Chapter V

CORPORATE SOCIAL RESPONSIBILITY: AN INTERNATIONAL PERSPECTIVE

5. INTRODUCTION

The concept of Corporate Social Responsibility (hereinafter CSR) is a multidimensional construct that broadly incorporates association of principles of social responsibilities, social responsiveness and the paradigms adopted by the corporations to address social interest of the country.

It is to be noted that the quantification of standard benchmark with regard to CSR is categorically a challenge in today's international regime. Nevertheless, it's also true that it is highly impossible to maintain uniformity when it comes to setting up the threshold for CSR. This is because CSR majorly depends on the social and economic strata of a country which certainly varies at length and breadth across the globe.

This Chapter contains a brief review about the laws, regulations, and legislations that have been incorporated in countries across the world. Also, it lays emphasis on the mode of implementation and factors that needs to be considered before mandating CSR.

5. CHARACTERISTICS OF CSR EVOLUTION AROUND THE WORLD

a. Third sector organizations, which are transforming from watchdogs that supervise business behavior to parties cooperating with businesses in CSR projects. Various collaborations are formed with UN assistance agencies.

b. Competition: despite the tremendous efforts invested in the promotion of ‘responsible’ conduct codes, there is still a high risk that companies will fail in activities whose nature contradicts a CSR approach. In order to mitigate the risk, companies cooperate with other companies, mainly from the same economic sector. This cooperation is forged between others through the establishment of conduct codes suitable for a specific business sector. For example, agreements between companies in the diamond industry are designed to reduce the trade of "blood diamonds".

c. Government: the regulator, by its very nature restricts and supervises, becomes a partner in the activities which fundamentally were meant to be under government's responsibility. Companies, for their part, gain cooperation from a key stakeholder that
affects their overall activity, thereby reducing the risk of regulation damaging their business. For example, dialogue is used to create agreements without which restrictive legislation would have resulted.

2. Companies are increasingly inclined to act in areas related to their business. For example, Coca-Cola cooperates with Greenpeace to reduce carbon emitted from automatic vending machines and manual drink dispensers. Ten years ago, this type of cooperation would have been inconceivable.

3. Globalization drives global companies into transferring a significant part of their domestic CSR activities to other countries. For example: in the mid-1990s, most of IBM's philanthropic spending was in America. Today, approximately 60% of this spending is channeled to other countries.

4. Cash donations are no longer as important as they used to be. For example, in 1993, 95% of IBM's donations were cash sums. Today, only 35% of its donations are made in this way. The lion's share of the company's budget is directed to a range of activities that advances the company's CSR. IBM also gains management benefits, for example, with a program that sends young executives to a developing nation for one month to work on a community support project. Benefit to the company: in addition to the positive activities for the community and the environment in their Development of Corporate Responsibility own country, young managers gain experience in working in the global world. The activity becomes part of their executive training.

5. The importance of logistics companies around the world is significantly increasing (as is their influence on CSR). This is happening because these companies, by nature, control the transportation highways of the world. For example, they strongly influence our ability to deliver food to famine-stricken regions; as a transporter of diverse goods, they are major consumers of fuel with strong influence on the quality of the environment. For example, the management of the TNT logistics company decided to help its employees benefit from a greener lifestyle at home and at work. As a first step, the employees' travel budget was reduced by 20%. This move saved more money than the sophisticated conference call system which can be used directly from employees' desks (and which renders many overseas trips unnecessary).
6. Companies are beginning to incorporate CSR principles in new projects. CSR is becoming an integral part of the assessments of new investments, assessing not only the business feasibility of projects but also the reaction of stakeholders (e.g. local community, social / environmental activists and the government) to these initiatives.

7. "Social Enterprise" is the name of a developing field of entrepreneurship. The economic developments of the past decade have created a cadre of highly wealthy people, mostly from the software and financial industries. These people are interested in a different type of philanthropy: they not only want to feel good about having a positive effect on those around them, but also they also want to turn a profit. Companies are beginning to cooperate with social entrepreneurs and collaborate in for-profit "social investments".

5.1 CORPORATE SOCIAL RESPONSIBILITY IN TURKEY

5.1.1 BRIEF HISTORY:

After the establishment of Turkish republic in 1923, a strong emphasis has been placed on the role of the state in economic development. Turkey has been typified by some scholars as an example of state dependent business system (Whitley 1994). Until 1945, the state was the major economic player and subsidised the development of the private sector. The private sector gradually came of age. After 1980, the development of market economy institutions gained momentum due to liberalisation and pro-market policies. Perhaps because of the special circumstances behind the development of the private sector in Turkey, entrepreneurs have always been almost apologetic about their wealth and felt unconfident about the legitimacy of their ventures (Bugra, A., 1995)\textsuperscript{216}. This psychology materialized in a strong *discourse* of social purpose and value of private enterprise. As one of the strongest business institutions in Europe, Turkish Businessmen and Industrialists Association (TUSIAD), follows suit with a mission not to protect the interests of its member companies but to establish the social role of Turkish private enterprise\textsuperscript{217}.


\textsuperscript{217} Ibid
5.1.2 WHY CSR?

