply of raw materials[8] or the providing of services.[9] Outsource to Asia is the norm because the access to cheap labour and resources is guaranteed. Therefore, the outsourcer could achieve a low cost of production and thereby generating maximum revenues. Many of the countries in Asia welcome foreign direct investments (FDI) and so there is an additional incentive to keep a low production cost.[10] Outsourcers usually have great

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[6] For example, supermarkets enter into a bilateral contract with fair trade farmers ensures the socio-economic protection of those farmers however costs can be pushed onto other suppliers along the production chain. Reports supplied here demonstrate the abuse of warehouse workers working with fair trade bananas. Although the product is fair trade, the workers who are handling these products who fall outside this bilateral contract are not protected by fair trade conditions. See reports BBC, Banana Firm 'Exploits Migrants' (23/05/2007) at http://news.bbc.co.uk/1/hi/uk/6682689.stm, TUC, TUC Comment on Pratts Bananas Factory (23/05/2007) at http://www.tuc.org.uk/economy/tuc-13321-f0.cfm, Socialist Worker, Pratt's Bananas Accused of unfair treatment for migrant workers (29/05/2007) at http://www.socialistworker.co.uk/art.php?id=11767.

[7] The manufacturing of products such as electronics, every day groceries and home ware in factories are the given examples. Factories are usually situated in countries such as Cambodia, Bangladesh, Vietnam, the Philippines and China.

[8] The supplies of raw materials such as cotton, tin, coffee, Tobacco, are a few of the given examples. Plantations and hazardous mines are situated in countries such as Malaysia, Indonesia, Sri Lanka, India, and China.

[9] Call centres and customer care centres of businesses established in the West have been outsourced to English-speaking countries in Asia, predominantly in India and a few in the Philippines.

[10] See Choi and Choi (2013).

bargaining power because they have wealth. By contrast, outsourced partners usually have lesser bargaining power and that they take on tasks without negotiation. They manufacture products and deliver services on behalf of the outsourcer. Thus, neither the brand of the outsourcer nor its revenue which is generated by the sales of these products is compromised. Outsourcing is therefore a perfect solution to maximise profit by increasing the economies of scale.

Outsourcing norms are compatible with the model of supply and demand which favours mass production at a low cost. It is also compatible with a marketing model is which based on Just-In-Time (JIT) delivery.[11] Under a JIT system, branded goods are made available to the consumer at a very tight schedule. JIT is utilised to motivate consumer's engagement and loyalty to a brand name and its products. It is also utilised as a strategy of product revitalisation by improving sales of the branded goods. Although this system generates successful numbers in sales, the pressure it places onto the chain of production is enormous. Outsourcing seems to be a short-termed solution to these factors.

The process of outsourcing is simple. An outsourced partner is allowed to have numerous outsourcing agreements with several outsourcers. Thus, an outsourced partner increases economies of scales by supplying similar products under different brands.[12] An outsourcer searches for the most favourable outsourced partner who can produce mass quantities of cheap products at low cost and at very short notices. Globalisation has increased competitiveness between outsourced partners however it has also increased accessibility to more countries offering cheap labour and resources. These outsourced partners are mostly situated in Asia where the political will of most states in this region is of promoting FDI into their economy. Furthermore, the legal framework protecting the interests of labourers in this region is not strong. An outsourcer selects its prospective outsourced partner and makes a bilateral agreement. Under this agreement, an outsourcer specifies the tasks to be delivered, the deadline and the payment. It is rare that an outsourced partner has a choice to negotiate on these terms. In addition to the agreement, an outsourcer voluntarily chooses to incorporate its CCC. By doing so, it promotes its 'ethical trader' image and thus it gains consumers' appeal.

## 9.4   A Story of Wal-Mart and Its Relationship with Asia

*Doe v Wal-Mart Stores, Inc*. (2007)[13] is an excellent example of a powerful multinational corporation having outsourcing ties with partners situated in many countries in Asia. Wal-Mart has outsourced its manufacturing tasks to outsourced

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[11] Boor et al. (2013).

[12] The electronic manufacturing company Foxconn is an example whereby it manufactures electronic products and supply to Apple, Sony, Nintendo, HP, etc.

[13] See n1.

partners who are situated in countries such as China, Bangladesh and Indonesia. Therefore, there is a bilateral outsourcing agreement between Wal-Mart and these partners. Under these outsourcing agreements, Wal-Mart has also incorporated its CCC which gave it a right to conduct audits in the factories of the outsourced partners to ensure that all the labour and factory standards are met.

The outsourced partners have employed labourers in their factories to meet Wal-Mart's targets. Under the terms and conditions of the bilateral outsourcing contract, an auditor is allowed to conduct audits either announced or unannounced in the factories of the outsourced partners. After an audit, a report is written containing the appropriate recommendations given to Wal-Mart. Broadly; there are three types of recommendations which an auditor can give. First, an auditor may recommend that Wal-Mart may continue its trade with an outsourced partner if it is found that the outsourced partner has maintained good labour standards. Second, Wal-Mart may continue its trade with an outsourced partner on a condition that this partner undergoes 'rehabilitation'. This may be the case because it is found that the outsourced partner has violated several of the labour standards and that rehabilita-tion aims to correct these violating practices. Third, Wal-Mart may be advised to sever ties with an outsourced partner if it is found that this partner either has not passed rehabilitation or that this partner has been found to be a persistent offender of the labour standards.

In *Doe v Wal-Mart,* audits had been conducted and the auditor's reports had been written. However, the employees of the outsourced partners claimed to have had routinely received ill treatment and that they had suffered from poor labour standards at the factories where they worked. They alleged that although the audits were carried out and that the reports were given to Wal-Mart, those recommendations had not been implemented. Thus, the outsourced partner continued by violating the terms and conditions of the CCC. In 2007, the employees of the outsourced partners from across Asia filed a class 'A' action against Wal-Mart. This case was brought before the Californian District Court in California where the headquarters of Wal-Mart are based. The claimants complained that they had suffered from violations of socio-economic rights consisting of the following. They suffered from various poor working conditions, withheld pay, excessive hours of work, over-time without pay, lack of safety equipment and physical abuse. Wal-Mart was sued under five areas of law – a breach of contract, negligence, unjust enrichment, a violation of Californian business law and a violation of the Alien Tort Act.

The Californian Court found that the claimants had not been unsuccessful in seeking redress under all five laws for the following reasons. Under a bilateral outsourcing contract, the claimants had third party rights to that contract. However, they had only been able to invoke their rights against the promisor of the contract. The Californian Court held that Wal-Mart had not been the promisor of upholding the CCC. It is rather the outsourced partners (i.e. their employers) who are the promisors. Since each of their employers resides in a country where the legal framework protecting labour standards is weak, seeking redress against their employer could not have been feasible. Under negligence, the court found that

Wal-Mart did not owe these claimants a duty of care and therefore it had committed no civil wrong. Under unjust enrichment, the court found that there was no legal connection between the benefit of Wal-Mart and the detriment suffered by the claimants therefore a conclusion had been drawn that Wal-Mart was not unjustly enriched.

The claimants' argument under a violation of a Californian business law had been seen as a poor one because the jurisdiction of California cannot govern wrongful acts which were conducted outside of it. Finally, the claimants' argument under a violation of the Alien Tort Act failed because the violations committed by employers were not categorised as international crimes. It may appear plausible that the outsourced partners had breached their contractual obligations; however that breach had not amounted to a violation of human rights. In other words, a violation of socio-economic rights does not qualify as a violation of human rights.

