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Corporate Social Responsibility and Business Practices

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Abstract

There is no doubt that economic activities are fast depleting the global stock of natural resources while causing harm to the environment. In the mist of this melee, Corporate Social Responsibility (CSR) emerges as a panacea to holding businesses accountable for the impact of their activities on the environment and also requires that they share their profits with stakeholders. This paper adds to the call for global legislation on CSR to serve as a filter on the short to long-term impact of the activities of businesses on the environment. It is expected that this filter will invariably influence the strategies organizations use to achieve their objectives. The study applied the phenomenological descriptive and interpretive research strategy by reviewing books, journals and media publications on the negative impact of business activities on the environment and analyzing them qualitatively. The findings support an integrated global approach to CSR which requires global legislation and enforcement by a world body such as the United Nations. It is expected that this approach will protect countries with weak corporate governance whose public officials are not usually able to resist the enticements that multinational companies offer them in order to escape liability for infractions on regulations.

Keywords

Corporate Social Responsibility, Globalization, Multinational Companies, Stakeholders, Sustainability

1. Introduction

In an era when it is fashionable for businesses to be seen as good corporate citizens and not out to exploit the public, CSR has become synonymous with emotive sentiments giving the impression of a sense of responsibility to the society in which a business operates. Even though awareness of CSR existed as far back as the early 1920s, much was not known about it until the seventies (Asongu, 2007). Maignan (2001) claimed that the first publication on corporate social responsibility was by Bowen in 1953 which triggered the publication of several pieces of literature on CSR (Mason, 1960; Eells & Walton, 1961; McGuire, 1963; Davis, 1973; Ackerman & Bauer, 1976).

What is now known as CSR was initially understood as social responsibility (Carroll, 1999). The groundbreaking book titled "social responsibilities of the businessman" is arguably the flashpoint for the development of literature on CSR in recent times (Carroll, 1999). Bowen (1953) perceived businesses as entities wielding so much economic influence in the societies in which they operate and must therefore assume a sense of responsibility to the public. He defined CSR as "the obligations of 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: p. 6). Since 1953 business organizations have gradually drifted from the age-long perception that they exist to generate a good return for investors to the realization that they must assume certain obligations in society (Hinson & Ndhlovu, 2011).

Despite this realization, there are still varied views about the exact meaning of CSR. The European Union (2001) defined CSR as a concept whereby companies integrate environmental concerns into their business operations and their interactions with stakeholders on a voluntary basis". This definition by the European Commission sought to place CSR as a voluntary exercise as against Bowen's (1953) definition which saw CSR as a social obligation. Maon, Sen and Lindgreen (2009) defined CSR as a concept which focus on stakeholders beyond the boundaries of an organization and is guided by moral values in order to gain the acceptance of the community in which the organization operates as a good corporate citizen. These definitions as indicated by the authors themselves try to draw attention to the fact that CSR is an attempt to merge the interests of both society and business.

The concept of CSR merging business and societal interest is also supported aptly by Davis (1973) as "the firm's consideration of and response to issues beyond the narrow economic, technical and legal requirements of the firm to accomplish societal benefits along with traditional economic gains which the firm seeks", Carroll (1979) as "the societal responsibility of businesses the economic, legal, ethical and discretionary expectations that society has of organizations at a given point in time", and Frederick (1986) as "the fundamental idea of corporate social responsibility is that business corporations have an obligation to work for social betterment". The authors' definition of CSR so far appears to be divided between it being voluntary or compulsory. Berger's (2007) succinct definition of CSR as "the way firms integrate social, environmental and economic concerns into their values, culture, decision making, strategy, and operations in a transparent and accountable manner and thereby establish better practices within the firm, create wealth, and improve society" clears the ambiguity as to whether CSR is voluntary or compulsory. It is widely believed by some quarters that companies embark on CSR as a social obligation towards the immediate and larger communities within which they operate. A new dimension to the subject is globalization and trade liberalization which have come with a sense of urgency in terms of how CSR policies should be developed and implemented.