There are different rhyme and reasons due to which a model of CSR is propounded in a particular country. The propositions that became the foundation of CSR in Turkey are:

- Consumer activism is more likely to occur in cultures exhibiting lower levels of power distance, lower levels of uncertainty avoidance, higher levels of individualism and lower levels of masculinity.\(^{218}\)
- Environmental activism is more likely to occur in cultures exhibiting lower levels of power distance, higher levels of uncertainty avoidance, lower levels of individualism and lower levels of masculinity
- Employee activism will be more likely to occur in cultures exhibiting lower levels of power distance, higher levels of uncertainty avoidance, lower levels of individualism and lower levels of masculinity.\(^{219}\)
- Governmental activism will be more likely to occur in cultures exhibiting lower levels of power distance, lower levels of individualism and lower levels of masculinity.\(^{220}\)
- Community activism will be more likely to occur in cultures exhibiting lower levels of power distance, lower levels of uncertainty avoidance, lower levels of individualism and lower levels of masculinity.\(^{221}\)

Multinational corporations are amongst the main actors demonstrating and promoting CSR. Multinationals are aware that their higher social standards would be a profit maximizing differentiator only if the society prefers socially responsible companies over their lower cost rivals.\(^{222}\) Therefore improvements in legally or ethically imposed standards would create a level playing field for the multinationals. At the same time, monitored by global NGOs, global companies pressurize the multinationals to request higher standards from their suppliers. Examples of influence of multinational companies’ and global NGOs’ influence are abundant, Botas, BLP etc to name a few.\(^{223}\)

\(^{219}\) Ibid
\(^{220}\) Ibid
\(^{221}\) Ibid
\(^{223}\) Ibid
5.1.3 LEGAL AND REGULATORY INSTRUMENTS

A credible government attempt to promote CSR was undertaken by the Capital Markets Board of Turkey (CMBT) by recognising stakeholders as legitimate parties in the governance of companies as stipulated in its Corporate Governance Guidelines (2003). A stakeholder is defined as “any person, entity or party who have an interest in the operations of the company and achievement of its targets” in the guidelines. The guidelines list “employees, creditors, customers, suppliers, trade unions, various nongovernmental organizations and potential investors” as examples of stakeholders. The CMBT initiative is an example of the role governments can play in promoting CSR. Listed companies in ISE are mandated to implement the principles listed in the guidelines or explain in their annual reports why they have not complied and what measures they have taken to improve their compliance. The guidelines suggest companies to recognize that “cooperation with the stakeholders will be advantageous for the companies in the long term”. CMB’s recommendations are stipulated as follows:

Protecting the interests of the stakeholders and respecting their legal rights
The corporate governance practices of the company must protect and guarantee the rights of the stakeholders, whether they are safeguarded by legislation or not.

Participation of stakeholders in company management
Mechanisms and models that are supportive of the participation of stakeholders, mainly of the company employees, in the company management, must be encouraged

Protection of company assets and Human Resources Policy
Measures must be taken to prevent discrimination among the employees, to respect the human rights and to protect the employees against physical, spiritual and emotional mistreatments. Furthermore in order to ensure a participative working environment, informative meetings must be organized with the employees on the subjects like the company’s financial opportunities, wage, career, training, health where opinions can be exchanged.
Customers and suppliers
All measures must be taken to ensure customer satisfaction in marketing and sales of goods and services

Code of ethics
Operations of the company must be executed within the framework of ethical rules, which are developed by the board of directors, announced and approved in the general shareholders meeting and disclosed to the public. Practices regarding how these rules are implemented must also be publicly disclosed.227

Social responsibility
The company must be sensitive towards its social responsibilities; comply with the regulations and ethical rules regarding the environment, consumer protection and public health and disclose its policies to public. The obligation to report on compliance with the Principles was effective as of 2004.228

5.2 CORPORATE SOCIAL RESPONSIBILITY IN JAPAN

As a result of the rapid economic growth of the 1960s, industrial pollution emerged as a serious and widespread problem across the country. In 1970, the government reluctantly set up a central office to deal with pollution. The problems were severe and fomented social unrest, as exemplified by an incident at the annual stockholders’ meeting of Chisso Corporation in 1971, when security guards responded violently to protests by mercury poisoning victims. Furthermore, land prices began surging against the backdrop of Prime Minister Kakuei Tanaka’s plan to remodel the Japanese archipelago in 1972. Land speculation by companies and commodities speculation by trading companies became prominent social issues.229 Then in the first oil shock in 1973, price hikes by oil distributors prompted opportunistic price hikes by companies in other industries, fueling inflation in daily consumer goods. Corporate ethics came under scrutiny, with the Petroleum Association of Japan being investigated for violating the anti-monopoly law in 1974, and numerous product defects surfacing. Rampant inflation was intensively debated in the national Diet.230

227 Ibid
228 Ibid
230 Ibid
In 1974, Nihon Keizai Shimbun issued “evaluation standards for corporate social responsibility,” containing 70 minimum standards of corporate activity, and 30 standards of voluntary contribution. Along with financial indicators and compliance indicators, the standards are characterized by qualitative indicators that recognize the interests of stakeholders. Also in 1974, the Japan Productivity Center issued “comprehensive social responsibility indicators,” which rely on quantitative indicators as much as possible. Evaluation standards are grouped into three categories—management responsibility, employee welfare responsibility, and social responsibility narrowly defined—to three groups of stakeholders—shareholders, employees, and consumers, residents and business partners. In all, 42 indicators are evaluated. Finally, in 1976 the Ministry of Trade and Industry developed an evaluation system from the perspective of management strength. Top management, organization, products, and management foundation are evaluated based on their impact on the local community, consumers and users, employees, and society.\footnote{Available at \url{http://www.cbsnews.com/2100-202_162-4595367.html}}