In essence, the decision made in *Doe v Wal-Mart Stores* demonstrates that a business could be absolved from corporate social responsibility through outsourcing. Although the CCC is being incorporated into a bilateral outsourcing agreement, an outsourcer can ultimately make the decision whether or not to uphold it by exercising voluntarism. A bilateral agreement enables the outsourcer to legitimately forget about CSR which are attached to its outsourced tasks. The stakeholders who seek redress do not have a legal argument to do so. The interests of stakeholders are therefore being forgotten and this is a legitimate approach as the outsourcer cannot be hold accountable in law.[14]

## 9.5   Analysis

*Doe v Wal-Mart Stores* (2007) tells a dire story of outsourcing abuse. Outsourcing is a ubiquitous practice and therefore a conclusion can be drawn suggesting that outsourcing abuses are also ubiquitous. The case has demonstrated that CSR can be shared between businesses. A powerful multinational corporation with a stronger bargaining power incorporates CSR values into the bilateral outsourcing agreement. A powerful multinational corporation can also initiate the legitimate forgetting of the CSR through the non-implementation of measures.[15] Here, the *Wal-Mart Stores* story shows that voluntarism can be used and abused. A combination of voluntarism and a strong bargaining power have enabled multinational corporations build up their image as 'ethical traders'. They can at the same time externalise costs which included the cost of production and the cost of socio-economic interests of the affected stakeholders. As a result, 'ethical traders' are fuelling the violation of socio-economic rights which are being undertaken by their business partners.

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[14] See n2.

[15] Ang at 27.

Steps should to be taken in preventing this legitimate forgetting of CSR in outsourcing. Two possible approaches could be taken into consideration – (1) a change in the corporate leadership of businesses or (2) a change in the act of doing business. A change in the leadership of multinational corporations requires directors to replace short-term goals such as promoting consumer appeal through the branding of CSR products with long-term goals such as maintaining sustainable business relationship with partners. However, there are no incentives for making changing decisions in these powerful multinational corporations. This is because the business norms of JIT delivery and the low cost mass production of cheap goods and services are not compatible with CSR leadership and values. Furthermore, CSR voluntarism enables powerful multinational corporations to have the final say on where costs and profits are located. Locating costs outside of their internal systems increases their revenue and thus the profits made are kept by them.

A change in the act of doing business could provide steps towards an effective governing of outsourcing abuses. Therefore, an alternative to a bilateral contractual agreement must be sought. Lessons are to be learnt from the *Wal-Mart Stores* story in which affected stakeholders could not find redress against Wal-Mart because they were not included as *prima facie* parties to the bilateral agreement. A solution could be to empower stakeholders as parties to outsourcing agreements. Stakeholders being parties to an outsourcing agreement transformed this bilateral agreement into a multilateral one.[16] A multilateral outsourcing agreement encourages participation of all its outsourcing members including the outsourcer, the outsourced partner, labourers, suppliers of raw materials, labour inspectors, the international labour organisation (ILO) and the host state. In this agreement, stakeholders gain collective bargaining power and they also have the knowledge and expertise which the multinational corporation lacks for maintaining sustainability.[17] Knowledge sharing between stakeholders and outsourcer is the key to sustainability and the protection of socio-economic rights. In addition, stakeholders can invoke obligations under the multilateral agreement against the outsourcer thereby curtailing its power of externalising costs and initiating the forgetting of CSR.

The empowerment of stakeholders may result in changes in business norms. The JIT system and the model of mass production which are favoured by powerful multinational corporations may give way for a more sustainable business practice. A multilateral outsourcing agreement enables the sharing of cost of production amongst all participants. Thus, the powerful corporations are prevented from externalising their costs onto others.

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[16] See Project Finance and its 'Equator Principles'.

[17] Ang 288.

## 9.6    Conclusion

This book chapter highlights the impact of outsourcing on the socio-economic well-being of stakeholders particularly the labourers. It is important to note a legal loophole in bilateral outsourcing agreements between the outsourcer and the outsourced partner. A bilateral outsourcing agreement enables the outsourcer to legitimately forget its CSR obligations towards the outsourced partner and its stakeholders so long as the interest it violates are not human rights. Thus, this piece of research highlights that the law provides no protection for victims suffering socio-economic violations. A solution to this problem is by way of empowering stakeholders through having multilateral outsourcing agreements. Future research would look into enforcement mechanisms of a multilateral agreement where stakeholders are able to invoke an interpersonal enforcement of the terms and conditions of contract against a powerful outsourcer.

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# Chapter 10
# Corporate Social Responsibility and Sustainable Development: Trends in Asia

Mohammad Nabil Almunawar and Kim Cheng Patrick Low

**Abstract** Sustainable development needs responsible corporations. Corporations should aim for sustainability of their development; that is, moving forward in developing all aspects dynamically in both internal and external aspects of the corporations. In other words, sustainable development ensures that a company grow with its resources, especially its intellectual resources and human capital and at the same time contribute to the community development and environmental preservation. The concepts of corporate social responsibility (CSR) and Sustainable Development (SD) developed in the West should not be adopted without proper adoption and adaptation to Asian values. Something that works well in the West may not work in Asia. Therefore CSR and sustainability development need to be acculturated to Asian environment and values to gain a success. This chapter will explore and discuss the development of CSR and sustainability development in major Asian countries: China, India, Indonesia, Japan, South Korea, and Singapore. China, India and Indonesia represent developing countries with large population while the last three countries represent developed countries. China, Japan, South Korea and Singapore share Asian values influenced by Confucian ethics, Indians root their values in Hinduism while Indonesian values are highly influenced by Islam.

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## 10.1 Introduction

The recent financial crisis in the US and Europe, which affected the whole world, was initiated by irresponsible acts of big corporations. The most important lesson learned from this debacle is that greed and unethical behaviour and practices has far reaching consequences (Friedman and Friedman 2009; Lewis et al. 2010), and the domino effect of collapse and bankruptcies was far beyond the expectations of those greed corporations. Greed and unethical behaviour are definitely not sustainable for development either for micro or macro scales.

The authors observe and feel that the financial crisis in many Asian countries in the late 1990s was caused by the similar things happened recently in a smaller scale, which is supported by Miskhin (1999), Corsetti et al. (1998). Uncontrolled and unethical behaviour plus corporate greed lead them to borrow money beyond their returning capacity in the name of rapid expansion. It was not expansions that happen, but a financial meltdown, massive bankruptcies and economic suffering that need many years for many Asian governments to recover.

No doubt that corporations need to grow and make profits for the benefit of shareholders. However, sustainable development can only be secured if corporations consider the well-being of all stakeholders involved. The growth within the balance of corporations, society and environment need to be taken care carefully. Corporations need to plan and design a sustainable development, which may create sustainable competitive advantage, by satisfying their shareholders, contributing to society development and environment conservation. Hence, sustainable development of a corporation in a micro level highly related to their environment and society where the corporation is located. No wonder Corporate Social Responsibility (CSR) is considered important for a corporation to have sustainable development that contributes benefits to all stakeholders.

Sustainable development needs responsible corporations. Corporations should aim for sustainability of their development, that is moving forward in developing all aspects of development dynamically, both internal and external aspects of corporations. In other words, sustainable development ensures that a corporation grows with its resources, especially its intellectual resources and human capital and at the same time contributes to the community development and environmental preservation.

The concepts of CSR and Sustainable Development (SD) developed in the West should not be adopted without proper adoption and adaptation to Asian values and their respective context. Something that works well in the West may not work in Asia. Therefore, CSR and SD need to be acculturated to Asian environment and values to gain success. This is a natural process and has been confirmed by Chapple and Moon (2005) in their research report on CSR in Asia which have been further affirmed by *CSR in Asia* in a report: "CSR in ASIA – The Real Picture" (2008).

This chapter will explore and examine the development of CSR in major Asian countries, namely, China, India, Indonesia, Japan, Singapore and South Korea. China, India and Indonesia represent developing countries with large population

while the last three countries represent developed countries. The authors hold the view that China, Japan, Singapore and South Korea share their Asian values influenced by Confucian ethics; the Indians have their values rooted in Hinduism while the Indonesian values are influenced by Indian culture (History tells us that the Indonesian archipelago was once part of the Great Majapahit Empire) and Islam.

