

A Review on Trends of Corporate Social Responsibility

Kazi Masuma Khatun, Md. Aminul Islam,
Idris Md. Noor and Syahira Sa'aban
School of Business Innovation and Technopreneurship,
Universiti Malaysia Perlis, 01000 Kangar, Perlis, Malaysia

Abstract: The aim of this conceptual study is to review underlying concept and theories of Corporate Social Responsibility (CSR) with an eye toward understanding its current trends. Thus, this study seeks to explore the CSR practices all over the world. The practices of CSR in different countries of the world have been reviewed to understand the current movement of CSR. Based on review of several previous researches, we found that CSR is a growing trend in corporate culture due to increasing expectations of the companies by the greater society. However, in the developing countries the trend is yet to be established. Moreover, companies of developed countries show more commitment to CSR than companies of developing countries and companies of developed countries are more devoted to having structured business ethics and governance programs in place. We hope that this study will serve as reference material to managers, researchers, students and other individuals and organizations interested in CSR.

Key words: Corporate social responsibility, sustainable development, business, trend, CSR disclosure, ethics

INTRODUCTION

Many years ago, the global economy has been under questions of ethics, responsibility and justice. The worldly view of the economy that separates it from other anthropological, societal and ecological scopes of life is no longer maintainable in today's world. Poverty, illiteracy and wealth inequalities, exploitation of workers, wastage of natural resources and environmental risk are all very obvious. Governments are unable to confront and solve these interweaved challenges. It is observed that corporations are playing the most important role in directing and managing the movement of financial and natural resources. In order to confront, the current challenges and achieve sustainable development of economy, environment and community as a whole the notion of corporate social responsibility developed. Hence, corporate social responsibility has advanced factually in feedback to certain concerns that are explicit to businesses.

Moreover, the business of the 21st century irrespective of size is going to be part of a global business community, affecting and being affected by social change, events and pressures from around the world. Regardless of the number of employees, the link ages of companies to

customers, suppliers, employees and communities around the world are likely to be more numerous, divers and important to their success. This is why the relationship between business, government and society is so important to understand both as a citizen and a manager. Whether looked at from outside business as a member of the community or from within business as a manager, entrepreneur or employee it is important to see how business can blend economic and social purposes together with minimum conflict and maximum benefits for all (Post, 1996).

This study addresses the ideas, practices and movement of corporate social responsibility all over the world. The objective of this study is to provide a reference for managers at corporate level and organizations interested in CSR to update them about CSR practices.

IDEAS OF CORPORATE SOCIAL RESPONSIBILITY (CSR)

Corporate Social Responsibility (CSR) is a widely known concept on how business entities should contribute back to society. This particular concept is also known to some as corporate responsibility, corporate

citizenship, corporate philanthropy, responsible business and many more. Despite different names given, this concept is geared with one objective to promote social justice to society and environment. The concept of CSR is still developing until today as to many issues were addressed to satisfy the present needs. For example, employees' rights, women's rights, gender policies, being environmental friendly, charity and helping the poor, transparency in management and also validation of financial reports. CSR is also said to be associated with corporate governance nowadays. Hence, it is until now difficult to give an exact definition of CSR since, it is a broad concept and touches many little yet important aspects of social cohesion (Nor and Asutay, 2011).

CSR is an organization's commitment to conduct its business in an economically, socially and environmentally and in sustainable manner whilst balancing the interests of a diverse range of stakeholders. In another definition, CSR refers to the responsibility taken by organizations and the impact of their activities on customers, employees, shareholders, communities and the environment in all aspects of their operations. This obligation is extended beyond the statutory obligation to fulfil with legislation to see organizations voluntarily taking further steps to improve the quality of life for employees and their families as well as to the local community and society at large. CSR is not a philanthropy concept; rather than on-going commitment by organization to behave ethically and add to economic development by satisfying the requirement of stakeholders (Siwar and Hossain, 2009).

