

CORPORATE GOVERNANCE AND SOCIAL
RESPONSIBILITY

M6X00876
ASSESSMENT 1

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(a) Discuss and critically evaluate the role of privatised water companies in terms of Carroll's pyramid of Corporate Social Responsibility.

Issues that would require discussion :

Critically evaluate the water companies Economic, Legal, Ethical and Philanthropic responsibilities, and discuss which responsibilities they live up to and where might there be room for improvement. Give examples.

Like any other companies around the world, water companies also hold the responsibility of governing and managing their firms in socially responsible methods. As social concerns in the business world in terms of the well being of the environment, human rights and other concerns are becoming more prioritised and not overlooked in modern times, organisations are forced to take these issues seriously and not to be taken lightly.

The Carroll's Pyramid of Social Responsibility is a figure created by Archie Carroll, a business management author and professor. In 1991, Carroll stressed in his article that businesses must be responsible in its role of these four factors which are economic, legal, ethical, philanthropic factors. (Regina Anaejionu, n.d.) Carroll believes that a company must not only focus on making profits while ignoring the negative repercussions that might have an affect on its surroundings. He suggests that organisations exist not just only to make money for them and their shareholders but also to support society and having love for human beings and the environment alike. (John Dudovskiy, October 2012)

Carroll's Pyramid of Social Responsibility is created to give a simple outlook and to give a better understanding of corporate governance and social responsibility. It is also thought to oppose Milton Friedman's theory of social responsibility in business. (tutor2u, February 2018 on YouTube) Friedman on the other hand believes that businesses must first and foremost prioritise the interests of the business and its shareholders. His theory suggests that terms like "corporate social responsibility" and "business sustainability" pose as a distraction for a

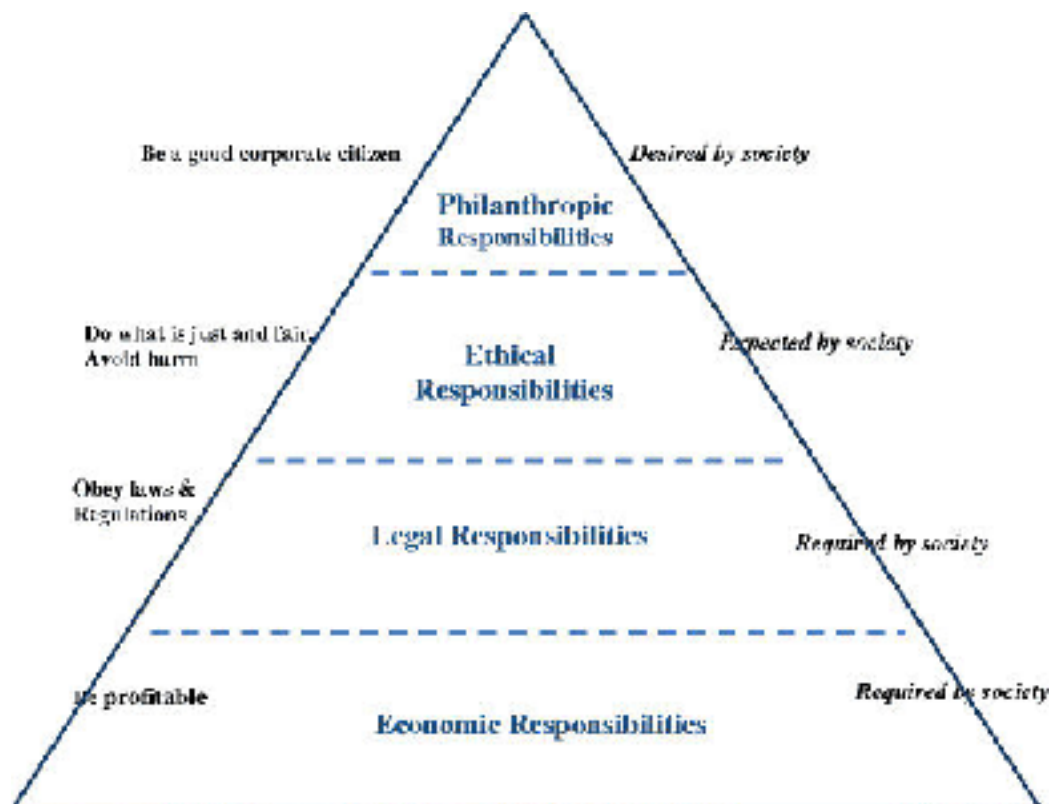
company's main and more important goals. (Joel Makower, November 2006) Friedman however does not believe that organisations should not be socially responsible. In his view, companies should focus on achieving their goals in the market more rather than spending money on social interests. Friedman once stated in his 1970 article that the whole corporate social responsibility scene makes businessmen doing the roles of a civil servants rather than doing roles as executives. (Joel Makower, November 2006) Friedman concluded in his article saying;

