

EVOLVING CORPORATE SOCIAL RESPONSIBILITY ON THE INTERNATIONAL SCENE

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ABSTRACT

Corporate social responsibility is becoming an accepted part of business practices in the United States. Globalization of business is taking this concept to other countries in unusual and unexpected forms. This paper is an examination of this trend and a projection of its manifestation at the national level in the global arena.

Key Words: Business Ethics, Corporate Social Responsibility, Evolving CSR, Globalization of Business

INTRODUCTION

Corporate social responsibility in its modern conceptual framework and content is probably less than fifty years old. It started as a social reaction to the socially irresponsible behavior of many large corporations. It created a great debate both in the academia and the political scene which for many of its opponents is still continuing. Nonetheless, it has become an accepted concept in politics, law, and business, and pivotal concept in business ethics. (Melo & Galan, 2011).

It is becoming probably the most widely discussed ethical principle in business. Ethical principles in an anthropological context refer to the fundamental values governing behavior in a society. All societies have some moral principles. Neither the age, nor size, location, developmental stage of a society alters this universal fact. Indeed, no community can exist without moral or ethical principles.

Ethical principles' major function is to make behavior of a community predictable by defining the expected and acceptable behavior in the culture. These are fundamentally pervasive functions that are essential to the creation, working and continued existence of a society. Through such definitions ethical principles make behavior of the members predictable; hence allowing individuals to interact with each other within a framework of relative calm and mutual trust.

As it can be easily surmised, the earliest source of these principles is the common history of any given community. As time passes other cultural elements enter the picture, contributing their share in the formation, development and evolution of ethical principles in the society. Perhaps the most important contributors in this process are religion, common language, shared values, collective beliefs in world view, and aspirations of the community. As societies grow larger, develop and diversify, legislative processes enter the picture and assume increasingly greater role in creation, modification and interpretation of the underlying principles governing social, political and economic relations in the society. Creation of the very concept of Corporate Social Responsibility is a good example of how the legal system in the United States has evolved in the past half century.

In the past fifty years Corporate Social Responsibility has become the conceptual canopy under which most of ethical principles governing behavior of larger business entities are consigned. These concepts often shape and drive many local and national legislative and legal movements. On the international scene these notions are increasingly becoming the benchmarks against which actions and behaviors of business entities are judged. These are perceptions of accepted and expected behavior of corporations that are engaged in any economic activity across international borders.

In this paper an attempt will be made to enumerate the many arenas that are touched by CSR, and the variety of venues through which these principles are being presented and pursued.

CORPORATE SOCIAL RESPONSIBILITY

In an earlier paper this author pointed to a trend in expansion of corporate social responsibility across national borders that was closely related to the globalization of business. As multinational companies expand globally and enter foreign markets, ethical conduct of the officers and employees assume added importance since the very cultural diversity associated with such expansion may undermine the much shared cultural and ethical values observable in the mores homogeneous organizations (Mahdavi, 2001) Thus, concerns about unethical behavior of corporations in other countries, were manifested in national legislations such as The Foreign Corrupt Practices Act of 1977, and the Sarbanes-Oxley Act of 2002.

On the other hand, in this process, academic works are considered to be inadequate because although understanding of other cultures and recognition of differences among them does enhance the cross-cultural communication, they are deemed insufficient to provide viable guidelines of proper ethical behavior in organizations. For instance, the culture-based consequentiality model that was developed by Robertson and Fadil, (Robertson and Fadil, 1999: 385-392) to explain, among other things, how cultural differences alter the ethical perception and actions of individuals engaged in making decisions with ethical overtones has not found strong enough footing in the international arena to effect the behavior of international and multi-national corporations.

WHY BUSINESS ETHICS?

As stated above for business to flourish and for business relations to run smoothly there is a great need for predictability of behavior among all parties. In smaller communities, with few players, relative homogeneity and stability, the traditional cultural and legal systems suffice to provide the necessary rules defining acceptable and expected behavior. However, as the arena enlarges, players multiply and innovations create new issues, the legislative processes, both at the national and international levels have proven themselves to be inadequate to provide solutions and/or even guidelines for the players in these arenas. Even international treaties and agreements are too slow to respond to the ever-changing needs for rules of commerce.