The idea of CSR began to take noticeable shape in the third era of century. The fundamental idea embedded in CSR is that business corporations have an obligation to work for social betterment and should be held accountable for any of its actions that affect people, their communities and their environment. It is maintained that the business organization exist only because it satisfies valuable needs of society. 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 (Muhamad, 2007)

A long debate on Corporate Social Responsibility (CSR) has been taking place since the second half of the 20th century. Bowen (1953) wrote Social Responsibilities of the businessman and since, then there has been a movement in terminology from the social responsibility of business to CSR. Moreover, this arena has grown expressively and currently contains a great explosion of theories, methodologies and terms. Society and business, social issues management, public policy and business,

stakeholder management, corporate accountability are just some of the terms used to describe the phenomena related to corporate responsibility. In recent times, reintroduced interests of CSR and new substitutenotions have been suggested, including corporate citizenship and corporate sustainability. Some researchers have associated these new notions with the classic notion of CSR (Van Marrewijk, 2003; Matten *et al.*, 2003; Wood and Lodgson, 2002).

TRADITIONAL THEORIES OF CSR

CSR is still a doubtful issue (Joyner and Payne, 2004). Friedman and groups of the neo-liberal school of economy stand firmly on the position that business has no social responsibility other than making profit. The interview with The New York Times, Friedman (1970) openly acknowledged that 'the social responsibility of business is to increase its profits'. They are a bit more generous to the matter of management ethics, however as long as ethical activities straightly support the acts of business and accordingly subsidize to profit of companies.

On the other hand, according to the social contract theory, business must act in a responsible manner not only because it is in its commercial interest to do so but also because it is a part of how society implicitly expects business to operate. Business should be regulated as a social institution and should join with other social structures like the family. According to the instrumental theory, business may choose to support some social programs for reasons of good image and for competitive advantage (Khatun and Alautiyat, 2012).

Similarly, legitimacy theory indicates that CSR is a response to the environmental pressures involving social, political and economic forces. The perceptions of society towards the organizations are crucial and they may affect the survival of the business (Khatun and Alautiyat, 2012).

Finally, the stakeholder theory pays attention to the needs and rights of all the stakeholders of a business as a useful way of developing socially responsible behavior by managers (Siwar and Hossain, 2009). These theories can be summarized by Fig. 1.

From the above mentioned fact, it can be said that all notions of CSR is a critical factor for sustainable business. Though, all the theories highlight that the conditions are reliant on outward factors such as regulations, competition, pressure from society and environment and so on. Pressures from stakeholders would be the key facilitator for appropriate sensitive or reactive CSR obligation.

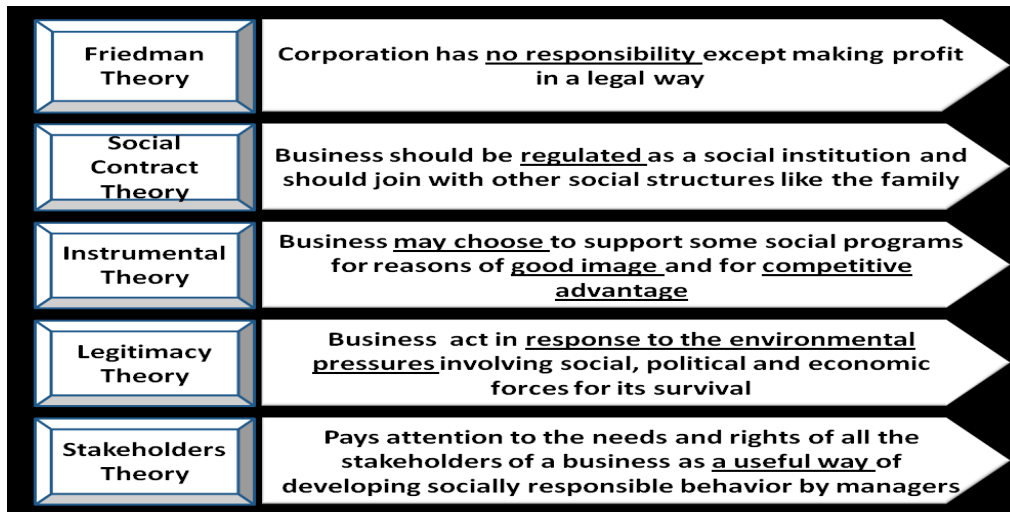


Fig. 1: Traditional theories of CSR (Khatun and Alautiyat, 2012)