The structure of this paper is as follows: Section 10.2 will explore the relationship of CSR and sustainable development. Section 10.3 discusses CSR and sustainability issues in chosen countries including a brief comparison among them. Section 10.4 explores the current and future trends as well as challenges of CSR and sustainability is Asia. Section 10.5 is the conclusion and recommendations.

## 10.2 The Relationship Between CSR and SD

CSR and SD are two related concepts. This section will explore both concepts and their relationships. The adoption and adaptation of CSR and SD in Asian countries will also be discussed. Before we explore the relationship and their adoption and adaptation in Asia, it is better to understand the essence of corporation and their obligations to society.

Drucker (1993) in his book *Concept of Corporation* defines a business as an organization – a social structure that brings together human beings in order to satisfy economics needs and wants of a community. Although the main business goal is to make a profit and grow, a business or corporation cannot be separated from a society. Since a corporation is an integral part of a society, it has a duty and responsibility to contribute to society. Drucker (1993) argues that corporation must "fulfil automatically its social obligations in the very act of seeking its own self-interest". He further says, "An industrial society based on the corporation can only function if the corporation contributes to social stability and to the achievement of its social aims independent of the good will or social consciousness of individual corporate managements."

The reputation of a corporation is highly related to its contribution to the society. Irresponsible acts, greediness and malfeasance will quickly be disclosed in this information age. With the Internet, people can access information easily and quickly and irresponsible corporations cannot hide and will face the consequences of losing the trust from the society.

The perception of a good corporation is important not only from the shareholders, but also from other stakeholders, including the local community and the society at large. Hofmeister (2010), the top US-based Shell executive, said that all large corporations have to carefully consider how they are perceived by their stakeholders. Based on his experience, he asserts that "corporate behaviours of all kinds are being scrutinized much more closely today than they

were in the past, and the public face that a company presents has never been more crucial to its long-term fortunes."

Many large corporations have been facing with crisis of confidence because of their irresponsible behaviour(s). Recently, we have witnessed mega scandals of large corporations in the US such as Enron, WorldCom and Goldman Sachs. Top executives from troublesome financial corporations at the time of their crisis where the tax payers and the government used to bail them out are still getting millions of dollars bonuses. This behaviour greatly destroys the trust of the society to them which may lead to the distrust of the whole financial system.

Given reckless behaviours of giant corporations which have created huge problems that affect the whole world, the issues of social responsibility and sustainability are even more important nowadays. Both CSR and SD have been thoroughly discussed in the literature and are practised by many corporations in the West and Asia.

### 10.2.1 Corporate Social Responsibility

The idea of corporate social responsibility (CSR) began to take recognizable shape in the third decade of the 20th century (Frederick 1994). According to him, some social theorists claimed that the debate on the issue had possibly started as early as 1913. By the mid-1920s, the business community had acknowledged the need for the corporate directors to act as trustees for the interests, not only of the stockholders, but also of the other social claimants.

The fundamental idea embedded in CSR is that business corporations have an obligation to work for social betterment (Davis et al. 1980; Frederick 1994; Davis and Blomstrom 1996). One of the most powerful arguments for CSR is that public expectations for business have changed (Anshen 1980; Davis and Blomstrom 1996). It is maintained that the business organisation exists only because it satisfies valuable needs of society. Society bequests business its charter to exist and that charter can be rescinded at any time if it fails to live up to society's expectations. For that reason, if business wishes to stay viable in the long run, it must come to terms with the society's needs and demands.

There are many definitions of CSR. Marrewijk (2003) summarizes several different views of CSR which leads to different definitions. According to him, there are three different views of CSR: the shareholder approach, the stakeholder approach, and the societal approach. The shareholder view is a profit-oriented (with maximum financial returns to shareholders), and it does not consider that social responsibility belongs to the domain of corporations and CSR is considered only if it is in support for the long term business goal. The stakeholder approach views that corporations have to balance the effect of business with the interests of all stakeholders; and the societal approach offers a broader CSR view which considers that corporations are responsible to the society since they are the integral part of the society.

Interestingly, Garriga and Melė (2004) propose mapping theories on CSR. They identify CSR approaches can be grouped into four theories, namely instrumental theories, political theories, integrative theories and ethical theories. Instrumental theories view CSR as a mere tool to achieve an economic objective or wealth creation – similar to what the Marrewijk's term as the shareholder approach. Political theories such as corporate constitutionalism and corporate citizenship theories concentrate on relationship between business and society in term of power and position of business and its responsibility in society. Integrative theories see that business is an integral part of society, hence needs to incorporate social demands. It is within these theories' domains that the Marrewijk's term of the stakeholder approach and the societal approach reside. Ethical theories are concerned with ethical requirements for business operating in society. Businesses have to operate in an ethical manner to achieve a good society.

Caroll (1991) provides a summary of evolution of CSR and then offers an approach viewing CSR components using a pyramid. There are four responsibility components that compose CSR: *economics responsibility*, *legal responsibility*, *ethical responsibility* and the last one is *philanthropic responsibility*. We are now adding another component, that is, *environmental responsibility*, which is important, but it was not considered by Caroll.

Figure 10.1 depicts the CSR pyramid. Based on the pyramid, we can see clearly components of CSR and how the components relate one-another to compose an integrated concept of CSR. CSR means running a business that fulfils economic, legal, ethical, philanthropic and environmental responsibilities. In other words, a company that implements CSR should be profitable, obey the law, be ethical as well as be a good corporate citizen and conserve the environment.

### 10.2.2  Sustainable Development

As mentioned previously, CSR and SD are closely related concepts. In fact, a definition of CSR offered by World Business Council on Sustainable Development (WBCSD) spells out explicitly the relationship: "Corporate social responsibility is the commitment of business to contribute to sustainable economic development, working with employees, their families, the local community and society at large to improve their quality of life." (WBCSD 2000)

SD is actually a rather old term. It was used in Germany's forestry in the seventeenth century as a legal constraint to logging to make sure continuous availability of forest (Steurer et al. 2005). The term, which was revived and widely used in various fields such as in economics and environment, in mid 1980s is basically concerned with the future generation's well-being. The concept addresses at the macro level (country) rather than at the corporate level; however there exists a related concept at the micro level called corporate sustainability (Marrewijk 2003).

A report (known as the "Brutland" Report) from The World Commission on Environment and Development (WCED), United Nations, which was published in

**Fig. 10.1** The pyramid of CSR (Adapted from Caroll 1991)



The pyramid of CSR diagram:

**ENVIRONMENTAL RESPONSIBILITIES**
*Conserve the environment*
Environmental friendly and make sure business activities do not create imbalance for the environment

**PHILANTROPIC RESPONSIBILITIES**
*Be a good corporate citizen*
Contribute resources to the community; improve quality of life

**ETHICAL RESPONSIBILITIES**
*Be ethical*
Obligation to do what is right, wrong, just and fair. Avoid harm.
Play the rules of the game

**LEGAL RESPONSIBILITIES**
*Obey the law*
Law is society's codification of right or wrong
Play the rules of the game

**ECONOMIC RESPONSIBILITIES**
*Be profitable*
The foundation upon which others rest

1987 defines the term sustainable development as the development that fulfils the needs of present generation without sacrificing the ability to fulfil the needs of future generation (WCED 1987).

SD is a widely accepted concept as a guiding model that integrates economic, social and environmental issues at various levels, either the macro level or the micro level and the framework of SD at the microeconomics level has been well-developed (Steurer et al. 2005). In fact, the sustainability index has been developed to measure the corporate level sustainability such as the Dow Jones Sustainability Indexes.[1]

## 10.2.3 CSR, SD and Corporate Sustainability

The relationship of CSR and SD was studied by Elkington (1997), and he introduces the concept of *'triple bottom line'* based on the results of a survey of international experts in CSR and SD. The triple bottom line has three dimensions: economics, environmental and social. The popular jargon of triple bottom line is "people, planet and profits" (Elkington 1997). The 'triple bottom line' is a strong

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[1] http://www.sustainability-index.com/htmle/assessment/criteria.html; http://www.sustainability-indexes.com/djsi_pdf/publications/

argument from Elkington that corporations should not only strive for maximising of profits, but they should also consider social and environmental dimensions equally.

