Corporate Social Responsibility: Does One Size Fit All

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Abstract

As multinational corporations (MNCs) increasingly shift base to developing countries they are also required to manage different demands from various stakeholder groups in those countries which often creates a dilemma in front of the managers on whether to follow the corporate social responsibility (CSR) policies of their home-country or to tailor it according to the demands and expectations of local stakeholder groups including local communities in regions where the MNC operates. The current article examines how the managers of the MNCs operating in developing countries may manage the different needs and expectations of various stakeholder groups whilst advocating that one size fits all approach for CSR does not work. The results indicate that todayit's increasingly being expected by communities and policymakers that the large profit making MNCs should also contribute towards reducing poverty especially in developing countries and it is in businesses' long-term interest to contribute towards building human capital in developing economies where they operate as it will result in potentially millions of more customers for their products and services whilst improving the corporate or the brand image of the company in the eyes of the stakeholders and thus creating a win-win situation for all.

Key Words: ***CSR, MNCs, Local Communities, Poverty, Development***

Introduction

As multinational corporations (MNCs) rapidly move base to developing countries due to different reasons ranging from abundance of natural resources to cheap labour (Muthuri et al., 2012), they also have to face a variety of often different demands from various stakeholder groups in those countries, from adopting quasi-government roles such as providing for education, healthcare, infrastructure and other facilities which quite often governments in those countries are unable to fulfil (Amadi & Abdullah, 2012), to other demands such as partnering with local governments to achieve international development goals. This often creates a dilemma in front of the managers on whether to follow the corporate social responsibility (CSR) policies of their home-country or to tailor it according to the demands and expectations of local stakeholder groups including local communities in regions where the MNC operates. Consequently there is an urgent need to study and explore about how the MNCs should manage the diverse groups of stakeholders to avoid potential conflicts with local communities in regions where they operate in developing and underdeveloped countries. The current article seeks to find ways on how the managers of the MNCs operating in developing countries may manage the different needs and expectations of various stakeholder groups whilst advocating that one size fits all approach for CSR does not work.

The introduction is followed by the literature review. The following section includes the methodology part which has different subsections including design of the study and sample. The final section includes the findings, followed by the contribution of the current paper.

Literature Review

The roots of corporate social responsibility or CSR as it's popularly called in common parlance can be traced back since the early nineteenth century in the works of several enlightened industrialists such as Jamsethji Tata in India as well as businessmen in other parts of the world including Marks and Cadbury in the United Kingdom (UK), Carnegie and

Rockefeller in the United States (US) among many others. However, it's Bowen's (1953) seminal work entitled "Social Responsibility of the Businessmen" which is marked as the beginning of the modern period of literature on CSR (Carroll, 1999). Bowen posited that CSR involves the social obligation by the 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 (Bowen, 1953). In addition many social movements during the 1960s in the US including the 'Civil Rights' movement led by Martin Luther King along with other movements such as the women's rights, consumers' rights and the environmental movement and the ideas espoused in these movements by the people played a vital role in kickstarting the social changes ushered in during the 1960s especially in the US. The message conveyed as part of these movements to the businesses eventually had to be addressed and consequently the idea that the private sector and especially the large business conglomerates have to take responsibility for their actions along with being socially responsible gained foothold. Thus a rapidly changing socio-cultural environment as well as pressures from different rights groups, activists and NGOs forced the companies to incorporate CSR policies and programs as part of business (Carroll & Shabana, 2010) in the United States of America. Following the social movements in the 1960s, the concept of CSR grew rapidly in significance and major contributions in the development of its literature was made by a number of scholars and academics such as Davis (1960); Fredrick (1960); McGuire (1963); Carroll (1979, 1991, 1999); Woods (1991) among many others. Formal writings on the subjectemerged mostly in the United States during that period (Carroll, 1999) and the scholars focused on the question of what social responsibility actually means and its importance to business and society. However, till date there has been no universally accepted definition of CSR (Matten & Moon, 2005) and it encompasses a large number of implicitly competing ideas which are influenced by the social, cultural, political and economic environment of the particular country as well as by the needs and demands of the different stakeholder groups in those countries (Argandona & Hoivik, 2009). Matten and Moon (2008) have quite clearly highlighted the heterogeneity of the definitions of CSR by stating that ''CSR is an umbrella term overlapping with some, and being synonymous with other, conceptions of business–society relation (Matten & Moon, 2008, pp. 405)''. Whilst Dahlsrud (2008), who conducted a comparative analysis of 37 different definitions of CSR, refers to CSR "as a social construction and as such, its not possible to develop an unbiased definition" (Dahlsrud, 2008, pp. 2). Thus on the basis of the literature review conducted as part of the current article, CSR may be referred to as an "umbrella term" for several overlapping as well as disparate theories on businesses' responsibility (Matten & Moon, 2008), "for their impact on society and the natural environment..." (Blowfield & Frynas, 2005, pp. 5).

The following research questions were investigated as part of the current article:

- ***Should the MNCs have a common CSR policy and guideline for countries in the North and the South?***
- ***Does having a 'one size fits all' approach works when formulating the CSR policies?***
- ***Is there a need to adapt the CSR policy and initiatives as per the expectations of stakeholders including local communities in developing and underdeveloped countries?***

Method

Design of the Study

It is a conceptual research article using secondary source data including peer-reviewed research articles on CSR in countries both in the North and the South.

Sample

Following Laplume et al.'s (2008) paper selection approach, only those papers were selected and analysed as part of the literature review which had the maximum number of citations on google scholar and only the most cited research papers in recent years were selected as part of the review process.