TRENDS OF CORPORATE SOCIAL RESPONSIBILITY PRACTICES AROUND THE WORLD

The concept of Corporate Social Responsibility (CSR) is now well-established in many countries although, it remains contested and controversial in some places. The European Commission defines CSR as ‘a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis’. Beyond Europe, USA and a few other countries, its adoption remains limited and fragmented (Volodina *et al.*, 2009).

Hurst (2004) has found in his research that European companies show more commitment to CSR than US companies. However, American companies are more devoted to having structured business ethics and governance programs in place.

The existing researches have indicated that CSR is a growing trend in corporate culture due to increasing expectations of the companies by the greater society. However, in the developing countries the trend is yet to be institutionalized. Tee *et al.* (2007) have concluded in their study that given the increasing number of countries responding to stakeholder pressure by introducing mandatory disclosure/reporting requirements for companies and the increasing international connectedness of businesses, including access to international equity capital and investments, companies of developing countries continue to resist serious engagement in corporate social responsibility and reporting.

An international survey of corporate social reporting conducted by KPMG in 2008 found that 70% of the world’s 250 largest companies issued separate reports on Corporate Social Responsibility (CSR) compared to 52% in 2005. At the national level, the two top countries in terms of separate CSR reporting are Japan (88% in 2008; 80% in 2005) and the United Kingdom (84% in 2008; 71% in 2005). The recent escalation in CSR disclosures by corporations worldwide signals the significance of CSR for sustainable development. However, in South East Asian countries such as India, Pakistan, Bangladesh and China only a limited number of companies engage in corporate environmental and social disclosure (Azim *et al.*, 2011).

Bavec (2012) found in his research that Italy, Slovak Republic, Romania, Portugal, Greece, Lithuania, Poland, Czech Republic, Spain, Hungary and Russia, Bulgaria, Croatia, Slovenia demonstrates significantly different social and ethical practices than all other analyzing countries New Zealand, Switzerland, Canada, Australia, Finland, Sweden, Luxembourg, Japan, Norway, Denmark, Taiwan, Singapore, France, Ireland, Belgium, United Kingdom, USA, Netherland, Austria, Germany, Korea which all belong to the most developed European and Asian and North American countries. Geographically, China, Turkey, India, Hong Kong, Israel and Estonia also belongs to this group. These countries are from very different regions and different cultural backgrounds but they share similar social and ethical practices of management. These are absolutely exciting outcomes which could be clue of many discussions.

From the presented dendrograms, we can observe likenesses between individual countries; yet, they are not revealing any ranking of countries. The figure is opened to diverse clarifications and detailed exploration.