Until recently, shareholders and other stakeholders had only a weak voice in corporate management. This is attributed to the way that social and economic institutions developed in the post war era of high economic growth. To facilitate growth, stakeholders’ interests were subsumed into the company’s, so that their fate became one with the company. Since corporate growth was associated with social prosperity, the company’s primacy was blindly accepted. As a result, no mechanisms were constructed for stakeholders to independently monitor corporate management. But since around 2000, this arrangement started to change as stakeholders of all types grew in influence. Shareholders are playing a larger role in financing, led by foreign shareholders (buying unwound cross-shareholdings), while pension funds are speaking out. As traditional employment practices crumble and labor moves about more freely, employees are rethinking their relationship with companies. Consumers are starting to look not only at price but at environmental and safety considerations when purchasing goods. Market competition is forcing companies to review keiretsu relationships and actively engage in green purchasing. Communities are starting to collaborate with companies as residents increase awareness and seek diverse lifestyles.\footnote{Ibid}
CSR can be complex and difficult to understand because it comprises a variety of perspectives and also means different things to different people at different times. However, by tracing their origins, we find that several different approaches merged simultaneously to form CSR in contemporary Japan.233

Corporate Ethics Approach
As explained above, when corporate scandals led to bankruptcies and poor performance after 2000, it raised alarms and raised the imperative of establishing better corporate ethics. As long as companies exist, corporate ethics will always be an issue affecting not only risk management, but compliance and corporate governance. Focusing on corporate sustainability, this approach puts corporate ethics at the center of CSR, and seeks effective strategy formulation and implementation. Corporate ethics, of course, includes the problem Japanese companies are notorious for—concealment and secrecy234.

Stakeholder Approach
In Japan’s company-centered economy and society, companies were able to coerce stakeholders to put the company’s interests first and foremost. Companies thus largely neglected investor relations, and did little to fill the information gap with consumers. Large companies offered long-term employment, and in return demanded loyalty from employees. They also held suppliers and contractors captive in the pyramid-shaped keiretsu structure.

Sustainability Approach
Sustainability at the global level addresses two issues—the global environment and ecology, and global community. Indeed, the term sustainability itself derives from the biological sciences. As the limits of the earth’s capacity become clear, the CSR debate has transcended individual societies and focused on how companies should act with respect to the global environment and ecology.235

233 Ibid
234 Ibid
235 Supra note 231
5.3 CORPORATE SOCIAL RESPONSIBILITY IN EUROPEAN UNION

5.4 CSR in France

In France the four case studies cover enterprises in the electric cables (Acome), iron and steel manufacturing (Arcelor), financial services (Chèque-Déjeuner) and automotive (Continental-Teves) sectors. The case studies reveal that the overall picture in France is one of moderate development of CSR due to the presence of a system of state regulations and agreements governing labour relations. There is, however, evidence of initiatives going beyond legal requirements in some areas. Issues of social responsibility at the four enterprises examined relate mainly to the restructuring and subcontracting activities that resulted in company redundancies following a period of economic crisis\(^{236}\).

5.5 CSR in Germany

In Germany the four case studies cover enterprises in the chemicals (BASF), telecommunications (Deutsche Telecom), pharmaceuticals (Roche) and automotive (Volkswagen) sectors. The studies describe the good practices in operation in each company and also analyse the interplay of the actors involved in planning, implementing and evaluating the practices concerned. All four case studies reveal that CSR in Germany goes hand in hand with the national economic and social framework and is considered a fundamental part of their highly regulated and institutionalised industrial relations system.

The German government has developed the concept of corporate social responsibility that is 'Made in Germany' to boost corporate social responsibility in Germany and to particularly win over small and medium-sized enterprises for CSR.

The guiding concept of "CSR \(\square\) Made in Germany" underscores the high level of social and environmental standards observed by Germany businesses operating in the international arena. In the process, the global quality label 'Made in Germany' \(\square\) a proof of origin that was introduced in 1887 \(\square\) in combination with the abbreviation CSR will become a new quality label. It will be used to raise Germany's CSR profile at home and

\(^{236}\) Available at [http://www.eurofound.europa.eu/emcc/content/source/eu03002a.htm](http://www.eurofound.europa.eu/emcc/content/source/eu03002a.htm) browsed on 12 December 2012
abroad. The embassies of the Federal Republic of Germany and other organisations abroad are being included in these activities on a targeted basis. In connection with international business and political dialogues, the German government (Federal Ministry of Labour and Social Affairs, Federal Ministry for the Environment, Nature Conservation and Nuclear Safety, the Federal Government Commissioner for Culture and the Media, among others) is also drawing greater attention to the subject of corporate social responsibility by, for example, conducting seminars on specific aspects of CSR for various interest groups such as businesses, unions and non-governmental organisations.

5.6 CSR in Hungary

In Hungary the two case studies cover enterprises in the telecommunications (Matáv) and petrochemicals (Mol) sectors. Both studies reveal that CSR in Hungary is not very developed due to the recent social and political transformation and privatisation but there is evidence of a willingness and commitment to the idea. Three main fields of action in CSR practice are identified in the case studies concerning Matáv and Mol: company welfare policies (such as availability of a range of social benefits, training and career development, pension and health funds); the commitment of management to company-level social dialogue on working conditions and restructuring (setting up of works councils, agreed rationalisation measures, and outsourcing strategies); the financial engagement of companies in social, cultural, environmental or other local development activities.

5.7 CSR in the United Kingdom

In the United Kingdom (UK) the two case studies cover enterprises in the iron and steel (Corus) and marketing (Tesco) sectors. The case studies reveal that the overall picture in the UK is one of restricted development of CSR to date, but there are signs of recent activity in this area.

237 Available at http://www.eurofound.europa.eu/emcc/content/source/eu03002a.htm browsed on 12 December 2012
238 Available at http://www.eurofound.europa.eu/emcc/content/source/eu03002a.htm browsed on 12 December 2012
239 Ibid
Good practice examples at Tesco, a major food retailer, came about as a result of a partnership agreement with the trade union in 1998, which in turn led to the creation of health and safety measures, employment initiatives for unemployed local people and, most significantly, a workplace forum for the discussion of store issues of concern to staff\textsuperscript{240}.