The relationship between SD and CSR was also studied by Ebner and Baumgartner (2006) to see whether CSR is a subset of SD (CSR is the SD at the corporate level) or CSR synonymously with SD. The result was inconclusive in terms of particular relationship but the linkage is very strong. Many researchers indicate that CSR is the social dimension of SD, some researchers even see SD as a basis for CSR. Interestingly, many researchers use CSR interchangeably with SD.

We need to see SD as applied to the micro level in order to see CSR and SD relationship at the same level (corporate). Corporate Sustainability (CS) is a derived concept from SD for the corporate level. Similarly to SD as a guiding model for macro level development with a triple dimensions (economics, social and environment), CS addresses the same dimensions, looking at more on their performance at corporate level for both short and long-term economic, social and environmental performance of corporations (Steurer et al. 2005).

The definition of CS is derived from the definition of SD with its limited scope at the corporate level as defined by Dyllick and Hockerts (2002, p. 131): "Corporate sustainability can accordingly be defined as meeting the needs of a firm's direct and indirect stakeholders (such as shareholders, employees, clients, pressure groups, communities etc.), without compromising its ability to meet the needs of future stakeholders as well."

Although CSR and CS are very closely related concepts and some researchers interchangeably use them, according to Steurer et al. (2005), CS has a wider scope than CSR. First, CSR is more specific, it is a voluntary management approach which not only considers shareholders' concerns, but also other stakeholders' concerns. Second, although the temporal scope of CSR goes beyond the short-term shareholders' perspective, the temporal scope of CS is much longer. CS even considers the needs of future stakeholders. The third difference is more on historical perspective. Although CSR and CS nowadays address the three dimensions, economics, social and environment, historically CS (derived from SD) starts with the environmental dimension and then later embraces the economics and social dimensions, while CSR initially focuses more on the social issues and then embraces environmental dimension later when the environmental movement gained the momentum. Note that the economics in the inherent part of CSR as business is the domain of CSR.

Finally, Marrewijk (2003) presented an interesting approach to see the relationship of CSR and CS; here, although CSR and SD originally come from different arena, they are now moving into a convergence like two sides of the same coin. He stated that, "Associate CSR with the communion aspect of people and organisations and CS with the agency principle. Therefore CSR relates to phenomena such as transparency, stakeholder dialogue and sustainability reporting, while CS focuses on value creation, environmental management, environmental friendly production systems, human capital management and so forth." (Marrewijk 2003, p. 102).

Taking Care of Environment

Doing Charity

Being Ethical

Obeying The Laws

Growing Profits

Good Business

Step By Step Formation
& Sustainable Development
Along With Business Growth
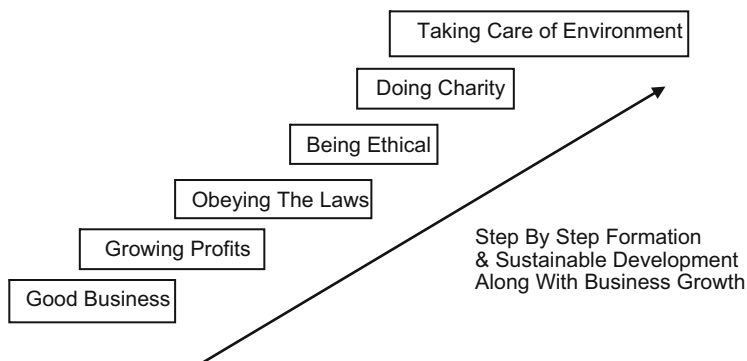
**Fig. 10.2** The western concept of step formation of doing business

## 10.2.4 Asian Adoption and Adaptation of CSR and CS

It appears that businesses in the West are adopting a 'natural' linear progression, a sort of logical flow. The Western idea of running a business is more in the form of a step formation (see Fig. 10.2) moving on and growing from making profits first, obeying the law, being ethical and then progress to doing charity (indeed it is only when you have settled the basics, having more monies or profits, then you can afford to give charity or do good for others) and then progress to taking care of nature and the environment. This makes sense if we were to apply the Maslow's hierarchy of needs model, moving from the basics and then progressing to the higher needs or developmental aspects of business growth.

On the other hand, in Asia, a bicycle spoke model (the business needs to fulfil or satisfy each and every stakeholder of the business; see Fig. 10.3) can be said to exist and applies here, and it is not a linear progression approach. It seems as these must all be done in an "all in one go" fashion (seemingly not logical to the Western mind): The business must make monies, customers should come, peace and harmony must exist, and when there is peace and harmony, there is trust and indeed trust must be built between the business and the customers. There can be no customers if there is no trust, then the business will not have the luxury and benefits of the numbers, and it is the way of beggar-thy-neighbour; no progress would thus be made. Conversely, if the community and the business setting is right, the business will grow, and when all is triggered, contacts are enhanced, numbers (customers/transactions and trades) increase and prosper-thy-neighbour flows in.

The "all-in-one" can be said to make sense when we see in Eastern or Asian philosophies (such as Taoism and Vedanta/Hinduism) of oneness with Nature and the Universe.

It is the author's belief that when running a business in Asia, one needs to simultaneously build one's relationships and reputation, and network with others – to be at peace and in harmony with others; and that others must trust one in order to carry on the business and relationships. To stress the point further, Asian business

**Fig. 10.3** A bicycle spoke "all-in-one" go model of Asian business

Investors & Lenders

Trade Associations

Customers

Governments

A Company

Political Groups

Suppliers

Communities

Employees
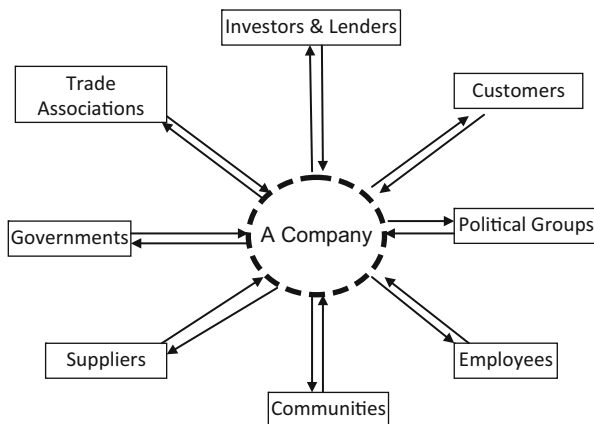
people focus more on relationships and reputation. In relationship and reputation, one would draw more people helping the business and more loyal customers. That means that the stakeholders are very important in an Asian business to such an extent that the even the profitability of the business is secondary. Take, for example, if an individual wants to start up a business. One's capital for the business can either be one's own or borrowed from friends, relatives or the bank (lenders). In this respect, one should have good connections and contacts with all stakeholders, and it is hopeful that one's business would pick up slowly with time to have a break even and later on to be able to pay back to those whom one has borrowed the money from.

It should also be noted that "ethics, the yardstick, serves as the foundational stone of doing business and it should play a critical role in every business, profit or non-profit organisation, society, and nation. Ethics pays. Being ethical (*as part of the business*) imparts a sense of trust which promotes positive alliances among business partners and associates. Confucian ethics can supply the basis through which people do, conduct business or make business decisions" (Low 2008, p. 47, *italics ours*).

Also, in running a business, there is an ethical need or assumed as part of doing business to give back to the community or take care of the surrounding areas and environment through other means such as even the building of roads, hospitals and other communal amenities for the community, and these would be seen and be realized as benefits to the business too. Because of the Asian collectivistic cultural tendencies, there have always been these exchanges and reciprocity so that the community, the business and the individuals benefit; and that everyone gains (− at least in theory), and that should be subscribed. In Brunei, Malaysia and in Indonesia, there is this cultural concept of "gotong-royong", a sort of teamwork when harvesting crops or doing communal work.