"The difficulty of exercising 'social responsibility' illustrates, of course, the great virtue of private competitive enterprise -- it forces people to be responsible for their own actions and makes it difficult for them to 'exploit' other people for either selfish or unselfish purposes. They can do good -- but only at their own expense." (Joel Makower, November 2006)

Therefore, Carroll's theory on the same subject reveals a whole different perspective on governing a business. His theory brings a sense of togetherness in the world of business meaning that the world is a place where we all share regardless of our differences; even differences in species. Carroll's pyramid can help examine a business' morals when approaching an action.

Asahi Breweries

In evaluating a water company's economic, legal, ethical and philanthropic responsibilities, the company that will be discussed is Asahi Group Holdings, Ltd. (アサヒグループホールディングス株式会社) or better known as Asahi Breweries. Asahi is beer and soft drink company founded in 1889 in Osaka and based in Tokyo, Japan. (Romein, Jan 1962) In January 2014, it was the biggest producer of beer in Japan (Kachi, Hiroyuki January 2014) making it crucial for them to subdue to corporate social responsibility to sustain their name and reputation. Carroll's Pyramid of Social Responsibility shown in the figure below:



Economic

First, the economic responsibility of Asahi which is of course the main priority of most companies out there. Economic responsibility is producing the goods and services that are demanded by society and in return satisfy their wants and needs. (John Dudovskiy, October 2012)

The history of beer in Japan goes back to the Edo Period when it was first introduced by Dutch traders. (japan-guide, July 2018) It is however during the Meiji Period that beer became more prominent in Japan with trained European brewers arriving making it more available and popular in Japanese culture. (Mental Itch, n.d.) Asahi Group was founded as Osaka Beer Brewing Company in 1889 by Komakichi Torii with the aim of producing authentic Japanese beer. With the help of German technology of producing beer, Osaka Beer sought to make beer that is suitable for Japanese tastes. (Asahi Group, n.d.)

It is common for Japanese companies to study the technologies from Western companies and implement their own ways that will end up being unique and sometimes better than its competitors. Asahi certainly did an amazing job in producing beer that suits Japanese tastes in which them being one of the biggest beer producers in the country being an evidence.

Asahi also produced soft drinks not long after its success in beer producing. It also went successful. Today the company has subsidiaries in Europe, North America, China, Southeast Asia and Oceania and has a total of 28,000 employees and having a total sales of 2120.3 billion Japanese Yen proving the company's prominence in terms of economics. (Asahi Group, n.d.)

Legal

One of the main reasons that a beer company like Asahi can thrive healthily in Japan is because of the nation's relaxing laws towards alcohol. Japan is quite relatively known for its disciplined and law abiding citizens. So, the discussion in terms of legal responsibility for a Japanese company will be quite interesting. (Nomunication, n.d.) In Japanese society, adhering to social rules, regulations and values is very important. Their culture is centred around an individual's social role (*tachiba*) rather than a sense of self. (Nader Ghotbi, n.d.) This is very common in culture around Asia but it is in Japan that this mindset is on a way another level.

In Japan, examples of relaxed laws where public intoxication is legal, drinking in public areas such as on public transports and a non-strict alcohol sale regulation. (Nomunication, n.d.) Despite the non-strict laws imposed on alcohol, there are still social norms which a lot of Japanese people considers them very important due to their sense of 'collectiveness' that exists within their culture. (Nader Ghotbi, n.d.)

Ethical

As for ethical responsibility, Asahi Group focuses on things like the environment, human rights and responsible practice. (Asahi Group, n.d.) In terms of environment, the company is known for having an environmentally friendly methods in its system of governance like setting up an Environmental Management System and Environment Principles and Goals. In its principles and goals, Asahi Group acknowledges that natural resources such as water are "gifts of nature" and they are responsible to preserve and protect them at any costs. (Asahi Group, n.d.) The beverage firm had also received a number of awards such as Highest environmental ranking by the Development Bank of Japan due to their practise of "Material Balance" done to reduce the environmental burden produced as a result of their business activities. (Asahi Group, n.d.) The use of water by Asahi Group is also a notable example of the company's obedience in being responsible towards the environment.