Issues of social responsibility at the steel manufacturing company Corus are mainly concerned with the environment (relating to the decommissioning of Corus sites affected by restructuring), educational projects, such as producing curriculum support materials in schools, and the health and safety of its workforce\textsuperscript{241}.

5.8 CORPORATE SOCIAL RESPONSIBILITY IN SOUTH KOREA

The days when the government was seen as the exclusive social change agent and the absolute macro problem solver are becoming part of the past, as companies are gradually taking a larger role, actively participating in social and community projects under the concept of Corporate Social Responsibility (CSR). CSR refers to the generally voluntary involvement, or investment, of companies in social projects that help advance the society / the community in which they operate in areas such as health care, housing, education, safety, and the environment, among others\textsuperscript{242}.

Corporate Social Responsibility (CSR) represents a departure from the traditional bases of corporate governance in law based on the fundamental duty of the corporate entity to shareholder/enterprise welfare maximization. Originally CSR might have been understood as originating in corporate charity, an activity at first grudgingly and then more open handedly permitted under the laws of many states. While for many, charity marks the limits of CSR, the concept has substantially moved beyond this concept and the legal structures under which it was framed\textsuperscript{243}.

South Korea was one of the poorest countries in the world after the Korean War in 1950s. Many infrastructures in the country were destroyed during the war and millions lived in poverty at the time with thousands of unemployed people struggling to fulfill

\textsuperscript{240} Ibid
\textsuperscript{241} Ibid
\textsuperscript{242} Available at \url{http://www.amrc.org.hk/node/1220} browsed on 15 December 2012
\textsuperscript{243} Ibid
basic needs. South Korea depended mostly on foreign aid coming from the United States and Japan at the time. When General Park Chung-hee came into power in 1961, he focused on developing the rural part of the country. The government’s effective use of cheap labor started to spark the Korean economy. On the other hand, Korean government carried out another effective economic development plan known as “Five-Year Plan”. There were more than five plans created specifically designed to revive the economy, and contributed tremendously in industrialization along with enlarging the marketplaces of South Korea. Due to the national export-oriented industrialization, South Korea advanced from an agricultural country to a highly-technological industrialized country within forty years, which is known as the Miracle of Han River. The rise of large export-oriented companies, corporations, and conglomerates, known as “Chaebol”, has played an extremely important role in the national development during the industrialization period of the country. Chaebol refers to corporate groups that exercise monopolistic or oligopolistic control in manufacture and industries in South Korea. It was mainly started by a family group and can be compared with conglomerates of the United States and the Zaibatsu of Japan. The government, under Park’s administration, facilitated the improvements of these groups for the benefit of Korean economy growth. Inside the operations of Korean corporations, there are many branches that each of family members control and operate. One of the most important characters in these corporate is the Korean family relationship. All the corporations in Korea were started by a family group and 70% of which are still governed by family members nowadays. In addition, many of these groups form alliances through marriage to strength the power of their status, examples include Samsung and Hyundai. On the other hand, many political affiliations are also created within Korean corporate, so their existence in the government can be described as extremely significant. With governmental help and associations, chaebols are still the greatest influence in the Korean economy today. They achieved recognition for their special role and responsibility for the well-being of the Korean society.

In terms of legal obligation, the Korean constitution guarantees basic employment standards including the right and obligation to work, the right to freedom of association, collective negotiations and actions, and special protection for working children and

244 Wol-san Liem, Corporations, Unions and CSR in South Korea, CSR Research Paper Series No 2, The Research Institute for Alternative Workers Movements, South Korea, Available at http://www.amrc.org.hk/node/1206
women. Furthermore, human dignity is the highest commandment of the Labor Law in South Korea. The “Trade Union and Labor Relations Adjustment Act” and the “Labor Relations Commission Act” regulate collective negotiations and actions along with their reconciliation. These acts forbid unfair work practices and entitle employees to join a union. On the other hand, the “Labor Standards Act” regulates internal working conditions, child labor, forced labor, as well as discrimination against employees based on their nationality, religion, social status, or gender. Equality is also regulated by the “Equal Employment Act,” especially with respect to employment and salary, working conditions and legal protection against sexual harassment.\textsuperscript{245}

The social responsibility of corporations is playing an increasing role in South Korea. According to a survey by the industrial association Federation of Korean Industries (FKI) in 2006, 75\% of the 120 largest corporations in the country is engaged in CSR projects. These include Samsung, SK Energy, and Hyundai-Kia Motor Group. Nevertheless, these large Korean corporations spend only approximately 2\% of their profits on CSR activities, thus they are well below the standard values of the United States and Japan. Although the number of corporations publishing CSR reports has increased rapidly with the use of the Global Reporting Initiative framework for guidance, the quality and the lack of materiality in report are the major concerns.\textsuperscript{246}

A new research report entitled Unlocking Investment Potential: ESG Disclosure in Korean Companies in 2010 found out that many Korean corporations have strong reporting on environmental issues but reveals a relatively poor understanding of and reporting on social issues, especially human rights and other concerns on stakeholder. The report indicated that many of them do not report within the financial service sector and amongst holding companies. They also exhibited poor reporting of policies on political donations, which leads to corruption issues specific in South Korea. In addition, reporting on human rights is mostly ignored with disclosure on the issue being non-existent or superficial. Imbalance treatment between workers in South Korea and those who are overseas subsidiaries is among the concerns. In contrast, all of the Korean corporations cover environmental issues in detail and display excellent reporting on environmental policies, management systems, global coverage, and board-level...
responsibility for environmental issues, quantitative emission data and quantitative reduction targets\textsuperscript{247}.