It is not unusual to witness new trends and issues arising on a daily basis. Innovations in development and introduction of new products; introduction of radically new technologies; creation of novel methods of reaching the potential consumers; expansion into new markets; and, of course, out sourcing of production and support functions are only a few examples of fields where, while new opportunities present themselves for global corporations, new burden are also created for organizations and end-consumers. In many of these instances the proper relationship between the various players in the field become murky and requires immediate definition of expected and acceptable behavior. In many instances legality of behavior is not adequate. In fact many of the recent business scandals involve behaviors that were generally considered to be legal.

The public scandals of corporate malfeasance and misleading practices, have affected the public perception of business organizations (e. g., Enron, Arthur Andersen, WorldCom etc.). More recently, collapse of the world economy mostly due to misbehavior of international banks and other financial corporations is still fresh in the minds of citizens and leaders of the world.

And of course BP's great oil spill in the Gulf of Mexico and the variety of seemingly smaller out-sourcing scandals involving sweatshops, unsafe working conditions and child labor, etc ...are obvious examples of the countless other categories of misdeed.

Lasch's contention in 1978 (1978: 1) that modern advertising "Seeks to create needs, not to fulfill them: to generate new anxieties instead of allaying old ones. . . .It addresses itself to the spiritual desolation of modern life and proposes consumption as the cure" seems to still be true.

It is becoming an increasingly accepted assertion that global expansion of business has created issues and problems that the ordinary legislative processes are not capable of resolving in an effective and timely fashion. Problems thus created are too numerous, far reaching and have very devastating consequences. They require very quick response, which the legislative bodies are not equipped to master, neither in content nor in extent, or in a timely manner. Thus, attention has shifted to the basic ethical principles that can contain elements which may be used by decision makers to guide them in their task in the absence of clearly defined legal stipulations. This is the role that American corporations have assigned to their relatively recently developed codes, referred to variably as Code of Conduct, or Codes of Behavior, or some similarly designated term.

CORPORATE SOCIAL RESPONSIBILITY

Corporate Social Responsibility is the emerging body of principles that has attracted attention of scholars, practitioners, and the public in general. As Melo and Galan (2011) point out, dozens of empirical studies have been published, since 2000 on Corporate Social Responsibility issues.

It is becoming generally accepted that a business has a set of ethical rights and obligations beyond those given it buy law, and this constitute the basic definition of Corporate Social Responsibility (Melo & Galan, 2011). Accepting this definition by a business defines the framework for assessing its behavior beyond that which is required by law. At the same time, accepting this set of principles by a business is a tacit acknowledgement of entering into a covenant with the society and accepting the legitimacy of the contract with society. Melo and Galan believe that once a business accepts that contract with society it appears that benefits accrue to the business in the long run. Nisen (2013) believes that not accepting this contract with the society can have very detrimental effects on a business' reputation.

Thus, it seems that Corporate Social Responsibility has not only emerged as a framework of ethical behavior for large organizations, it has, at the same time acquired its implied power of sanction, thus making it even more effective.

Many of the issues are not new. In a survey of 300 multinational corporations, 80 percent agreed with seven items being ethical issues for business: (1) employee conflict of interest, (2) inappropriate gifts to corporate personnel, (3) sexual harassment, (4) unauthorized payments, (5) affirmative action (6) employee privacy; and (7) environmental issues (Brooks, 1989; Berenheim, 1987, 1989: 117-129).

International treaties were postulated to serve as vehicles to regulate and enforce codes of conduct for international business. This point was made by this author and colleagues was thus stated: (Mahdavi, Mokhtari and Parhizgar, 2006)

“...[P]robably an international organization is the best vehicle through which a code of ethics covering all aspects of business can be developed. Once- on the basis of such a code- an international treaty is drafted, signed and ratified; it may be prudent to leave the implementation of the treaty to the member nations subject to regular audit by an independent international body. WTO may eventually take on this role.