Water companies like Asahi Group usually uses huge amounts of water in their business. The use of water ranging from cultivating crops to cleaning of production equipment. (Asahi Group, n.d.) Water is considered a staple for human beings across the world. So, there is a huge chance that a big and powerful water company like Asahi can exploit the availability of water in the area they operate. However, Asahi Group works actively in conserving sustainable water resources so that they do not deprive its surrounding areas of water supply. Today, 14% of water used in Asahi's plants is treated and reused. (Asahi Group, n.d.)

In terms of human rights, Japan as a country in general takes it very seriously. They host various meetings across the country for industry and business sectors to discuss human rights issues. (Business & Human Rights Resource Centre, n.d.) The country also promotes human rights education based on the Basic Plan on Human Rights Education and Enlightenment approved in a Cabinet meeting in March 2002. (Business & Human Rights Resource Centre, n.d.)

Asahi Group also promotes diversity in its management. The company believes in order to create a new value and increase its sustainability, they have to promote a diverse background of workers and employees regardless of nationality, gender and age. (Business & Human Rights Resource Centre, n.d.) This is considered a huge step for an organisation from Japan considering Japanese society is regarded one of the most conservative societies among other developed countries. Just like every other Japanese companies that are multinational, Asahi had to break down those barriers to seek a more global market.

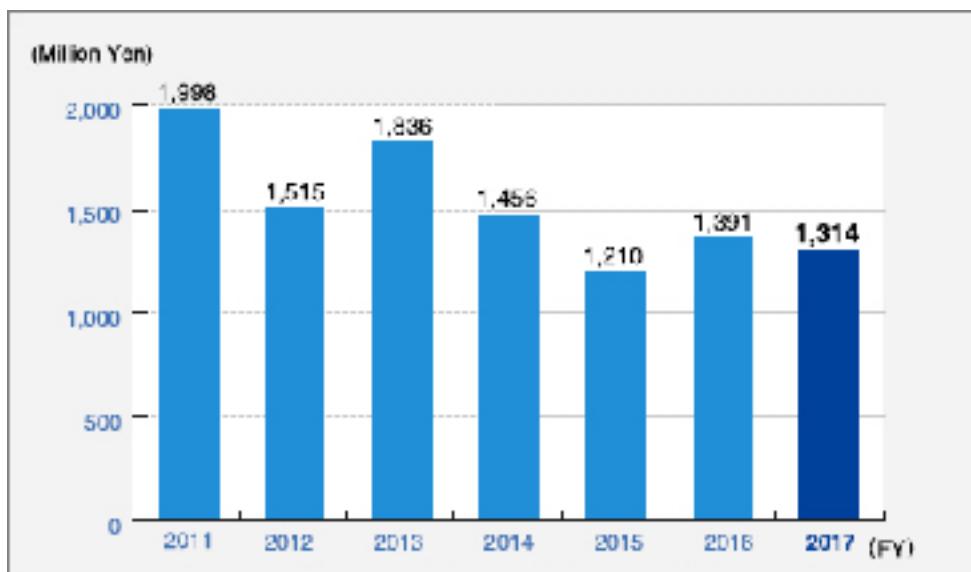
As for business practices, one factor that most activists focus on an alcohol company is the promotion of their products. Asahi stated that they are aware of possible bad drinking habits might be abused with their products which in turn can lead to problems for the individual, their families and even to society. (Business & Human Rights Resource Centre, n.d.) The beer company has set up The Asahi Group Responsible Drinking Principles which includes works to

prevent alcohol-related issues such as drink-driving, under aged drinking and others. (Business & Human Rights Resource Centre, n.d.)

Philanthropic

The philanthropic responsibility of Asahi is somewhat similar to its ethical responsibility. Philanthropic responsibility is often described as efforts to stimulate social change. It is more of achieving a long term outcome rather than handing out temporary donations. (Zach Lazzari, October 2018)

Asahi Group spends a lot on social contribution each year. The graph below shows the company's expenditure annually from 2011 to 2017:



(Asahi Group, n.d.)

It shows just how much Asahi takes its philanthropic responsibility seriously. Also, the organisation had also contributed funds for disaster-stricken areas in Japan.

The table below shows Asahi's donations and campaigns on those areas:

	Details
Support for disaster-stricken regions	Donated a total of 15 million yen Torrential rains in northern Kyushu in July 2017
Support for reconstruction from the Great East Japan Earthquake	Donated a total of approximately 131 million yen
Asahi Eco-mileage	Donated approximately 9.1 million yen to 75 organizations
Asahi One Beer Club	Donated approximately 4.2 million yen to 42 organizations Donated 0.5 million yen to support disaster-stricken regions * Donations from a reserve made by participating employees

(b) Argue why the governments of today can or cannot handle the provision of water within their country and their motivations for privatisation.