Findings and Discussion

Today more than ever it is increasingly being expected by multilateral development agencies such as the United Nations (UN), local communities in developing countries, NGOs and governments that the large profit making MNCs should also contribute towards reducing poverty and facilitating income generating opportunities for the local poor and marginalised communities especially in developing countries where they operate (Idemudia, 2014; 2008; Amadi & Abdullah, 2012; Ogula, 2012; Scherer & Palazzo, 2011; Kercher, 2007). Arguments have been put forth by experts that CSRneeds to be rapidly expanded to meet the challenge of shaping an inclusive and sustainable global society (Williams, 2014), as CSRis considered by someas a vehicle through which the private sector can contribute to poverty reduction and other social objectives, which will not be achieved by governments acting alone (Fox, 2004). Recently India became the first country in the world to have passed the law on CSR and thereby making it mandatory for companies making a profit of Rs five crores or more annually to spend at least two percent of their pre-tax profits for CSR activities[1], as part of the "Companies Act" (2013). The change in looking at CSR as something which was done earlier by the firms voluntarily as part of their social responsibilitytowards their stakeholders to its recent transformation as one of the major tools for poverty reduction and achieving other international development goals as espoused by the UN is a very significant development (Frynas, 2008), as now businesses are not just expected to provide products and services at aprofit but contribute towards sustainable development.In addition the narrow approach to view development as being primarily about economic growth has been changing with emphasis on analysing the social dimensions of development led by the formation of UN's "Human Development Index"[2] and later to the adoption of UN's "Millennium Development Goals"[3] (Jenkins, 2005), which focuses on eradicating poverty and creating greater income and skill development opportunities for the poor communities in developing and underdeveloped countries (UNCTAD World Investment Report, 2014). It is also widely acknowledged by development agencies that often the governments in developing countries lack the expertise and resources to deal with the complex issues of poverty, illiteracy, healthcare amongst others whilst the MNCs can contribute towards achieving these development objectives as they have the technical and managerial expertise along with massive resources (UNCTAD Report, 2011). As Lodge (2006), observes, "the involvement of MNCs is crucial to global poverty reduction, especially in the developing countries, because poverty reduction requires systemic change, and MNCs are the world's most efficient and sustainable engines of change…"[4]. In addition according to Baumuller et al, (2014),it is in businesses' long-term interest to contribute towards building human capital by improving the education, health, infrastructure and income generating opportunities for the local poor and marginalised communities as it will result in potentially millions of more customers for their products and services whilst also improving the corporate or the brand image of the company in the eyes of the stakeholders and thus creating a win-win situation for all. Many studies conducted in the recent past in different part of the world have also shown that integration of community expectations is vital for the success of the CSR policies and initiatives of MNCs and failure to do so may lead to corporate-community conflicts (Ogula, 2012), as witnessed in the Niger Delta in

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[1] http://www.thehindu.com/business/Industry/government-clarifies-on-csr-spending/article5320157.ece
[2] http://hdr.undp.org/en/composite/HDI
[3] http://www.un.org/millenniumgoals/
[4] http://yaleglobal.yale.edu/content/multinational-corporations-key-global-poverty-reduction-—-part- i

Nigeria where local communities have on several occasions clashed with oil companies leading to trouble and financial losses for the companies including Shell (Idemudia & Ite, 2006). So recognising the host communities as stakeholders and partnering them when formulating the CSR policies creates an environment of mutual trust between the MNCs and local communities which is important for the MNCs to reduce and manage the negative impact of business. Effective community engagement becomes all the more necessary for MNCs as they often operate in regions in developing countries which have a high incidence of poverty and a lack of basic infrastructure facilities along with a weak governance structure and local communities in those regions expect the MNCs to fill the gap by addressing these developmental issues (Muthuri et al,. 2012). Thus it becomes vital for managers of the MNCs operating in developing countries to encourage community participation and work towards integrating genuine community concerns when formulating the CSR policies and programs not just to avoid potential conflicts with local communities which may affect their financial bottomline but also to be recognised as responsible corporate citizens. Effective community engagement thus holds the key for the MNCs not just for managing risk and mitigating externalities but also for creating a healthy environment for doing business and in gaining their social licence to operate in the developing world.

Conclusion

The article reveals the need for the MNCs to adapt their CSR policy and initiatives as per the genuine needs of the stakeholders including local communities in developing and underdeveloped countries where a MNC operates whilst throwing light on how the managers should manage the often diverse demands of different stakeholder groups to avoid potential conflicts between the company and local communities. In addition it may be said that it's in businesses' long term interest to contribute towards the overall wellbeing of stakeholders including local communities. The benefits may range from greater brand visibility and brand image, gaining a social licence to operate, greater employee retention to reduced cost and risk of doing business (Carroll & Shabana, 2010), whilst a failure to incorporate societal expectations to the CSR polices may result in corporate - community conflicts as experienced in several countries leading to negative publicity and protests by local communities, greater government control and disturbances which may adversely affect the financial bottomline of the company. So its advisable for companies to recognise local communities as partners when formulating the CSR policies and programs as it will not only contribute to the overall wellbeing and prosperity of communities but will also be beneficial for the companies and creating an enabling environment of growth for all.

Contribution of the Article

The current article contributes to the existing literature on CSR by highlighting the importance to incorporate the needs and expectations of the local poor and marginalised communities to the CSR initiatives of MNCs operating in developing countries to avoid potential corporate-community clashes as witnessed in many developing countries. The paper also argues that managing community relations efficiently is vital for MNCs to do business in developing countries and emphasises the need to create an enabling environment of trust between MNCs and local communities.

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Online Resources

1. **http://www.thehindu.com/business/Industry/government-clarifies-on-csr-spending/article5320157.ece**

2. http://hdr.undp.org/en/composite/HDI

3.http://www.un.org/millenniumgoals/

4.http://yaleglobal.yale.edu/content/multinational-corporations-key-global-poverty-reduction-—-part- i