The objective of this article is to shed more light on how business activities are negatively affecting the environment and to advocate for global legislation on CSR. The study applied the phenomenological descriptive research strategy to recount various infractions by business entities on the environment in some parts of the world. The phenomenological research strategy describes the experiences that people have passed through and explains how these experiences can be used to shape the future of society (Reiners, 2012). In recent times, Ghana has become a safe haven for some of these infractions such that the environment has been consistently denigrated by mining activities without regard to the possible repercussions on livelihood.

2. Literature Review

The idea of companies engaging in CSR activities was born out of the moral values of leaders in society whose opinions were influenced by their religious believes. This thinking made some authors to reject the early notion that organizations exist to serve the interest of only shareholders (Friedman, 1970). He claimed the idea of CSR is clearly an agency problem and that executives use companies' resources to further their parochial interest. The Agency Theory assumes that the only responsibility companies have is to shareholders and that CSR activities are a waste of valuable resources which can be used to expand the business and generate more wealth for shareholders (Friedman, 1970). The moral perspective of CSR led to the realization that there are three concerns for business; concern for people, planet and profits. People represent the society and employees. Companies have a responsibility to treat labour and the communities within which they operate fairly by not exploiting them to satisfy shareholders. The planet represents the environment. Companies must not engage in business activities that have the potential to harm or destroy the environment. Increased economic activities coupled with globalization are threatening the sustainability of the environment. The world is like a stage and human beings are the actors who come on board to perform and disappear. Therefore, the current generation must protect the environment for the future generation. Profits represent the return on investments. The spirituality of business admonishes caution in the pursuit of profits. The maximization of profit should be done with respect for human dignity, life and concern for the environment. This awareness is what has led to the replacement of the Agency Theory with the Stakeholder Theory.

2.1. Stakeholder Theory

The Stakeholder Theory provides a better understanding of CSR; and can therefore serve as a model for identifying and satisfying the needs of stakeholders.

The Stakeholder Theory originated from Freeman (1984) who posited that companies exist to cater for the needs of a wide group of people. According to Melé (2003), decisions made by managers must take into consideration the interest of customers, suppliers, employees, shareholders, the community within which the business operates and government. Individuals, organizations and communities which are likely to be affected by the activities of a company deserve some attention (Freeman, 1998). The challenge, however, is how the interest of the various stakeholders can be met since the resources available are scarce and an attempt to satisfy one group invariably affects the ability to satisfy the other groups. For instance, if employees demand higher wages and salaries, it will affect the profits available for distribution to shareholders as dividends; and if shareholders are not satisfied with the dividends they receive, they may withdraw their capital and invest where the returns are higher. The Stakeholder Theory therefore attempts to balance the interest of stakeholders in such a way that no one group will be marginalized in order to satisfy the other (Gangone & Ganescu, 2014). The stakeholder concept is not one of equality but equity. It will be unfair to expect a group that has not contributed much to receive the same level of attention with a major stakeholder such as shareholders. The ability to balance the interest of the various stakeholder groups and integrate them into the strategic management process of a company calls for managers with special skill and integrity so as to resist any attempt to influence them to act in the interest of a particular group at the expense of another. The competing demands of stakeholders and the paradox of satisfying the interest of all groups sometimes lead to conflicts. As the cliché in the bible says; a man cannot have two masters and love all of them, he will love one and hate the other. It is possible for managers to find themselves gravitating more towards a particular stakeholder group depending on the level of influence they have on the fortunes of a company.

