

Corporate Social Responsibility

- Concepts, key issues, context
- Key CSR drivers
- Implications for enterprise
- Implications for development

Main Concepts of CSR

CSR (Carrol, 1979)

Firms have responsibilities to societies including economic, legal, ethical and discretionary (or philanthropic).

- See also DeGeorge (1999) on the “Myth of the Amoral Firm”

Social Contract (Donaldson, 1982; Donaldson and Dunfee, 1999) – There is a tacit social contract between the firm and society; the contract bestows certain rights in exchange for certain responsibilities.

Stakeholder Theory (Freeman, 1984) – A stakeholder is “any group or individual who can affect or is affected by the achievement of an organisation’s purpose.” Argues that it is in the company’s strategic interest to respect the interests of all its stakeholders.

Main Concepts of CSR

CSR = political economy

The rights and responsibilities assigned to private industry.

Key Issues in CSR

- **Labour rights:**
 - child labour
 - forced labour
 - right to organise
 - safety and health
- **Environmental conditions**
 - water & air emissions
 - climate change
- **Human rights**
 - cooperation with paramilitary forces
 - complicity in extra-judicial killings
- **Poverty Alleviation**
 - job creation
 - public revenues
 - skills and technology

Context Globally

- Liberalisation of markets – reduction of the regulatory approach
- Emergence of global giants, consolidation of market share
- Development of the ‘embedded firm’ and the **global value chain**
 - Development of supplier networks in developing countries

Key drivers of CSR

Around the world

- NGO Activism
- Responsible investment
- Litigation
- Gov & IGO initiatives

Developing Countries

- Foreign customers
- Domestic consumers
- FDI
- Government & IGO

Key Drivers: NGO Activism

- Facilitators: IT (esp Internet), media, low cost travel
- Boycotts, brand damage, influence legislation, domino effect
- e.g. Shell in Nigeria, Exxon in Cameroon, Sinopec in Sudan, Apparel Industry (Nike, Gap), GMO, Wood Products, etc.

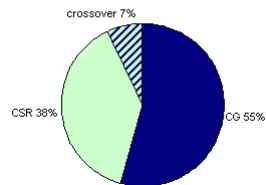


Domino Effect in the US Wood Products Industry: 7 out of top 10 shift policy on old growth within 18 months

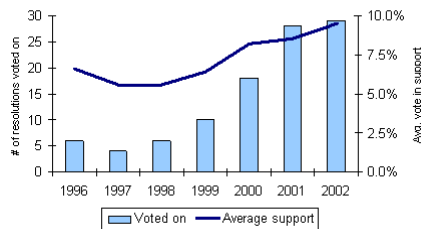
Date of Policy Shift	Company	Industry Rank
Aug - 1999	Home Depot	1
Nov - 1999	Home Base	6
Nov - 1999	Wickes	9
Jan - 2000	Menards	3
Aug - 2000	Lowe's	2
Aug - 2000	84 Lumber	4
Dec - 2000	Payless Cashways	5

Key Drivers: Responsible Investment

The 673 shareholder resolutions, 2000-2003, by category
100 Largest US Companies by Market Capitalisation



Shareholder proposals on global labour standards trend higher



Source: compiled from IIRRC, 2002

- Roots of: South Africa Apartheid Divestment
- Significant size: US SRI = 2.3 trillion \$ in 2005 or 10% of all professionally managed investments
- Shareholder activism: shareholder resolutions; voting process
- Influence corporate reporting and disclosure requirements
- New rules on CSR reporting

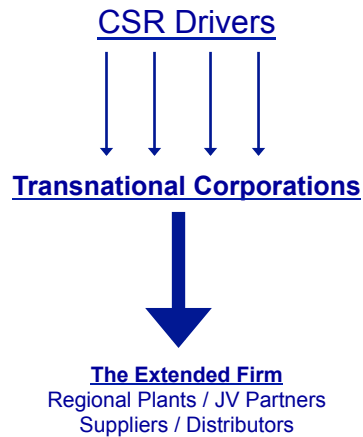
Key Drivers: Litigation



- Foreign Direct Liability
- Alien Tort Claims Act (ATCA): human rights, environmental rights
 - ✓ Unocal Burma **\$30,000,000 settlement**
 - o Coca-Cola Columbia
 - o Rio Tinto Papua New Guinea
 - o Del Monte Guatemala
 - o The Gap Saipan
 - o Shell Nigeria Other tools: RICO, False Advertising
 - E.g. Saipan ‘sweatshop’ cases; *Katsky v. Nike*