In order to sustain one's business, the big picture needs to be seen, and there are many factors that would determine the success of one's business and ensure the business's corporate sustainability. And these include:

(a) A good environment is critical. The location, setting and surrounding/environment of the business should be good to grow and sustain the company. The company too should be well located to ensure effective and efficient business supply chain. The location should bring in enough customers, contacts, walk in and pass-by, to help to cover the capital and the business running costs from the very beginning when the business first operates. The business owners and managers should also be able to predict that the area in which the company is operating would be booming in the future, and that there would be more tourist visits as well as more customer flow from the surrounding or nearby areas.

(b) A good transportation system should be available, linking the company to the nearby areas, ensuring good supply of customers and prospects.

(c) The investors, the lenders and the customers, be made easily available, to help provide the capital as well as to defray the running costs of the business.

(d) The relationships between the company and the key stakeholders need to be very close and friendly to sustain the business.

(e) Profits, in part, will be distributed to the employees in the form of salaries/bonuses, and to the communities through donations and charities depending on the company's monetary health. Employees would, in part, buy the company's products from their salaries, and also contribute to the companies' growth.

## 10.3  CSR Development and Issues in Selected Asian Countries

We have chosen six Asian countries to see the CSR development and some related issues. China, India and Indonesia represent big, populous and developing countries while Japan, South Korea and Singapore are developed countries with advanced manufacturing capability. China, Japan, South Korea and Singapore may share some traditional values based on Confucianism, Buddhism and Taoism. India has unique Hinduism ethics while ethics and values in Indonesia are highly influenced by the past Indianised culture (e.g. Bali) and presently Islam as its major religion.

The Asian value of paying back to the community e.g. Confucian ethics (Low 2008) and Islamic ethics (Almunawar and Low forthcoming) include the element of building trust and the stakeholders, which is very common in Asia such as in Singapore, Indonesia, Malaysia and China. Profits are ploughed back to be spent for the community well-being such as the building of hospitals, etc. Asian companies when pursuing and practicing Asian values and CSR take it that they are contributing to their communities. And these motivate them to be socially responsible. More so, they really see themselves as bearers and practitioners of Asian values.

Low (2008) explains and illustrates the Golden Rule and Confucian ethics in the context of the stakeholder theory. He also shows how businesses can be ethical, showing concern for its stakeholders and being Confucian. Among other things,

humanism and love for mankind is stressed. He explains the Confucian's overall anchor, the Golden Rule, that is, to do unto others what one wants others to do unto oneself. It is also called *shu* or reciprocity as a principle of the conduct for life. Incorporating the Golden Rule, the stakeholder theory becomes relevant. One moves away from oneself and becomes less self-centred, and in fact, more altruistic. All businesses should recognize their responsibilities to their stakeholders and make decisions that reflect these responsibilities. Here, the business can then engage the stakeholders moving from inactive to reactive to proactive to interactive. The basic point is that one can argue that business cannot avoid but has to enter into dialogue, do something, and engage with its stakeholders – market or non-market – in an on-going relationship.

### 10.3.1   China

China is the most populous country in the world with the largest population of 1,336,718,015 (July 2011 est.) and GDP (purchasing power parity) $10.09 trillion (2010 est.), 2nd in the world after the USA. Although China was also suffer from recent economic crisis, it resiliency keeps the relatively high growth rate (8.7 %) and the growth was quickly rebounded at 10.3 % (2010 est.) (CIA, The World Factbook www.cia.gov/library/publications/the-world-factbook/geos/ch.html).

In fact, China has experienced outstanding economic growth since the 1980s. However, the social and environmental cost of the growth was high. Chinese companies ignored social and environmental cost in the name of profits. Irresponsible acts of Chinese companies may be rooted from economic development policies in which corporate social responsibility was not considered. There are many cases that support this view. China is notorious for problems in sweatshops and pollution (Lin 2010). The authors have the impression that some Chinese companies inherit irresponsible attitude such as producing sub-standard or even poisonous products (for instance, deliberately added melamine in dairy products, the Sanlu Milk Powder Company or churning cooking oil from industrial oil waste under the guise of being green and recycling), sacrificing human lives to make big money.

Actually, some aspects of CSR ("Gongsi Shehue Zeren" in Chinese) have been practised by traditional Chinese merchants rooted in Confucianism, Buddhism and Taoism. Basically, Confucianism is not kind to profit-making and business was developed based on the kinship principle with inherent social responsibility. With this principle, family enterprises had responsibility not only to the family members, but also to the larger society and even to the state (Ruskola, T. cited in Lin 2010). Like Confucianism, Chan Buddhism and Taoism play important roles in ethics within the traditional Chinese society, including business ethics such as diligence, honesty and charity practised by Chinese merchants. Charitable works are considered a significant part of Chinese business society (Lin 2010). However, charity is only a small portion of the modern CSR.

The Government of the People's Republic of China (PRC) is aware of problems practised by businesses in the country. The need to adopt CSR to improve the image of Chinese businesses and to diminish social and environmental problems as well as economic disparity is obvious (Lin 2010; CSR Asia 2010). In November 2007, President Hu Jintao encouraged Chinese leaders to embrace a "scientific outlook on social development" – an approach to put priority more on people and to look beyond the short-term profits. (This appears very close to the Confucian concept and value of humanity/humaneness or *ren*). It encourages business to adopt sustainable development principles. Morality in business practices was also highly emphasised as declared by Cheng Siwei, Vice Chair National People's Congress Standing Committee in January 2007 that anyone who believes that "money overrides morality can no longer be tolerated in China." Further, Cheng explained that companies in PRC must not sacrifice social responsibilities in pursuing profits. He said that irresponsible corporate practices were preventing PRC businesses' overseas expansion and inhibiting PRC economic growth (Levine 2008, pp. 1–2).

Lin (2010) notes that many indigenous CSR initiatives in China in the last few years. These include law and regulations, governmental instructions and guidelines, non-governmental standards and organizations. However, CSR Asia (2010) noted that although concerns on CSR and sustainability development are rising with many related laws and regulation enacted, the gap between practice and policy is still in place.

A significant progress was recorded when the stock exchanges in Shanghai and Shenzhen require listed companies to be socially responsible and to disclose their significant CSR practices and their impacts. Various guidelines and tools are developed to help companies listed or to be listed in the stocks to comply with the CSR policy (CSR Asia 2010; Lin 2010; Levine 2008). Several best practices in implementing the CSR policy were published. For example, best practices of CSR in China were published by the US-China Business Council (UCBC), which is available on line http://www.uschina.org/corporateresponsibility.html.

A recent study on perception of CSR conducted by Ruder-Fine Asia and Tsinghua University (Ruder-Finn Asia 2010) on two sub-sectors, food & beverage and daily health products revealed some interesting results. The study found that there is a strong link between education level and the interest on CSR, the higher the education of a person, the higher his/her concern on CSR. Foreign companies are perceived to be better in practising CSR compare to local companies, this applies to both sub-sectors. Important comments from Prof. Zhao, head of the Tsinghua Media Survey Labon the important study findings are as follows: "This, on the one hand, is the inevitable result of history. Foreign companies have advantages in terms of management, technology, capital and resource allocation (to CSR). On the other hand, this indicates that there is a long way to go for Chinese domestic companies to catch up with foreign companies in terms of CSR performance. The fact that the perceived difference between domestic and foreign companies is smallest in the category of 'philanthropy and social welfare' shows that the top priority for Chinese domestic companies should be, by no means, devoting resources to philanthropic donations, but rather to reinforcing their 'soft power'.

This includes product quality, intellectual property rights, production and safety, and employees' benefits."

### 10.3.2  India

India is the second most populous country in the word with the population of 1,189,172,906 (July 2011 est.). Its economy grows steadily since 1997 and showed its resiliency during the global economic crisis with the growth rate at 6.8 %. India's GDP (purchasing power parity) is $4.06 trillion (2010 est.), the 5th in the world. Like China, Indian economy quickly rebounded at 10.4 % (2010 est.) (CIA, The World Factbook, www.cia.gov/library/publications/the-world-factbook/geos/in.html).