Environmental Responsibility in South Korea

The recent “Low Carbon, Green Growth” policy of the Korean government is the most powerful driver for corporate responsible investment. As the government desire to shift the country toward a low carbon economy, it launched a Smart Grid National Project to achieve green growth in a comprehensive and efficient way. The project lays the foundation for a low carbon, green-growth economy by building an evaluation system to estimate the sustainable growth of the economy in the future. In order to advance the electrical industries, the Power IT National Program was developed to bring innovation and higher value to electric power services. Power IT refers to technology which enables electric power devices and systems to become digital, environmentally-friendly, and intelligent through the convergence of electric power technology and information and communication technology\textsuperscript{248}.

Korean government also enacted the Framework Act on Low Carbon, Green Growth to effectively address climate change and energy issues; and promote sustainable development by flexibly bringing all the challenges together and integrating them. South Korea currently imports 97 percent of its energy supply with 84 percent derived from fossil fuel sources. The Presidential Commission on Green Growth (PCGG) adopted a strategy modeled on the five-year planning approach in order to support the national objectives of reducing the dependence on imported fossil fuels for the enhancement of security, and adopting a proactive stance on environmental sustainability and combating global climate change. The PCGG adopted a long-term National Strategy from 2009 to 2050 and Five-Year Plans for green growth. The first Five-Year Plan covering the period from 2009 to 2013 contains budgetary earmarks and tasks delegated to relevant the Korean ministries and targets spending of 2 percent of the nation’s GDP on green growth. It grossed an investment of $88 billion during the five years period and was achieving the goals of this policy. Such investment will be initially weighted toward

\textsuperscript{247} Ibid
\textsuperscript{248} Ibid
infrastructure projects to help combat the sagging economy with spending shifting toward export-focused green-tech R&D over time\textsuperscript{249}.

Under the Framework Act on Low Carbon, Green Growth, Korean government enforces the national strategy for the reduction of greenhouse gases emission and sustainable development, the strategy for promotion. In contract, corporate is responsible to initiate green management, reduce greenhouse gases emission and pollutants in the entire course of its business activities, and expand investment and employment in research and development of green technology to fulfill social and ethical responsibilities for the environment. They need to actively participate and cooperate in policies enforced the government to achieve the green development\textsuperscript{250}.

Korean government provides different degrees of support for establishing a foundation for standardization of green technology and industries under the development within the country in order to meet international standards. Certification of conformity will also be granted for green technology, projects, and products or accreditation of specialized green corporations in order to facilitate the development. Different types of support are also established to encourage corporations for investment in green development. Companies that are engaged in investment activities on green technology are eligible for government funds. In contrast, the Financial Services Commission would demand green technology investing corporation to submit data or report on the business for evaluation. Central administrative agency could demand the Financial Services Commission to submit relevant data for further evaluation as well. Furthermore, the Korea Credit Guarantee Fund and the Korea Technology Guarantee Fund can provide credit guarantees preferentially to green industries in conditions of guarantee. The Korean government also support corporations related to green technology and development by abating or exempting them from income tax, corporate tax, acquisition tax, property tax, and registration tax as provided for by the Restriction of Special Taxation Act and the Local Tax Act.

In order to encourage small enterprises to be engaged in sustainable development in South Korea, the government supports joint projects between large corporations and...
small enterprises with assistance in technical guidance, technology transfer, and dispatch of human resources. Furthermore, Korean government would utilize federal facilities to aid the development of green technology and foster the commercialization of such technology for small enterprises.

With the national vision of a “Low carbon, Green Korea” and all the supports the government provides, the vast majority of the industry in South Korea has positive respond. Leading industrial corporations in the country have taken up the challenge as many have already pursued plans to massively expand their R&D, manufacturing and export programs in the areas of wind, solar, electric and hybrid vehicles, smart grid and many other related green technology. For instance, Samsung Group, as the largest corporate in South Korea, has announced that it would invest $21 billion into clean energy technology in the next ten years particularly into solar cells, rechargeable batteries for hybrid cars and energy-saving light emitting diode (LED) technologies. The company has originally committed $5 billion over a four-year period to reduce greenhouse emissions by 50 percent and produce greener products. In addition, Samsung’s envision on green technology development consist of big economic payoffs as they anticipate 45,000 new tech jobs and associated revenues of $44 billion by 2020. On the other hand, second largest corporate of the country—LG Group committed to invest $18 billion within the next ten years to develop green business strategies and reduce greenhouse gas emissions by 40% of its 2009 levels. The group will use the investment to fund R&D activities on green technologies and construction of greener buildings, and aims to cut its emissions by 50 million metric tons a year by 2020. As the third largest corporate and Korean largest automobile manufacturer, Hyundai-Kia Automotive Group has a significant part of overall investment of $8 billion in green technology as Hyundai Motor Company itself already planned to spend $3.3 billion until 2013 in R&D activities to meet new emissions and fuel efficiency legislation. Approximately $1.8 billion will be dedicated to the development of hybrid vehicles; and another $1.1 billion for the improvement of the efficiency of the engine overall. The remainder will be used on energy facilities to cut emissions.
5.9 CORPORATE SOCIAL RESPONSIBILITY IN ISRAEL

A review of the primary, explicit and implicit reasons that the companies reviewed for this report adopt CSR reveals three recurring reasons:
1. They are local branches of multinational corporations, part of a global corporation which, as described in the first section of the review, maintains prominent CSR activity.
2. Large Israeli companies cannot afford to overlook the global CSR trend, especially if they seek to export or develop operations abroad. The limited size of the Israeli market motivates many of Israel's large companies to expand overseas.  
3. The third type of company is already involved in many activities which are based on CSR principles (community contribution, ethical conduct, investment in employee development, impact of company's operation on the environment, etc.). If so, why not institutionalize these activities into a CSR framework and benefit from the added value? 