It was further stated that until that happens, global organizations, such as the International Labor Organization, and World Health Organization, even World Trade Organization, need to develop and enforce their own codes of ethics specifically directed at the issues related to a multicultural, multinational business environment. In addition to these codes, the moral corporation should address human rights and whistle blowing and the international ethics code under which it operates.

CONCLUDING REMARKS

A most intriguing observation is the transformation of the concept of Corporate Social Responsibility into a canopy under which an increasing array of items presumably related to ethical conduct of business are being placed. This concept is being accepted by growing number and types of organizations as a quasi-social contract between players in the economic and political arena and the community at large. These organizations encompass a great variety of consumer groups, labor organizations, political parties, citizen groups, environmentalist, and international actions groups, and global corporations, to name a few. Neither do the expanding contents of these concerns vary any less. One can find concerns ranging from individual wellbeing; to human rights; consumer protection; conditions of work; rights of citizens; and protection of the environment.

It also appears reasonable to expect expansion of these organizations and concern as new catastrophic events occur, or new developments in any aspect of the global business are introduced. This author, as an observer of Corporate Social Responsibility suggests close examination and following of the major movements for comprehension of the far reaching consequences of these trends. The following few examples should further illuminate this point:

1. The catastrophic collapse of the building in Bangladesh housing many garment factories, which was followed by a flurry of activity by many Western corporations clients of the destroyed manufacturing companies in the building. These actions ranged from an attempt to draft and sign agreements to help the victims and prevent such events in the

future, to promising positive action to help with the working conditions and human rights violation. What is significant is an admission by these and other companies that such concerns do indeed fall under the overall conceptual umbrella of corporate social responsibility, and that, in the final analysis, they are accountable for them.

The banking and financial institutions scandal that created an unprecedented economic recession world-wide and the subsequent formal and informal agreements among many of the Western governments drafted to monitor and steer banking and financial institutions towards a more responsible path. Corporate social responsibility is the underlying concept upon which all these agreements are based.

2. The so-call “Occupy Wall Street” movement in response to the financial scandals and the growing concern with the so-called “Ninty niner’s” plight is another example of social movements that have profound effect on the societal understanding of corporate social responsibility. Many observers believe that the present calm should not be misconstrued to indicate demise of this movement. There is simmering public sentiment against the outlandish behavior of “Wall Street” institutions, which will erupt, sooner or later.
3. A growing movement and active presence of non-governmental, socially conscientious interest group organizations, such as the Triple Pundit, (a CSR rating company), which function as advocates of corporate social responsibility both in general and in specific frameworks. These organizations are indeed in a very strong position to expand and enforce social responsibility of corporations.
4. Expansion of voluntary creation and implementation of socially responsible policies and practices by large national and global corporations. Many large organizations have in fact embraced these concepts in their mission and vision statements. Fair trade policies; environmentally sustainable practices and donation of portions of company profits to charities are examples of this trend.
5. A major emerging area in corporate social responsibility is the role that governments, in their pursuit of national and international policies and strategies are assigning to business enterprises. Close association between governments and international business is not new. There are just too many examples in the history of international business of soldiers following merchants and vice-versa. What is new is the increasing and imaginative use of business firms by states to further their national policies. A very good example in recent years is reliance of the Western countries on economic sanctions to persuade their adversaries to abide by their demands and/or to change course of action. Globalization of business has in fact provided states a powerful tool that although not as dazzling as overt diplomatic action or war, it has proved itself to be as effective. Removal of nuclear arsenal and technology from Libya in the 1990’s; opening of the democratic venues for the people of Burma in two years ago are just two successful examples of using economic and business sanctions to further the international agenda of the Western countries in general and the US in particular.

The issue is how far, and to what extent should governments and international political communities determine social and legal responsibilities of corporations functioning on

the global arena. This is the issue that this authors proposes to study in details in future papers.

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