In India, some forms of CSR aspects have been practised long before the CSR concept was established in the West. Kumar (2004) stated that India has one of the world's richest traditions in CSR. Established Indian big corporations such as Tata and Birla have been practising the principle of nation-building and trusteeship for a long time. Despite marching on privatization, many public sector companies in India such as BHEL (Bharat Heavy Electricals Ltd), HDFC (Housing Development Finance Corporation), ONGC (Oil and Natural Gas Corporation) maintain social obligations as an integral part of their business operations. The following quote from Ratan N Tata in 1996, at the time not much CSR was practised in Asia. This clearly indicates that some forms of CSR have been practised in India.

> I do believe that we in the group have held a view and held a sense of purpose that our companies are not in existence just to run our business and to make profit and that we are responsible and good corporate citizens over and above our normal operations. By that, I mean that we play a part in the community and we shoulder community responsibility as part of social responsibility of our nation. And these responsibilities are not to be confused with employee welfare, but they go beyond our own employees and in fact concentrate on the contribution to the community and to the nation. (Ratan N Tata, 1996, quoted from Lee 2010)

The Indian Prime Minister, Mr. Manmohan Singh, mentioned that social responsibility is part of cultural heritage. *Corporate social responsibility must not be defined by tax planning strategies alone. Rather, it should be defined within the framework of a corporate philosophy which factors the needs of the community and the regions in which a corporate entity functions. This is part of our cultural heritage. Mahatma Gandhi called it trusteeship….I invite corporate India to be a partner in making ours a more humane and just society… We need a new Partnership for Inclusive Growth based on what I describe as a Ten Point Social Charter… first, we need to have healthy respect for your workers and invest in their welfare….* (Manmohan Singh, 2007, quoted from Lee 2010)

No wonder, the study on seven Asian countries conducted by Chapple and Moon (2005) found that the penetration of CSR companies in India (72 %) is the highest among Asian countries studied.

Although initially CSR in India is basically voluntary, the government strongly encourages companies to practise CSR. However, with the new Company Act, a company may need to spend 2 % out of its annual profit for CSR, a significant moving from voluntary to mandatory for CSR (Forbes, January 10th, 2011).

Recent nation-wide survey carried on by TNS India on behalf of Times Foundation (2010) reveals several important findings. Most of the companies in India manage their own CSR projects. Although some companies (29 %) involve voluntary organisations to help them implement their CSR, there are very few companies giving financial support directly to the community. It is interesting to mention that all companies practising CSR see or ensure that the CSR initiatives help them to bring about positive social change. There are three favourite areas that companies channel their CSR: education (note that learning is highly stressed in Hinduism), health and environment. Like most Hindus who would do good deeds to reduce or minimize their bad karma, most companies, for good public relations and to improve their public image, set the target of their CSR activities to the surrounding people and environment, although the target can also reach the poor people in the rural areas, tribal people and people selected in consultation with the NGOs.

The survey also revealed that for most companies, CSR was a definite way to improve their image in public. Many companies also mentioned that CSR helped them to build their brands. Not many companies mentioned that they implement CSR because of mandatory or tax exemption. To implement CSR, most companies allocate CSR fund separately.

Several challenges in implementing CSR are community participation and capacity building within the organisation as well as the NGOs involved; in rural areas, companies face the problem of difficulty in identifying the real needs of the society; lack of transparency and lack of scientific method to assess the impact of CSR initiatives.

According to Lee (2010), based on the content analysis of CSR reports, CSR India is inclined towards people-centric dimension with active community participation. The people-centric approach makes CSR practised in India unique which has most likely led the Indian companies to respond to some challenges such as lack of skilled labour and a pressure to go green in a unique way.

### 10.3.3   Indonesia

Indonesia is the biggest economy in the ASEAN with the population 245,613,043 (July 2011 est.), fourth largest in the world and GDP (purchasing power parity) is $1.03 trillion (2010 est.), 16th in the world. Together with China and India, Indonesia is among few countries in the world that maintain the economic growth during the global economic crisis few years ago with 4.5 % growth in 2009 and the growth is estimated to return to 6 % in 2010 (CIA, The World Factbook – www.cia. gov/library/publications/the-world-factbook/geos/id.html).

A decade ago, the adoption of CSR in Indonesia was relatively low compared to neighbouring countries. During the Soeharto regime, besides the multinational companies, the majority of big businesses were controlled by the state, the military or his cronies. Exploitation of labour (low wage, unfair treatment) as well as environment (pollution, deforestation) was a common practice, and there was not much CSR practised (Kemp 2001; Koestoer 2007). A seven-country study by Chapple and Moon (2005) found that the penetration of CSR reporting in the seven countries in Asia was low (average 41 %) compared to UK (98 %) and the penetration in Indonesia is the lowest (24 %).

The low penetration of CSR in Indonesia during 1990s and early 2000s can be understood since CSR was an alien concept to Indonesian companies, including the state owned companies, even though charity or philanthropic activities were a common practice. According to Koestoer (2007) CSR adoption by Indonesian companies was initiated by multinational companies after major cases of labour and human right issues on Nike and Levi Strauss in 1992.

There was a great hope during the post Soeharto era (Reformation) in 2000s. With more democratic government at all levels and the decentralization of the political system in which municipalities (Kabupaten) have more to say, it has empowered people to participate in decision making, including monitoring of companies if they operate irresponsibly to the environment and society. This development has contributed to the greater adoption of CSR in Indonesia.

Indonesia is the most populous Muslim country with the island of Bali having a majority of Hindus. With the increasing number of committed Muslims in the middle class as well as the increasing number of committed Muslims holding important leadership positions, the pressure to adopt Islamic values in business is strong. The Islamic Law (*Shariah*) clearly regulates how business must be conducted. Zinkin and Williams (2006) conducted study of compatibility between the tenets of Islam and the UN Global Compact. The result of the study shows that the tenets of Islam (in this case the tenets are tightly related to principles of Islamic Ethics) are highly compatible with the UN Global Compact.

The strong movement of CSR reached to The House of Representatives in 2007. On 16 August 2007, the House enacted CSR/sustainability legislation (Company Law Number 40/2007), the first CSR/sustainability law in the world. Initially (the first draft) the law requires (mandatory) all Limited Liability Companies to disclose their CSR/sustainability activities; however there was a strong rejection from the business community. The draft of the law was revised and the law was passed with a narrower scope, which only applied to the natural resources companies to disclose their CSR/sustainability activities (ACCA 2010).

Many companies were unhappy with the law. They argued that CSR must be conducted on a voluntary basis. In 2009, the law was challenged in the Constitutional Court (MK) but the law was supported by the MK. The chair of MK (Mahfud M.D.) stated that "Environmental damage in Indonesia has reached a critical level... It's time for the state, along with society and businesses, to be responsible for the negative impacts of the damage." (The Jakarta Post, 4/16/2009).

Recently, there are growing numbers of organisations (NGOs) that contribute to the development of CSR or sustainability in Indonesia. KEHATI (The Indonesian Biodiversity Foundation) collaborates with The Indonesian Stock Exchange, introduced the first SRI index in South East Asia to track performance of companies in social and environmental concerns in 2009. The Indonesian Institute of Accountant – Management Accountant Compartment (IAIKAM) introduced award for sustainability reporting and National Centre for Sustainability Reporting (NCSR) and the Forum for Corporate Governance in Indonesia (FCGI) encourages companies on sustainability reporting (CSR Asia 2010).

Recent study on sustainability in Asia (Read-Brown et al. 2010) reveals that the Indonesia's position is high, ranking third among ten Asian countries in general category (China, Hong Kong, India, Indonesia, Malaysia, Philippines, Singapore, South Korea, Taiwan and Thailand) and ranking sixth on overall. This high position may be highly related to the law mentioned above that requires resources-based Limited Liability companies to disclose their CSR/sustainability report within their annual report. The study further revealed that companies in Indonesia scored well on community investment although most of the community activities were philanthropic-based activities.