Financial Organizations — Banks

Bank Leumi's CSR activities are limited to local initiatives. According to bank executives: "For many years, the bank has been involved in areas that are now classified as CSR, such as employee volunteerism. This activity was uncoordinated, the result of local initiatives related to the employees' immediate environment and their customer base. This action was not reported in the bank's annual report or managed from an overall perspective. Similar activities were also maintained in other areas of CSR, such as care for the environment. For example, waste and energy saving activities; or a country-wide project to improve the accessibility of ATM machines was led by the head of the Procurement and Real Estate Division, part of Bank Leumi's Operations Division. In contrast, financial donations were reviewed strategically and managed by the bank's Public Relations Division."

---

252 Ibid
253 Ibid
Industrial Company

Strauss Foods Group believes that CSR is far from trivial and requires strong commitment. At Strauss, CSR elements are incorporated in the company's organizational culture. CSR is also listed in the company's vision as one of its goals. As such, it becomes a goal that must be achieved, which requires action and whose results will be reviewed and measured. This is not just a statement. Strauss has values, goals and a vision "creating wonders from basics". At a second level are the values which underlie Strauss’ activities, and from which it derives its code of ethics, and the third level includes visionary goals. The vision and values are long-term whereas the visionary goals are updated every five or six years. In 2005, six visionary goals were defined to be achieved by 2009, one of which involved the assimilation of CSR principles in the group. The decision to perceive CSR as a "visionary" goal is deeply rooted in the legacy of the company's founders and owners — the Strauss family. As part of the reformulation process of the Strauss vision, shareholders were asked about their expectations of the company. They responded that they expected "growth with sustainability", i.e. to achieve growth in a way which is consistent with CSR principles. Other stakeholders, e.g. employees, responded in a similar fashion254.

Family Ownership

The business model of the Fishman Group, owned by the Fishman family, is a unique example of CSR management. Unlike Strauss, which is focused on the food sector, the Fishman Group comprises companies in various sectors, some of which are large companies employing thousands of employees (e.g., Home Center, HOT) and small companies with dozens of employees (e.g. Telepharma). Some of the companies are fully owned by the Fishman Group (e.g. the Globes economic daily newspaper) while others are partially owned (not less than 20% ownership). The family (as does the Strauss family) regards community involvement as one of its most important principles. However, unlike Strauss, in this type of holding structure, it is impossible to establish a single CSR approach because each company has its own needs and characteristics, and most of them have partners who are not required to agree or accept the Fishman family's CSR approach. To address this difficulty, the family developed a unique model.

254 Ibid
It named a community relations coordinator, based in the group's HQ, who is responsible for assisting each of the group companies determine its own approach for interacting with society and environment. In this way, the social vision of the Fishman Group is adhesive that binds all of its member companies.²⁵⁵

Multinational Corporation

Three main reasons motivated Intel Israel to perceive its CSR as part of its management strategy:
1. "Being an asset to our communities" is one of Intel's values. It is rooted in the basic perception that businesses must give back to their community in which they do business: "being a good neighbor". This approach is also reflected in the list of values printed on employee ID tags.
2. Intel Israel is part of the global Intel Corporation, which assigns tremendous importance to social responsibility in every country in which it operates. An example of this approach was global Intel's announcement to contribute one million volunteer hours to the community on the occasion of the corporation's 40th anniversary. This volunteerism effort replaced the traditional annual employee celebrations. As the trend of community-oriented activity evolved in global companies, Intel Israel emerged as a leader in this field.
3. Intel is a corporate giant in Israeli terms, an employer of thousands of workers, and has received government R&D grants worth hundreds of millions of dollars. This has generated an extremely strong commitment towards Intel Israel's many stakeholders: employees, community, suppliers, etc. The CSR operations of Intel Israel are therefore not limited to international initiatives but include additional locally-driven ventures. The "localized" CSR policies are reflected in Intel Israel's CSR report.²⁵⁶

For the time being, this goal is still a long way off. In Israel, CSR is still in its infancy. While Israeli companies were late to adopt CSR compared with businesses in industrialized nations, they are catching up now with intensive CSR activity.

The slightly late entry of Israeli companies into the CSR arena is due to several reasons, mainly the comparatively small size and reach of Israeli companies. It has already been

²⁵⁵ Ibid
²⁵⁶ Ibid
noted that the leaders in this field are global companies whose influence on other countries is broad in comparison with the limited impact of Israeli companies. In other words, Israeli companies, as relatively small players in the global market, have less need to lead in CSR, considering the resources investment required to attain this kind of positioning. On the other hand, since the Israeli market is small and limited in size, many Israeli companies are looking to expand overseas. To become legitimate global players, they must play by the accepted rules of the game. In a world in which everyone does business with everyone, Israeli companies will be expected to comply with CSR principles. For this reason, CSR is now penetrating the Israeli market at an accelerated pace, with companies seeking to close the gap, especially versus other businesses in Western countries.

5.10 CORPORATE SOCIAL RESPONSIBILITY IN MAURITIUS & RODRIGUES

The approach to internal CSR by organizations in Mauritius and Rodrigues is somewhat similar to CSR in general with a majority of organisations without any formal policy on internal CSR. Internal CSR which pertains largely to “people management” is the responsibility of the HR function\textsuperscript{257}. Given that the majority of organisations in Mauritius and Rodrigues do not have the required HR maturity and that many organisations still operate with a “personnel management” philosophy, this partly explains the state of internal CSR in Mauritius. Our study also shows that the majority of organisations in Mauritius do not incorporate CSR in their induction programs, training and development initiatives and performance appraisal. However, it is worth noting that organisations are aware that though not adopting a formal approach to CSR, they derive significant benefits by adopting good “people management” practices in terms of staff morale, productivity and employee retention\textsuperscript{258}.