2.2. CSR Filter

Undoubtedly, economic activities are fast depleting the global stock of natural resources while causing climatic change hence companies which are not socially responsible should be censured by penalties, bad press reportage and pressure from civil society (Chandler & Werther Jr., 2014). According to Vaccari (2021), globalization has triggered the demand for an international legal framework for CSR to protect countries with weak corporate governance from exploitation by multinational companies. An international legal framework will result in CSR serving as a barrier to filter companies with poor CSR from spreading their nefarious activities throughout the world (Gheraia, Saadoui, & Abdelli, 2019). Should this happen, accomplishment of organizational objectives would be subject to a CSR filter (Chandler & Werther Jr., 2014). The filter evaluates the short to long-term impact of organizational activities on the environment. The media, especially the social media, has greatly influenced CSR by constantly focusing their lenses on infractions of companies on the environment (Chandler & Werther

Jr., 2014). A CSR filter has the potential to minimize corporate failures thereby enhancing business success and sustainability of the environment.

3. Discussion

Globalization has rendered multinational companies more susceptible to demands by various pressure groups due to the impact of their activities on a wider group of stakeholders (Gangone & Ganescu, 2014). The pressure on multinational companies has led to countries such as the United States legislating on corporate governance and CSR. The Sarbanes Oxley Act for instance was passed by the Senate in 2002 due to the increased spate of corporate failures in the 1990s in the United States of America. The challenge with legislation is that: To what extent can a state legislate CSR? Overlegislation may render a country unattractive for foreign direct investment, and inadequate legislation may result in exploitation of the local community. In 1984, Union Carbide Plant in Bhopal a town in Southern India in a terrible accident leaked over forty tons of deadly chemicals from one of its factories causing the death of about twenty thousand people while over one hundred and twenty thousand residents at the time continue to suffer the side effects of the leakage (Soheli, 2012). Also, Unilever deposited about 300 metric tons of mercury at Kodai Kanal in Southern India in 2001, yet the company's website's CSR statement said: *We are committed to conducting our operations with integrity and with respect for the interest of our stakeholders. We are also committed to making continuous improvement in the management of our environmental impacts and to working towards our longer term goal of developing a sustainable business* (Soheli, 2012: p. 46).

The state of CSR in the world is not all gloomy; indeed, there are some success stories. HSBC supported an NGO in Calcutta in India to equip twenty young ladies with skills about future life after completing university; and again supported a CSR project titled "We Care" in solidarity with poor and needy groups by spending time and donating valuable items to them (Soheli, 2012). Indeed, HSBC and other multinational companies have been carrying out several CSR activities across the globe. In spite of all these, the dilemma of legislation and non-legislation still remains. A legislated CSR requires a robust legal system which is not readily available in most developing countries. Multinational companies in developing countries can easily bribe regulatory agencies and get away with small fines. On the other hand, non-legislation amounts to opening the flood gates for multinational companies to enter a country and do whatever they want which may lead to various groups rising up to fight as happened in the Delta State of Nigeria in the late 1990s when the militant group known as the Movement for the Emancipation of the Niger Delta (MEND) launched coordinated attacks on oil companies kidnapping expatriates and vandalizing oil pipelines in order to demand reparation for the devastating effects of oil mining. Not even the execution of Professor Ken Sarawiwa a renowned writer and nine others from Oguni Land could stop the militants from their incessant attacks on the oil companies. This situation in Nigeria persisted until former President Goodluck Jonathan Ebeere who hails from the Delta State came and negotiated for an amicable settlement with an acceptable compensation package as reparation for the local community before the militants ceased their operations in the Delta State.

In order to minimize the difficulties in enforcing legislation on CSR, Soheli (2012) suggested that legislations on CSR should be universal. He claimed that universal legislation will solicit a global response to the challenges that individual countries face as far as getting multinational companies to comply with CSR regulations is concerned. Already through globalization countries without corporate governance regulations are benefiting from good corporate governance principles because subsidiaries are made to adopt the same principles being used by parent companies whose countries have strong CSR practices. Besides, multinational companies have the resources to employ experts in corporate governance and CSR who have a better understanding of the needs of the various stakeholders and how best to satisfy them. Multinational companies may also promote CSR in developing countries with weak corporate governance by inserting clauses in their contracts with companies operating in developing countries to act responsibly.