Koestoer (2007) asserted that many companies in Indonesia, both local and multinational companies, have demonstrated that CSR supports business sustainability. In other words, being socially responsible is good for business or being socially responsible will help companies to market their products and build their reliable workforce. Last but not least, CSR will also help companies to build trust in their business dealings.

## 10.3.4   Japan

Japan is a developed country with the population of 126,475,664 (July 2011 est.). It is the third largest economy in the world with a GDP (purchasing power parity) of $4.31 trillion (2010 est.). Japan was heavily hit by the global economic crisis, the economy shrank by 6.3 % in 2009 (2009 est.). The economy recovered in late 2009 and 2010 with a growth of 3.9 % (2010 est.) after the Government intervention with the stimulus spending. Japan's economy faced another challenging problem after one of the biggest tsunamis hit the country on 11 March 2011 (CIA, The World Factbook – www.cia.gov/library/publications/the-world-factbook/geos/ja.html).

Previous Japanese CSR studies in the 1990s paid attention to the exceptional CSR performance of Japanese companies across certain dimensions, including product quality, customer service and concern for employee welfare (Wokutch 1990; Lewin et al. 1995; Wokutch and Shepard 1999; cited in Choi and Aguilera 2009). During the 1990s, much of the world was enticed with Japanese innovative management practices such as Just in Time, Quality Circle, and Total Quality Management. These advanced management practices provided high quality goods and services to markets at a competitive cost. As a result, it brought customer

satisfaction and credibility to Japanese companies. In addition, the participation of employees, life time employment, good working conditions and extensive benefit programs of Japanese firms resulted in strong loyalty and high morale of employees. Japanese firms especially had a strong reputation for their occupational safety and health, evident in the extremely low worker injury and illness rates (Wokutch 1990; Wokutch and McLaughlin 1992; cited in Choi and Aguilera 2009).

Current circumstances surrounding CSR activities in Japan are shifting from conventional activities to more strategic activities from the companies' perspective. Here conventional activities mean that the socially obligated activities for companies include complying law and regulations, adapting ethical standards and international norms, establishing corporate governance system in order to protect the various stakeholders' rights from abuses of corporate power. On the other hand, strategic activities mean that the CSR activities which are closely related with profit making business activities. Some CSR activities directly contribute to cost savings or sales increases. For example, reduction of energy consumptions at the factories by means of innovative production system benefits both the environment in terms of reduction of greenhouse gas emissions and the corporate in terms of cost reduction. Under the harsh business environment, not all companies but many companies in Japan are now reconsidering their CSR activities. Until so far, most companies are passive for CSR, but from now on, they become more proactive for CSR. With regard to the corporation and the community, in Japan today, individuals and non-profit organizations (NPO) are working to create a civil society, fostering hopes for a new form of social governance. Corporations, too, are being called on to incorporate society's values (such as compassion, caring for others, appreciating nature, kindness to others as in Shintoism and Zen Buddhism values) into their management practices and contribute to the creation of a better society, not merely through financial support but also through active dialogue, cooperation, joint action and harmony with a wide variety of social entities. In that sense, such tasks as "joint action with NPOs" and "mechanisms for direct dialogue with various stakeholders" deserve to be pursued yet more energetically (Doyukai 2004).

The authors strongly believes that whatever it is, now in Japan, a year after the 11 March 2011 tsunami disaster and the Fukushima Nuclear plant crisis; that experience has taught or made the Japanese more CSR and/or green-aware. More Japanese companies and members of the Japanese society are increasingly wanting their companies to be more socially responsible; after all, they, over time, gradually see more on one hand, of the benefits of being green and embracing CSR as well as on the other hand, the downsides and economic adversities of not being green and not subscribing to CSR. Note that as a result of the Tsunami and Nuclear disaster, lives are still disrupted, and Japan is still struggling to rebuild 1 year after the quake and tsunami. (FOX News 2012).

### 10.3.5    Singapore

Singapore is a small but prosperous country in the ASEAN region. The population of Singapore is 4,740,737 (July 2011 est.). With a highly developed infrastructure, it enjoys steady economic growth (average 7.1 % between 2004 and 2007) with GDP (purchasing power parity) $291.9 billion (2010 est.). Since its economy highly depends on exports, it was heavily hit by the global economic crisis in late 2008, the economy contracted in 2009 with negative GDP growth rate −0.8 % (2009 est.). However, it has rebounded quickly with GDP growth rate 14.5 % in 2010 (2010 est.) 2011 (CIA, The World Factbookhttps://www.cia.gov/library/publications/the-world-factbook/geos/sn.html).

On attaining independence in 1965 after its separation from Malaysia, the government of the island-Republic had indeed embarked on a series of "Keep Singapore Clean" campaigns, and it also makes efforts to be sustainable in its clean environment and water requirements. Singapore also launched a garden-city image to boost its tourism as well as to educate its citizens in terms of things green. Low (2011) has pointed out that a small country like Singapore having the direction of going towards green environment from the beginning makes good business sense; it is felt that going green helps reduce pollution as well as cut business costs. In addition to setting up the necessary infra-structure and port facilities, the cleaning of dirty and smelly Singapore as in Singapore River and Kallang River are good examples of the priorities and many challenges Singapore faced after gaining independence in 1965. Overall, the cleaning, upgrading and improvement of facilities as well as the greening is seen as part of the country's "strategic mainte-nance" efforts (Low 2009, p. 137). The people of Singapore too, through education, campaigns and the government's various efforts, are also becoming eco-conscious, at least they get more empathetic or better appreciate nature and the environment.

One would also read it that Singapore is good in working out or instituting legal principles and framework in its CSR efforts; it gives support to international and world bodies to sustain green and sustainable development efforts. Here, we can cite the respective UN Global Compact and the Singapore Compact. The UN Global Compact (UNGC) calls for companies to support the ten principles which include human rights, labour, environment and anti-corruption. Companies are also expected to report on progress made in implementing these principles in their Communication on Progress (COP). Responding to the UN Global Compact initiatives, in 2005, Singapore launched the Singapore Compact, a national society, which functions as a multi-stakeholder platform in recognising the role and contributions of all CSR stakeholders. The Singapore Compact has been supporting members to complete their COPs. The Singapore Compact as focal point of the local network represents our members at meetings of the UNGC.

The purpose of Singapore Compact is to be a dynamic network of stakeholders to advance sustainability for global good. Its tagline is "Working Together: Doing Well, Doing Good'. **Working Together** is a multi-stakeholder approach for mutual benefit and win-win outcomes with inclusive public-private-people partnership.

**Doing Well** is business being competitive and innovative with good corporate governance in order to create quality jobs, products, services and wealth. **Doing Good** is enlightened enterprises devoting time and resources beyond its legal obligations toward CSR and sustainable business.

The mission of Singapore Compact is to be a credible and effective national society in promoting greater awareness, best practices, sustainable development and excellence towards CSR in Singapore, using a multi-stakeholders platform for wider collaboration through coordinated strategies and implementation (Singapore Compact 2011).

### 10.3.6  South Korea

South Korea is a newly industrialized and developed country that has achieved an amazing record growth in a relatively short period. The population of South Korea is 48,754,657 (July 2011 est.) and with the GDP (purchasing power parity) $1.459 trillion (2010 est.), thirteenth in the world. Like Japan, South Korea economy was also heavily affected by the global economic crisis in late 2008. The GDP growth much slower to 0.2 % in 2009 compare to 2.3 % in 2008. The economy was recovered in 2010 with the GDP real growth rate 6.1 % (2010 est.) (CIA, The World Factbook https://www.cia.gov/library/publications/the-world-factbook/geos/ks.html).