Despite the noble intentions of organisations in Mauritius and Rodrigues, the way that they conduct CSR activities need significant improvement as summarised below:


Only a few organisations have a full-time professional dedicated to CSR activities. Moreover, CSR activities are mostly led by management while lower-level employees are not consulted and involved in their organisations CSR endeavours;

Organisations currently devote funds and people for their CSR activities, few of them devote their skills, products and premises;

Two-third of organisations do not measure the impact of their CSR activities despite the established link between CSR and competitive advantage of organisations 259.

The regulatory framework provides a number of laws, regulations and codes for the adoption, respect and enhancement of CSR as summarised below

- **Fundamental Human Rights** – These rights are covered in (i) The Constitution of Mauritius (ii) The Protection of Human Rights Act (iii) Ombudsman Act and (iv) Other legislations (Child Protection Act, Consumer Protection Act)
- **Labour Rights** – Several legislations cater for labour rights in Mauritius namely: Labour Act, Industrial Relations Act, Sex Discrimination Act, The Training and Employment of Disabled Persons Act. It can be argued that labour rights will be reinforced with the imminent introduction of the following acts: (i) Equal Opportunities Act (ii) Employment Rights Act (This new act will replace the Labour Act, which dates back to 1975) (iii) Employment Relations Act (This will replace the Industrial Relations Act of 1982)
- **Environment** – Legislation that caters for the protection and enhancement of our environment include: (i) The Environment Protection Act (ii) Beach Authority Act (iii) Biological and Toxin Weapons Convention Act (iv) Chemical Weapons Act and Dangerous Chemicals Control Act amongst others
- **Consumer Protection** – The regulatory framework in Mauritius also lays a lot of emphasis on the issue of consumer protection. Major legislation such as (i) Fair Trading Act (ii) Consumer Protection Act and the future introduction of a (iii) Competition Act protect consumers’ rights, safety and choice.
- **Business** – Regulation of businesses in Mauritius is ensured by major legislations and codes such as (i) Companies Act (ii) Financial Intelligence and Anti-Money

259 Ibid

- **Public Security** – Major legislations governing public security in Mauritius include: Prevention of Terrorism Act, Convention for the Suppression of the Financing of Terrorism Act, Public Gathering Act²⁶⁰.

## 5.11 CORPORATE SOCIAL RESPONSIBILITY IN INDONESIA

CSR has been becoming a major issue in Indonesia since the Government of Indonesia released Company Liability Act Number 40/2007. The Act contains a very crucial and critical article particularly Article 74 regulated CSR as a mandatory for natural resource-based companies. Moreover, the Indonesia Chamber of Commerce and Industry together with the Indonesia Young Businessmen Association, the Indonesia Business Women Association, and 3 other companies’ directors of Lili Panma Company, Apac Centra Centertex, and Kreasi Tiga Pilar have submitted a judicial review of the article 74 of the Act to the Constitutional Court of Indonesia²⁶¹. The Constitutional Court had rejected the judicial review by releasing a verdict number 53/PUU-VI/2008 based on the following legal reasons; firstly, there are three of total six parties have not met its legal standing, those parties are the Chairperson of the Indonesia Chamber of Commerce and Industry, the chairperson of the Indonesia Young Businessmen Association and the chairperson of the Indonesia Business Women Association. Secondly, the norm of mandatory CSR in the Act is based on the basis of the Indonesia economic principle which is known as the economy owned by the people²⁶². And it was one of the government’s strategies to involve corporate participation on local economic empowerment programs. Nevertheless, even the verdict is there, the debates on whether CSR is a mandatory or voluntary are still on-going in Indonesia until now²⁶³. Proponents say that by applying CSR as mandatory would increase the production costs of company’s products, weaken the competitiveness of the company’s products; the government just wants to put its responsibility to develop infrastructures and economic empowerment over the companies. And there are no tax incentives for the companies. Therefore, the proponents say mandatory CSR has become a new burden for the

---
²⁶⁰ Ibid
²⁶² Ibid
²⁶³ Available at http://www.csrindonesia.com/ browsed on 10 December 2012
companies and there will be workers termination due to the policy. In contrast with the proponents; opponents say mandatory CSR would provide legal certainty and clear guidelines in implementing the CSR programs.

A paradox between voluntary and mandatory CSR in Indonesia resulted in a blur CSR programs implementation. And then it becomes as new source of corruption for particular groups. Multinational enterprises in an environment that inter-related between political behavior, corporate social responsibility and corruption (Luo, 2006). CSR in Indonesia is formally recognized by state-owned companies since 1989 when the first time Minister of Finance of Republic of Indonesia released a policy for state owned-companies to support financially cooperatives, small and medium enterprises in their business operation area. The policy makes a significant change within the State owned-companies management because they must allocate particular budget of their profits to be given and distributed to co-operative institutions, small and medium enterprises throughout Indonesia. Even though, informally, private sectors and companies have recognized corporate social responsibility in term of charity by providing financial assistance to youth organizations, worship development and its infrastructures and donate some of their money to support students in term of distributing small amount of scholarship or other kind of financial assistances. The distinction perceptions concerning CSR in Indonesia is not just limited to the CSR definitions only but also the distinctions in term of interpreting kind of CSR programs, whether it is qualified as charity program only or it is a CSR program that has sustainability meaning. As said by Visser (2008) CSR in developing countries is more crucial rather than in developed countries because it represents the formal and informal ways in which business makes contribution to improving the governance, social, ethical, labour and environmental conditions of the developing countries in which they operate. Accordingly, there are at least four fundamental reasons why CSR is very important issue in developing countries, namely; developing countries represent rapidly expanding economies, and hence the most lucrative growth markets for business, developing countries are where the social and environmental crises are usually most acutely felt in the world, developing countries where globalization, economic growth, investment and business activity are likely to have the most dramatic social and environmental impacts, and

---

264 Ibid
developing countries present a distinctive set of CSR agenda challenges which are collectively quite different to those faced in the developed world (Visser, 2008). Corporate Social Responsibility is expected to be a “bridge” to integrate and synthesize the two different interests of society and corporations. People in the area in which corporation is operate are always accuse the corporations conducted human rights abuses to the people around their business operations. It makes sometimes the tension between corporation and society is scale up. A good bottom-up CSR policy is necessary to assist all stakeholders solve their cases comprehensively in term of human rights, environmental damages accusations. Hopefully, CSR may create corporation and society stand and walk together to a particular area where those may live together in harmony.