A case in point is the menace of illegal mining in Ghana popularly known as "Galamsay" which is seriously degrading the environment but the authorities appear helpless despite having the responsibility to stop it. Several lives have been lost due to illegal mining activities in Ghana. Some citizens allege that corrupt officials are taking bribes and failing to enforce the laws. Through globalization, the European Union (EU) and individual countries are threatening sanctions if the menace is not stopped. The following media reports in Ghana concerning threat of sanctions have been captured for emphasis:

Graphic Online Thursday April 15, 2021

European Union threatens to boycott Ghana Cocoa because of deforestation and child labour

It was reported that the EU which buys eighty percent (80%) *of Ghana's Cocoa showed areas which previously were covered with vegetation in the* 70*s and* 80*s are now bare. In the Western Region alone about* 5040 *hectares of farmland and* 5702 *farmers have been affected by "Galamsay" activities, while in the Ashanti and Eastern Regions a total of* 11,508 *hectares of farmland and* 9093 *farmers were affected. According to the report, Cocoa export brings in over* 2 *billion dollars in foreign exchange annually which is a major contribution to government revenue and to Gross Domestic Product (GDP). Furthermore, about* 2 *million families in Ghana depend on cocoa production for their livelihood with about* 200,000 *people engaged in trade, transportation and processing of cocoa in the country. Unlike other natural resources like gold which have a very high capital flight, cocoa is a key pillar in the stabilization of the Ghanaian currency called the "Cedi".*

MyJoy Online Monday September 12, 2022

Cocoa beans from Ghana risk being banned on the European Union and Switzerland markets as the European Commission put forth legislation on Cocoa Sustainability

It was again reported that the European Commission was considering a veto to ban the importation of Ghana Cocoa due to chemical residue that leaches into the cocoa and as part of measures to cut down on greenhouse gas emissions and biodiversity loss. Already, Japan which discovered the presence of chemical residue from some shipments of cocoa beans from Ghana had reduced their importation of Ghana's cocoa. A similar unilateral action is being considered by Switzerland. According to the report, the EU is the largest importer of Ghana's Cocoa with imports in 2021 *amounting to* 86 *million dollars.*

CSR has come to stay and the earlier organizations understand and abide by the concept the better for them as non-recognition could spell doom for their operations and existence. The most important significance of CSR is sustainability of the environment. If there has ever been the need to protect the global environment as a result of increased economic activities which have put a lot of pressure on it thereby threatening our existence as a people, it is now. In spite of efforts by some countries, economic blocks, world bodies, environmentalists and civil society organisations, the threat still rages on. However, governments of many developing countries are overlooking the wanton destruction of the environment in their respective countries by illegal lumbering, deforestation, mining and other economic activities. Thankfully, the European Union, the United Nations and the United States of America are beginning to control the emission of dangerous gases into the atmosphere in order to reduce their negative impact on global warming. The world is already experiencing the effects of the negative impact of global warming and environmental degradation through flooding, draught and wild bush fires. This situation calls for an urgent integrated global approach to environmental sustainability since the concomitant effect of the destruction of the environment is not limited to only one country. An integrated global approach to CSR will go a long way to protect poor and vulnerable countries whose public officers are not usually able to resist the enticements that multinational companies offer them in order to escape liability for infractions on regulations.

4. Conclusion

Reflections on CSR theories and issues coupled with a review of books, media reports and journal publications culminated in the writing of this paper as part of the author's contribution to this very important and emerging field of learning. The phenomenological research strategy was used to chronicle events that led to the development of the subject which is now known as CSR. CSR was understood at first as social responsibility according to the seminal research paper presented by Bowen in 1953 (Carroll, 1999). Even though CSR is very much associated with companies; it is nonetheless applicable to any other form of organization such as schools, universities, charities, hospitals, government agencies and departments. It is imperative to note that the subject is still developing; therefore the projections made based on current studies and the call for an integrated approach especially global legislation and enforcement of CSR codes, principles and laws will have a far-reaching influence on business practices in the future.

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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