South Korean society recognized the importance of CSR through its financial crisis. This historic economic disaster provided a context which generated societal demands and pressures on CSR by stimulating local actors. South Korea experienced a financial crisis between October 1997 and March 1998. The first symptoms of the crisis were recognized in 1996. Korea's account deficit broadened from 2 % of GNP in 1995 to 5 % in 1996. The growth of exports slowed down and South Korea's foreign debt increased dramatically to 100 billion dollars in 1996. The financial crisis introduced the concepts of CSR to South Korean society (Choi and Aguilera 2009). For example, there was a substantial increase in references to CSR in the *Korean Economic Daily* (Choi and Aguilera 2009). Although the penetration of CSR reporting in Korean's corporations is still low (52 %) as compared to the Western counterparts (in UK is 98 %) (Chapple and Moon 2005), recently the interest of the government, academics and practitioners on CSR has increased substantially (Won et al. 2011; Choi et al. 2010).

The financial crisis had a great impact on local actors, such as state, corporate, unions, and consumers, who were important stakeholders in CSR. For example, the financial crisis brought the first transition of political power from the ruling to the reformative opposition party. Moreover, the severe restructuring of companies broke lifetime employment systems, and the uncovering of firms' corruptions prompted NGOs' monitoring. Abolishing protectionist trade policies made customers seek their rights and voice their complaints against Korean companies, which had enjoyed a monopoly for decades. Furthermore, these local companies

saw the fatal consequences when companies only pursued their economic profits through the financial crisis. As a result, these bitter lessons make local companies to rethink the role and responsibilities of corporations in society and stimulated them to generate considerable societal demands for improved CSR behavior in Korea (Choi and Aguilera 2009). Additionally, there is a significant impact of Western investments on Korea Corporations after the crisis. The Western investors use CSR ratings in making investment, pressuring Korean's companies to adopt CSR to attract them (Won et al. 2011). If fact, recent study (Choi et al. 2010) in Korea indicates that there is a positive and significant relationship between CSR (the stakeholder-weighted CSR index) and corporate financial performance.

## 10.4   Current and Future Trends and Challenges

The current trends of the six Asian countries are that each of them has its own ways of carrying out corporate social responsibilities. Most of them are strong in certain areas and weak in other areas. Take, for example, on one hand, South Korea is strong in philanthropic efforts and activities while Singapore is strong in instituting and/or carrying out legal principles and governance framework in its CSR efforts; and on the other hand, China is weak in the quality control of irresponsible companies producing sub-standard and even poisonous products for human consumption while India is weak in identifying the real needs of the society in the rural; lack of transparency and lack of scientific method to assess the impact of CSR initiatives. Perhaps these Asian countries, through regional bodies (such as ASEAN) and cooperation need to work together, collaborate and synergise in their CSR efforts so as to do well collectively and individually. These can be done through greater information exchange as well as synergistic or collaborative efforts and cooperation among businesses, both private and public sectors, as well as more importantly, relying on the existing resources and institutional framework that currently exists in ASEAN.

The challenges ahead are to align them and to work on a unified and agreed corporate social responsibility and to move forward. CSR issues such as global warming, carbon dioxide emission, logging/deforestation and haze control are some of western issues that can also be embraced by the Asian countries.

It is to the authors' conviction that countries, if they are to do well economically, must realise and do something towards greenness, taking care of the environment and sustainable development; otherwise, they may slide because of competition, greener countries, greener industries and their greater efforts. Greenness, clean environment and sustainable development need to be a way of life and be part of life and living while being embraced naturally or intrinsically by human kind.

## 10.5  Conclusion and Recommendation

SD is a widely accepted concept as a guiding model that integrates economic, social and environmental issues at various levels, either the macro level or the micro level. CS is a derived concept from SD at the corporate level addressing for both short and long-term economic, social and environmental performance of corporations. Although the CSR concept was developed separately from CS, it also addresses the same dimensions (economics, environment and social), which indicates that besides making profits for further development, a corporation carries social responsibility (contribute resources to the community and improve quality of life) and environmental responsibility (make sure business activities do not create imbalance for the environment). The two concepts are now converging like two sides of the same coin.

Both CS and CSR are developed based on Western values and widely adopted by Western corporations. Western corporations operating in Asian countries have brought CS or CSR concepts to the place where they operate. However, imposing pure Western-based CSR in Asian countries would not work.

There is no doubt that the concept of Asian CSR is totally different from the western CSR. Western CSR are more scientific and advanced in the sense that they have gone through the industrialised revolution, they are quite well developed and they are in an advance stage in which they call for a higher and refined CSR. On the other hand, Asian countries, most of them are still living in the poverty line and still under developed such as livelihood in the some rural parts of India and China, they are still living in the state of survival and some of the countries have not even reach the state of polluting the environment and they have not used to what is called CSR. Therefore, the term CSR should be applied in country by country basis; industry by industry basis and factory by factory basis. It is critically important to incorporate local wisdoms and Asian values (either cultural-based or religion-based values such as, e.g., humanistic values and nature is good) in implementing CSR so that its adoption can be done smoothly and benefits of implementation can be realized by both companies and their stakeholders.

The penetration and implementation of CSR varies from country to country. Most countries studied encourage companies to implement CSR voluntarily. Indonesia has moved forward by enacting a law that make compulsory for companies to implement CSR, although the law was currently to apply for resource-based companies. India is likely moving in the same direction. Governments can also initiate further awareness programmes and campaigns to persuade and/or urge citizens and corporations to adopt CSR. Green or nature-friendly values should be highlighted and promoted in the media. There has, in fact, been a growing interest from academics, governments, practitioners, NGOs and corporations in Asian countries to study CSR and this is definitely good. These will certainly be a good basis for further adoption of CSR, especially Asian-adapted CSR, by all corporations – including Asian corporations, operating in Asia. It is also good if more studies are done as they would help corporations to comprehend the

benefits of implementing CSR for their performance, including financial performance and sustainability; they will definitely to help more Asian corporations to adopt CSR measures.

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# About the Editors

**Professor Kim Cheng Patrick <u>LOW</u>** Ph.D. (South Australia), Chartered Marketer, Certified MBTI Administrator, & Certified Behavioural Consultant (IML, USA), brings with him more than 21 years of combined experience from sectors as diverse as the electronics, civil service, academia, banking, human resource development and consulting. During his consultancy days, his MNC and local corporate clients from Asia-Pacific include from manufacturing, electronics, IT, retail, engineering services, hospitals, hotels, banks and financial institutions as well as the public sector. The once Visiting Professor, Graduate School of Business, University of Malaya (Jan to Feb 2007), Prof. Dr. Low was the Deputy Dean, Postgraduate Studies & Research, teaching in University Brunei Darussalam (2009). He teaches the graduate students/M.B.A. in Organisational Behaviour, Managing Negotiations, Leadership and Change Management, and the undergraduates in Leadership Basics, Challenging Leadership, Business and Society, Issues in Organizational Leadership, Organization Analysis & Design; and Organization Development & Change. The former Associate Dean, Director of Career Services and Chair of the Management and Marketing Department of a University in Kazakhstan (2004 to 2006) focuses on leadership/human resource management and behavioural skills training covering areas like negotiation/influencing, leadership and behavioural modification. An academician-practitioner, a prolific author (author of 12 books including bestsellers (*Strategic Customer Management*, 2006, 2002, 2000 – one of Borders' top 10 in 2001/2002, *Sales Success*, 2006, 2003; *Team Success*, 2003 and *The Power of Relationships*, 2001). His most recent books include *Leading Successfully in Asia* (Springer, 2013), *Successfully Negotiating in Asia* (Springer, 2010) and *Corporate Culture and Values – Perceptions of Corporate Leaders of Cooperatives in Singapore* (VDM-Verlag, 2009). A business coach, Prof. Dr. Low is the founder of BusinesscrAFT™ Consultancy and he previously served as an Examiner for University of South Australia's DBA and Ph.D. candidates (2003 to October 2006); presently, he has been appointed as the supervisor for its DBA candidates. Besides his experience in academia, training and consulting, Prof. Dr. Patrick Low has held

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