

Corporate Social Responsibility in Emerging Economies

Introduction

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To be a leader, you have to lead human beings with affection (J.R.D. Tata).

THE THEME OF THIS SPECIAL ISSUE IS corporate social responsibility (CSR) in emerging economies. Until now, most of the research on CSR has focused on developed-country firms, mainly from North America and Europe. However, there is increasing evidence that non-Western firms from emerging economies such as South Africa and Malaysia are as aware of CSR issues and are striving to become good corporate citizens. The special issue therefore aims to fill an important gap in our knowledge by investigating the state of CSR in a number of key emerging economies.

A recent OECD-commissioned study by one of the contributors to this special issue, Jeremy Baskin, demonstrates that CSR has been embraced by firms in emerging economies: for instance, about 53% of the assessed emerging-market companies publish details of their environmental policies and environmental management systems, compared with an average for high-income OECD countries of about 59%. In a few areas, emerging-market firms from selected

countries appear to outperform their developed-country counterparts. For instance, Brazil has more small and medium-sized enterprises (SMEs) in the United Nations Global Compact (44 SMEs as of December 2006) than European countries such as the UK (31), Germany (5) or Italy (3) (Global Compact 2006), while Zulkifli and Amran in this volume mention that the number of Malaysian companies involved with ISO 14001 certification was found by one study to be proportionately higher than that found in some developed countries. Even more significantly, while the term CSR may not have existed in their respective vocabularies, social obligations of firms towards employees or wider society have long been recognised in some societies such as Malaysia and India.

At the same time, it is important to ask how deeply rooted the modern notions of CSR are in emerging economies. Articles by Newell and Muro on Argentina, Ahmad on Pakistan and Weyzig on Mexico illustrate the lack of depth of current CSR activities

among firms in emerging economies. CSR policies of many firms appear to be relatively haphazard and not underpinned by structured CSR policies. Therefore, we need to know more about the practice of CSR and its limitations in emerging economies.

The Journal of Corporate Citizenship has been a pioneer in exploring the state of CSR in emerging economies with special issues on corporate citizenship in Latin America (Issue 21), corporate citizenship in Africa (Issue 18) and CSR in Asia (Issue 13). In contrast to these previous special issues, we did not focus on specific topics such as reporting or on specific companies. A key aim of this special issue is to investigate peculiar local influences on CSR in different societies, as CSR practice develops within a specific social context. To this end, the articles in this special issue represent country case studies. In contrast to much previous research, this special issue also looks not merely at what foreign multinational firms do in emerging economies but specifically looks at what indigenous firms do in terms of CSR, which is a neglected theme in current research.

The special issue starts with two short Turning Point pieces by CSR practitioners: Malini Mehra, Director of the Centre for Social Markets in India, and Foluso Phillips, the Executive Chairman of Phillips Consulting Group in Nigeria. This is followed by the above-mentioned survey by Jeremy Baskin, which provides a general overview of CSR practice in emerging economies. The main body of the special issue consists of country case studies, which investigate the state of CSR in five emerging economies: Argentina, Mexico, Nigeria, Malaysia and Pakistan.

The rise of CSR in emerging economies

The articles in this special issue demonstrate that the rise of CSR in emerging economies has been greatly influenced by economic globalisation and—as the articles

on Argentina and Mexico demonstrate—the local subsidiaries of large multinational companies are often the key drivers of CSR initiatives. Conversely, Jeremy Baskin notes that some of the emerging-market firms most active in CSR ‘happen’ to be those firms that are more internationally active and those that hope to strategically draw on CSR to help them become competitive in a global market. Newell and Muro mention an illuminating example from the citrus industry in Argentina where firms have two different production lines: one to meet standards for selling organic produce in Europe and another one for less stringently regulated domestic markets. The contributions in this special issue confirm that much of the CSR agenda in emerging economies is driven by the external demands in developed countries, and foreign multinational firms are spearheading CSR activities.