Water is considered a staple for humankind and it is thought that each and every human being has a right to receive water as it is a natural gift that is given upon us. Every life begins with water on Earth. Even the earliest of civilisations are founded by the availability of water in a particular area. Water helped nomads travel, gives fish to humans, helped industrialise cities and many other gifts that made humans in the state that they are today. (Vujica Yevjevich, January 2009)

The idea of privatisation of water had long been a debate worldwide. Today some countries have their water supply privatised and some are in public hands. However there had been a recent trend that countries decided to re-municipalise their water. Statistics suggest that over 180 cities in 35 countries have gone through a series of re-municipalisation of its water provision. (John Vidal, February 2015) The main reason being is cost. The public are bound to be upset if they are charged with high prices for just receiving water. Water is needed by everyone and it is not just for drinking but a lot of other things too in daily human life.

When water supply is being privatised, it is always guaranteed that its supply will be more efficient and its sustainability is secured. However, private companies just like any other corporations will seek for profits rather than the ensuring the welfare of the public. This is why privatisation of water is becoming a failure in many countries. The International Financial Corporation (IFC) had made investments in many developing countries on their supply of water. Out of 63 projects the organisation made had failed or are struggling. (John Vidal, February 2015)

Privatisation of water had recently become unpopular in many countries and not many are seeking to expand any privatisations of water supply. The United Kingdom is the only country to ever privatise all their water supply which they did it in the 1980s. (John Vidal, February 2015) The debate whether water supply should be private or public will keep go on and every country has their own circumstances on whether which is most suitable for them

(c) Discuss the sustainability issue of water provision – it is predicted by 2025 demand for useable water will outstrip supply. Give lots of examples.

There are a number of reasons that demand for clean water will exceed its supply in the coming years. Factors like climate change, pollution, increasing population are the causes. However it is also the failure of humans of managing water like poor management systems, under investment and not applying available technologies on this issue. (Pacific Institute, n.d.)

An example for this situation is the predicted water shortage that might occur in Egypt by 2025. Egypt is a very populous country and it is ranked as the fifteenth country by number of population and it is thought to double in the next 50 years. (Hend El-Behary, March 2017) With its iconic Nile River being the source of 97 percent of the nation's water supply, the country must brace for probably the biggest crisis it will ever face. Plus, the country is also facing threats of rising sea levels caused by global warming and will have a negative impact on the Nile Delta that could lead to the displacement of around 2 million people. (Hend El-Behary, March 2017)

It is quite ironic to think how Egypt, once the cradle of civilisation merged from the fertile lands of the Nile River now is being threatened by the same river that built their civilisation and moreover influenced much of the ancient world. For Egypt, it is a race against time to sort out their water crisis or the world will witness how the importance of water can destruct an entire nation.

(d) Discuss modern day examples of water companies/countries breaking new barriers in science and setting a positive example how a water company can be run fairly. Give examples.

A country that can be set as an example for their success in water management would be Singapura. Despite of the island nation's small size, it holds a population of more than 5 million people and is one of the most densely populated countries in the world. So, water provision is bound to be a major challenge in this kind of situations. However, Singapura proves that with efficient management and wise application of modern technology can solve water crisis that a lot of countries around the world is facing.

PUB, the country's national water agency had laid a number of strategies for its water supply which is called the Four National Taps. It is a strategy with diverse ways of producing clean water. The methods include collecting and purifying rainwater, importing water, reclaiming water and desalinating water. (Kheng Guan Yap, August 2017) PUB collects rainwater from catchments which is used in half of the country's land which would be stored in numerous reservoirs throughout the island country. Its imported water on the other hand comes from the nation's next door neighbour, Johor which is a state in Malaysia. (Kheng Guan Yap, August 2017)

Another interesting and amazing way Singapura use in its water supply strategy is desalination of water which is added in 2005. It is a method of dissolving and removing salt from ocean water and further purifying it to make it drinkable. (Kheng Guan Yap, August 2017) However, the most amazing success story of Singapura's water management is the NEWater. It is a process of reclaiming used water and purifying them using membrane technologies (microfiltration, RO and ultraviolet disinfection) and make the water very safe to drink. It has undergone numerous scientific tests and met World Health Organisation's (WHO) requirements. (Kheng Guan Yap, August 2017)

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