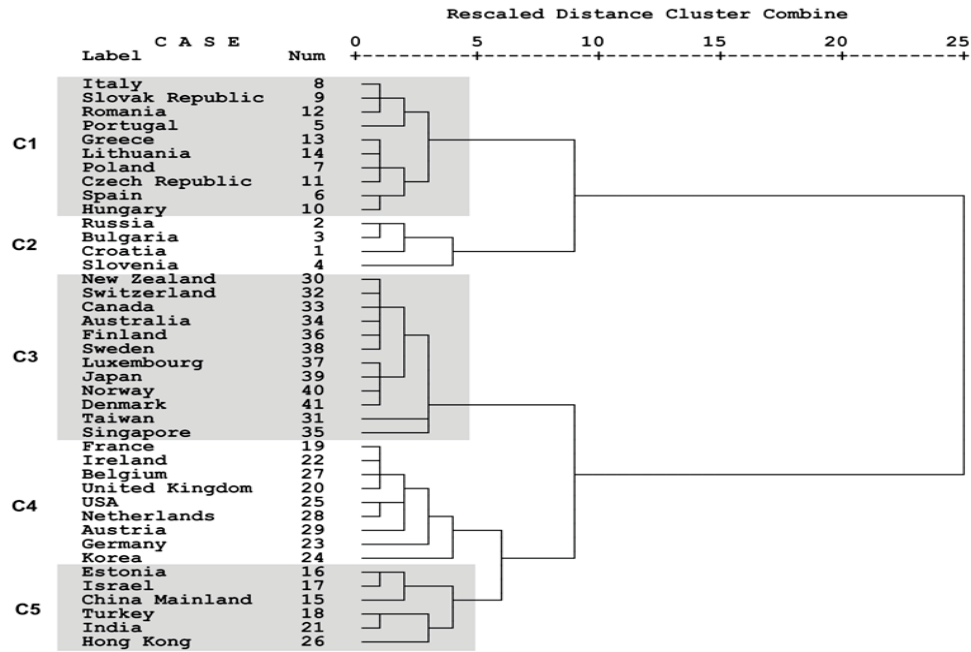


Fig. 2: Clustering countries by the three variables (ethical practices, credibility and social responsibility of business managers) forming the aggregate indexes Social Responsibility and Ethical Practices (SREP) (based on data from IMD 2010) (Bavec, 2012)

We can see over 10 too distinct branches of countries at the highest level of cluster separation at the rescaled distance (Fig. 2).

From the above figure, it can also be observed that which countries are particularly similar, for example New Zealand, Switzerland, Canada, Australia, Finland and Sweden (part of the cluster C3). However, the whole composition of the cluster C3 is very enlightening with unexpected group of countries from very different regions. Something very similar can be noticed in the cluster C4. It shows that similar social and ethical practices of management are not regional characteristics but are more or less global and depend more on general social and cultural environments. It would be also very interesting to discuss the composition of the cluster C1. We would expect that Central and Eastern European countries would share some social and ethical characteristics. However, there are also old EU countries Italy, Greece, Portugal and Spain in this group. In the cluster C2, there is also Russia forming the group with Bulgaria, Croatia and Slovenia which is also less expected. (Bavec, 2012).

CONCLUSION

Social responsibility could coincide and contest in the developed and developing economy or in the

international market. Can somebody be socially responsible while others are not in the identical challenging market? This predicament is evidently comprehended in maneuvers of many multinational companies on the relation developed developing countries (Jenkins, 2005; Jamali and Mirshak, 2007; Doane, 2005). Many international companies have very diverse social and ethical criterions for operating in homeland or developed countries than in the developing world. Such kind of activities is obviously highly unscrupulous. Subsequently, we are dangerously near to the Friedman's notion that the profit is all that matters. We will not go for detail discussions such kind of business tactic indicates extremely immoral conduct predominantly in relation to developed less developed countries. According to Bavec (2012), manifestly in the most developed countries unethical business practice is not tolerable. Nevertheless in many underdeveloped economies profit is top in their priority list that social responsibility and ethics are more or less educational queries. They even do not have well-organized societal or legal mechanisms to combat such conduct.

We could just say that more developed countries have a larger proportion of businesses that perform favorably about social and ethical matters than developing countries. Therefore, developing countries

should focus on CSR practices of developed countries and scrutiny their business practices so that they can run their business in more ethical way in order to achieve sustainable development. It is important for businesses not only to provide products and services to satisfy the customer but also to ensure that the business is not harmful to the environment in which it operates. In order for an organization to be successful, the business must be built on ethical practices. Companies are under pressure to act ethically. This pressure comes from customers, consumers, governments associations and the public at large which can be called key drivers of CSR practices and disclosures. Furthermore, we know that the role of managers in CSR is considered to be very important initially. Ahmad and Rahim (2005) have found that role of top management is very important and in fact they plays a critical role in promoting and forming the concept that socially responsible actions are important fundamentals of the decision-making task. Accordingly, if companies are conscious of CSR, this would be reflected in their actions, mainly in terms of execution of CSR endeavors and CSR disclosures. It is important for companies of top management to understand the importance of operating ethically and to measure their success by more than just profitability. Corporate social responsibility is more than just philanthropic activity. There must be measurable and sustainable action with each programme that is implemented.

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