Implications for Enterprises

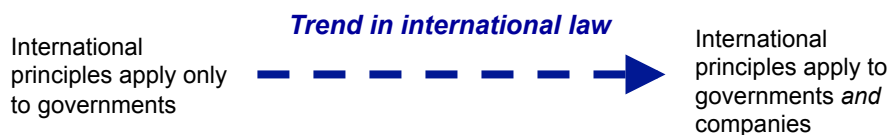
- New social and product liability patterns
- Development of Codes of Conduct and CSR reporting
- Expanding sphere of influence
 - Application of Code of Conduct to value chain
 - CSR management: value chain management = compliance management



Implications for Enterprises: CSR as an “organ of society”

“every individual and every **organ of society** [should] promote respect for these rights and freedoms and to secure their universal and effective recognition.” - UN
International Declaration of Human Rights

It would be a strange tort system that imposed liability on state actors but not on **those who conspired with them** to perpetrate illegal acts through coercive use of state power.
- 1997 *Eastman Kodack Co. v. Kalvin*



Implications for Enterprises: CSR Management

How do companies address socio-environmental & legal compliance issues?

- Policies - Code of Conduct
- Systems - Compliance Management
- Reporting - Accounting and Reporting

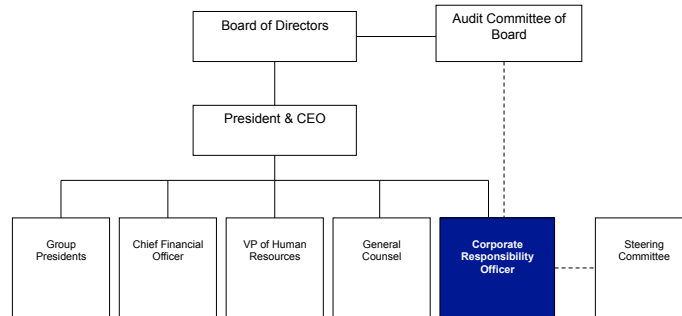
CSR Management: Systems approach

Sustainable business development does not come about of its own accord. Rather, commitment to sustainability demands that corporate processes be reliably controlled and that everyone's actions - in finance as much as in environmental and social areas - be coordinated. Prerequisites for this are **binding guidelines, unambiguous corporate goals and a clear organizational structure.**

- Deutsche Telekom

CSR Management: Management structure

Example: Chiquita



CSR Management: Plan, Do, Check, Act method

Plan

- Consult stakeholders
- Establish code of conduct
- Set targets

Do

- Establish management systems and personnel
- Promote code compliance

Check

- Measure progress
- Audit
- Report

Act

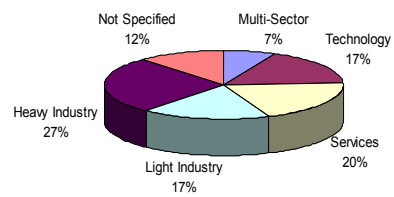
- Corrective action
- Reform of systems

Code of Conduct: Widespread adoption among TNCs

Adoption by ...

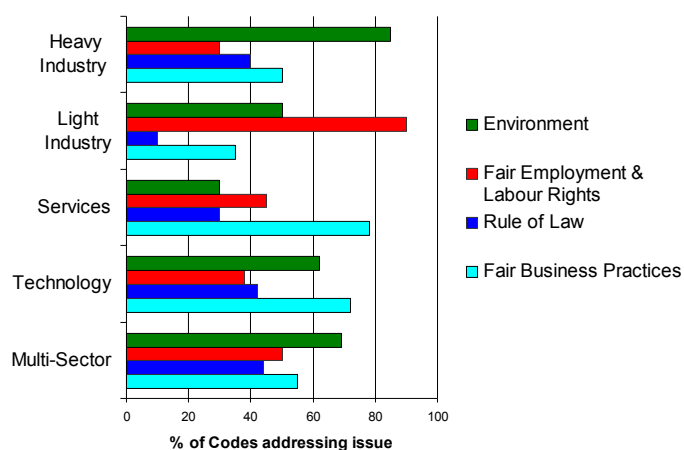
- More than half of the 100 largest firms by global revenue (Fortune Global 100)
- More than a third of the 100 largest firms by foreign assets (UNCTAD WIR 100)
 - 57% of all foreign assets
 - 51% of all foreign sales
 - 65% of all foreign employees

Codes found among all industrial sectors.