But it would be very wrong to see social concerns among business leaders in emerging economies as purely a Western influence. Business practices based on moral principles were advocated by the Indian statesman and philosopher Kautilya in the 4th century BC, while Islam has long publicly condemned certain business practices, notably usury. The motives for CSR and actual CSR practice may have a peculiar local flavour in emerging economies today. Malaysian and Pakistani firms are at least partly motivated by religious notions and Islam’s prescriptions of certain business practices, while the local flavour of CSR in Argentina can be partly attributed to Argentina’s economic crisis in December 2001, which led to a major reassessment of the corporate contribution to social development in that country.

Indeed, we should be careful not to superimpose Western notions of CSR on the reality in emerging economies. Philanthropy is a key example. In Europe, the notion of philanthropy is often dismissed and not regarded as part of core CSR activities. But firms are expected to actively assist their local communities in many emerging economies, as several articles in this special issue have emphasised (see, in partic-

ular, the article by Amaeshi *et al.*). When asked by the World Business Council for Sustainable Development (WBCSD 2000) how CSR should be defined, for instance, Ghanaians stressed local community issues such as 'building local capacity' and 'filling-in when government falls short'. Many philanthropic activities in emerging markets are likely to be genuine and may be guided by traditional notions of business obligations in the absence of government action. We may need to develop new ways of assessing the social contribution of business in societies other than our own in order to capture corporate activities that do not conveniently fall under the umbrella of FTSE4Good or GRI (Global Reporting Initiative) criteria. Otherwise, we run the risk of weakening long-established and intrinsic social obligations, which could perhaps provide a more lasting impact on corporate behaviour than externally imposed codes of practice.

The state of knowledge on emerging economies

This special issue aims to contribute to our knowledge of CSR in emerging economies, in particular the CSR practices of indigenous firms. But how much do we actually know so far?

We know from anecdotal evidence that interest in CSR in countries such as India, Pakistan and China has risen dramatically in the last 2–3 years. We already have some idea of the scale of what is considered 'socially responsible activities' in emerging economies, and Jeremy Baskin in this special issue has outlined different types of existing indicators, such as the rate of adoption of ISO 14001 standards. As a result, we know which emerging economies are most active in terms of CSR and—owing to published case studies—we know about the activities of some of the leading socially responsible companies in these countries. Thanks to some of the research conducted so far, including papers in this special issue, we know about some of the

specific social and political conditions that influence CSR practice. Finally, as one encouraging development, there are more country surveys of CSR practices in India, Malaysia, South Africa and elsewhere.

However, CSR research on emerging economies suffers from some of the same limitations as CSR research in general. One of the key indicators of CSR practice in existing research is CSR reporting by companies, which is also used in Jeremy Baskin's survey in this special issue. This method has been valuable in terms of identifying initial trends and providing a comparative reference, but CSR reporting raises as many questions as it answers.

Are firms always more responsible because they produce reports, publish codes of practice and sign up to certification schemes? Judging by those criteria, large multinational firms are the CSR leaders, but Zulkifli and Amran have indicated in this special issue that some companies in Malaysia may actually under-report their CSR-related activities as a result of the lack of necessary skills among accounting professionals. Conversely, some companies may exaggerate their social and environmental contributions and may fail to report socially irresponsible practices.

Can we believe CSR reports without properly researching the societal impact of CSR and without conducting systemic footprint analysis of total business impacts on society? How can we be sure of CSR practice without having transparent and effective monitoring and without researching practices of falsification? Somewhat shockingly, it has been reported elsewhere that as many as '95% of export oriented factories in China [are] said to falsify records used in monitoring labour standards' (Blowfield 2006). While the extent of falsification may not be as extreme in other emerging economies, we still know very little about the demonstrated (as opposed to reported) real-world impacts of CSR initiatives.

CSR is a relatively young 'movement' and perhaps we sometimes expect too much of it. We need to acknowledge that CSR has expanded in emerging economies both in scale and in scope, just as CSR research has

become more sophisticated. At the same time, the articles in this special issue demonstrate that CSR practices in emerging economies continue to be haphazard, unevenly applied and limited to a minority of organisations. Until CSR proves to be effective in changing the behaviour of the majority of firms, its promise will remain unfulfilled.

References

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