5.12 CORPORATE SOCIAL RESPONSIBILITY AND IMPACT OF CSR PRACTICES IN THE UNITED ARAB EMIRATES

In the last twenty years, a vast number of changes have taken place in relationships maintained by a company with the state and society. No longer does a company continue to act as independent entity regardless of the public interest and welfare of the society and its effect on the environment. The growth of the relationship between a company and the society has been a slow transformation from just a humanitarian coexistence to a point where the interest of stakeholders and society is increasingly becoming of prime importance. Organizations are beginning to realize the fact that in order to stay ahead in the business and gain strategic benefits, it is important to practice responsible business etiquettes.

The kind of competition companies’ face today and the wave of globalization have drastically changed the business environment in the past few years. Globalization has compelled organizations to expand their boundaries from their country of origin to other rapidly developing markets in other parts of the world. In order to be successful in their attempt towards globalization companies have realized that they need to implement clearly defined business practices with a well-defined focus on public interests and the

265 Ibid
266 Ibid
environment. Also, in some of the markets across the world, since the government still holds the key due to the rules and regulations set by it, the government would be naturally inclined to prefer companies which take care of the interest of all the stakeholders. Lastly, organizations across the world have begun to realize the importance of intangible assets, i.e. be it brand name or employee morale. Only organizations that have gained the goodwill of the people and are ideal corporate citizens will be successful in developing these assets into strategic benefits.268

The United Arab Emirates (UAE), as a hub of dynamic growth and technological progress in the Middle East, offers tremendous potential for sustainable development. This is achievable through strategic policies and practices that bring benefit to the economy, society and environment. The economy of UAE is growing at an exponential rate with new companies starting or relocating to the region every day. This puts a strain on the country’s natural resources. Protection and development of environmental resources such as air, water and soil are the order of the day. To ensure sustainable growth that will not exacerbate existing environmental concerns, both the government and business have a role to play in drawing up environmental policy and legislation that is easily implemented and effective. While the UAE’s economy grows in mammoth leaps, it remains stunted in one key area: Corporate Social Responsibility. The incredible thing about CSR is that it is so in sync with Islamic teachings; the need to act as part of a community, and to spread some of your gains for the good of others. Why then are companies in this part of the world having such a hard time with CSR? Even leading advertising agencies in the UAE and the Gulf are lukewarm in promoting CSR, partly due to the perception that it requires time to craft the proposition and align the participants and yet delivers precious little in financial payback. But an even more compelling reason is that CSR is sometimes mistaken for ‘Zakat,’ which is a mandatory almsgiving in which a Muslim is encouraged to donate quietly rather than trumpet his generosity. So the real solution may be to separate Zakat from CSR by placing the former in the spiritual redemption arena and the latter in the corporate PR toolkit. That means that while CSR would still take on an altruistic dimension, the brand building quid pro quo would be intact.269

269 Ibid
5.13 CORPORATE SOCIAL RESPONSIBILITY IN USA - OVERVIEW

India and USA has followed a very concurrent rule when comes to CSR. India always viewed CSR as something inherently philanthropic in nature; this is why no firm steps have been taken so far in order to crystallize the same as a hard law. USA has also worked on an apparently similar ideology.

In US the corporations are not as profoundly regulated and scrutinized as those in other developed nations, and corporate responsibility has not attained the status of a regulatory compliance issue but is rather looked as from a social and moral choice perspective.

US companies have taken full liberty of defining and interpreting the term ‘CSR’ and worth mentioning they have done it quite to suit their needs and in accordance to their convenience.

Interestingly, US companies are much more explicit in their public statements on a commitment to corporate responsibility than their peers elsewhere, particularly Europe. But the lack of definition has led to confusion on terminology – ranging from social responsibility to sustainability, community investment and corporate citizenship and confusion as to what they mean. For some companies corporate responsibility is defined as philanthropic giving, while others include business activities ranging from raw material sourcing to employment practices. As corporate responsibility becomes more widely understood, accepted and practiced within mainstream companies, however, there begins to be greater convergence of common activities included in a company’s corporate responsibility platform.

5.14 CONCLUSION

It appears that CSR is beginning to become part of the everyday business discourse. The history of its formation, which was accompanied by massive media coverage, the joining of world leaders and the willingness of global organizations to join the system for whatever reason have resulted in significant accomplishments within a relatively short period of time. This led to the institutionalization of relevant procedures, from international and intra-national audit and measurement systems, to board of director decisions declaring CSR to be part of the organization's strategy and to the creation of
organizational processes that advance CSR activity. Today, CSR activity focuses on adoption of CSR in organizations and on increasing public awareness. A general goal is that the media hype around CSR will gradually reduce, not because the perceived importance of CSR is reduced but because CSR will become part of routine business to the extent that it will be normative in many organizations.

After analyzing the position of CSR in other countries, in the next chapter the researcher has concluded the research study by giving chapter wise summary of the study and mooted suggestions.