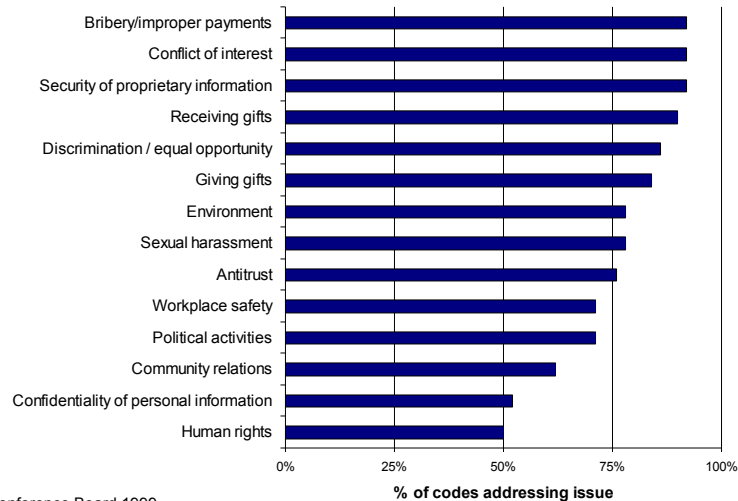
Source: OECD 1999
survey of 233 codes

Code of Conduct: Issue emphasis varies by industry



Source: OECD 1999
survey of 233 codes

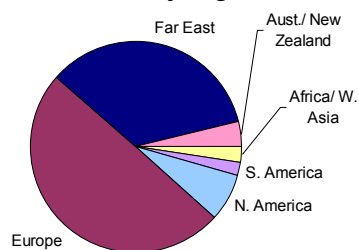
Code of Conduct: Emerging consensus on key issues



Compliance Management: Management by certification



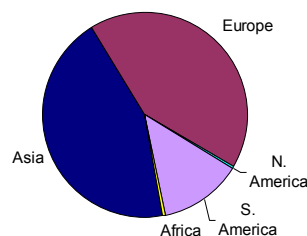
ISO 14000 by Region



- Introduced 1995
- By 2002: 37,000 factories, 112 countries



SA 8000 by Region



- Introduced 1998
- By 2005: 763 factories, 47 countries

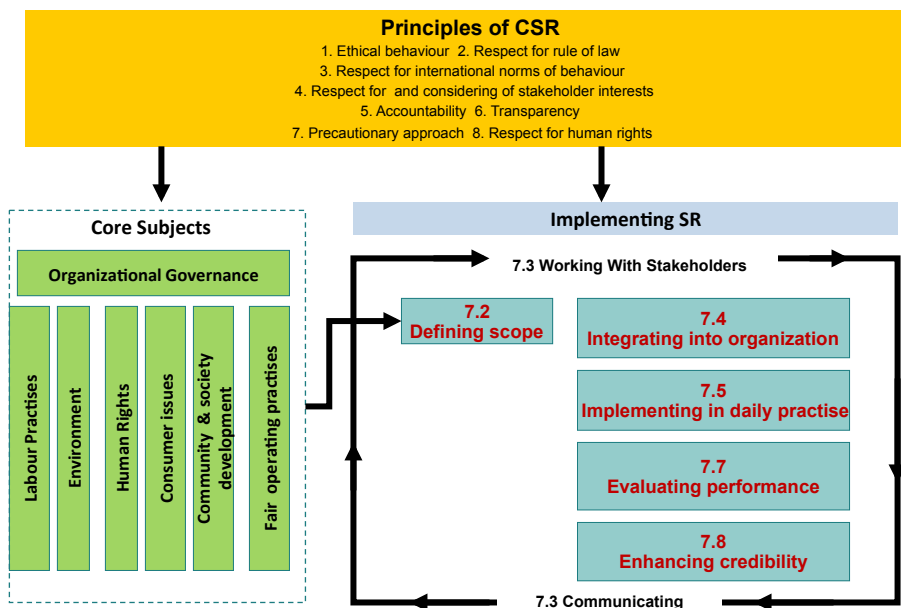
Compliance Management: Management by certification



ISO 26000: Social Responsibility

- Introduced in 2009 or 2010
- NOT a Management System (?)
- NOT a Certifiable Standard (?)

ISO 26000 Roadmap



Implications for Development



- CSR ‘**cascade effect**’ on members of the global value chain
 - labour conditions (e.g. OSH, right to organise, wages)
 - environmental controls
 - transfer of new management techniques
- Compensation for weak legal environment in LDCs
- Impact on economic development & national competitiveness???

Implications for Development: is CSR good for growth?

David Henderson

“[CSR]’s adoption would reduce competition and economic freedom, and undermine the market economy.”

“...[CSR] is liable to **hold back the development of poor countries** through the suppression of employment opportunities within them.”

Implications for Development: Experiments in quantification

Does an increase in CSR correspond with an increase in labour costs?

