# CHAPTER II

# DEVELOPMENTS IN THE CONCEPT OF CORPORATE SOCIAL RESPONSIBILITY (CSR)[*]

## INTRODUCTION

Corporate social responsibility (CSR) is a concept which has many interpretations and typically has economic, social and environmental dimensions.[12] The concept has increasingly gained interest among businesses and Governments and other stakeholders and has triggered a vivid discussion on its meaning among a number of scholars (cf., Carroll, 2004; Dahlsrud, 2006; Robins, 2005). The increase in interest is primarily a result of efforts made by international organizations (in particular UNGC[13]), Governments (e.g. China's green growth strategy[14]) and civil society organizations.[15] These efforts have contributed to improved labour standards, enhanced use of renewable energy and practical anti-corruption measures (UNGC, 2012).

A number of transnational corporations (TNCs) have been involved in CSR initiatives to promote sustainable and inclusive business practices and improve labour conditions in Asia and the Pacific (ESCAP, 2009). However, since the concept of CSR has been evolved mainly in Western countries, most notably the United States of America, the historical development of CSR has received little attention from policymakers and business practitioners in the region.

The roots of the concept of CSR as it is known today have a long history which indicates that business people have paid increasing attention to the concerns of society (Carroll, 2004). A better understanding of the transformation of the concept not only contributes to a better understanding of the meaning of CSR and the relationship between businesses and their key stakeholders but also to a better idea of what should be the role of business in development and their contributions to society.

This chapter reviews how the concept of CSR has evolved over time and what alternative interpretations and approaches have emerged in discussions on CSR. Since the United States has led the development of CSR, the analysis in this section is mainly based on the relevant literature from this country. The chapter also presents the recent developments in CSR that focuses more on its integration into core business management. The chapter concludes with a presentation of a CSR conceptual model.

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[12] This three-dimensional framework is often called as the triple bottom line of CSR.

[13] The objectives of the Global Compact centre around four issues, namely labour condition, human rights, environment and anti-corruption. Over 7,000 businesses have signed on to this Compact (UNGC, 2012).

[14] This strategy, formulated as part of the five-year development plan (2011-2015), particularly focuses on the increased use of renewable energy in China (KPMG China, 2011).

[15] For instance, civil society has led protests against firms that are viewed as polluting (WEF, 2012).

## A. EMERGENCE OF CSR AS A PUBLIC AND BUSINESS CONCERN

Already in the late nineteenth century, businesses raised concerns on the welfare of their employees and their impact on society in general. With the emergence of the labour movement and spreading of slums triggered by the industrial revolution, businesses started to provide social welfare on a limited scale, including the construction of hospitals and bath houses and provision of food coupons (Carroll, 2008). In the same period, individual business philanthropists became active in the United States (e.g. John D. Rockefeller and Cornelius Vanderbilt). Although the legitimacy of philanthropy was not yet well established, benefits offered by those philanthropists were recognized by local communities and various social groups (Sharfman, 1994). The principle which underpinned these activities was characterized mainly by religious groups such as the Young Men's Christian Association (YMCA) (Carroll, 2008). The Great Depression in 1929 further strengthened this trend with the introduction of public trusteeship management (in addition to traditional profit-maximizing management) (Hay and Gray, 1974). Carroll (2008) highlights business philanthropy in this period as spearheading the development of the CSR concept.

The concept of CSR emerged in the 1950s. Bowen (1953) defined CSR as the obligations of businessmen[16] to pursue their policies, to make their decisions or to follow their lines of action which are desirable in terms of the objectives and values of society. He argued that businessmen are responsible for the consequences of their actions in a sphere somewhat wider than corporate financial performance, indicating the existence and importance of corporate social performance. Davis (1960) set forth his definition of CSR as it refers to businessmen's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest. By arguing that CSR was a blunt idea but had to be discussed in a managerial context, he further suggested that some socially responsible business decisions can be justified by the long-run economic gains of the firm, thus paying back for its socially responsible behaviour. Frederick (1960) saw CSR as a private contribution to society's economic and human resources and a willingness on the part of business to see that those resources were utilized for broad social ends. He also summarized the development of CSR in the 1950s into three core ideas: (1) corporate managers as public trustees through the shareholding system; (2) stakeholders' balanced claims to corporate resources; and (3) the acceptance of business philanthropy.

Especially the 1960s and 1970s were distinguished by the rapid growth of social movements advocating labour rights, consumer protection and environmental preservation. During this period, labour issues underwent a transition from special interest status to the subject of formal government regulations. In line with Samuelson (1971), who argued in favour of the role of CSR, Davis (1973) concluded that CSR refers to "the firm's consideration of and response to issues beyond the narrow economic, technical and legal requirements of the firm" (pp. 313-321). Johnson (1971) also proposed that instead of striving only for larger returns to its shareholders, a responsible enterprise takes into account the interests of employees, suppliers, dealers, local communities and the nation as a whole. It is noteworthy that he pioneered the stakeholder theory with a framework which identified key stakeholders for business, and thus for CSR. One of the notable contributions to the development of CSR at that time was made by the

[16] Until the emergence of modern corporations whose shares are owned by shareholders, these obligations were not for the corporations but for the businessmen who manages their businesses.

Committee for Economic Development (CED) of the United States, which defined CSR, in 1971, as a business function to serve constructively the needs of society (Carroll, 2008). The CED argued that businesses should have broader responsibilities to society reflecting the changing social contract between business and society (or the nation) in general. During the same period, one of the most critical views against CSR was also brought by Friedman (1962) who claimed that corporate managers' primary responsibility was to maximize values for shareholders instead of incorporating CSR in their daily activities.

At the end of the 1970s, perhaps the earliest and most comprehensive framework of CSR was proposed by Carroll (1979). He constructed a three-dimensional CSR conceptual model, which consisted of corporate responsibilities, social issues of business and corporate actions. Corporate responsibilities embodied four types, namely economic, legal, ethical and philanthropic (the order of those four types of responsibilities suggests the relative importance of each type). While social issues of business can include various topics, such as labour standards, human rights, environment protection and anti-corruption, to which the four types of responsibilities are tied, corporate actions are more concerned with specifying generalized modes of response (e.g. reactive, defensive, accommodative and proactive). According to the four types of corporate responsibilities, CSR issues are selected by each firm and the actions of the firm are derived from this selection. In other words, the responsibilities lead to responses of the firm on particular social issues partially depending on the seriousness of issues perceived by society (and the firm). It should be observed that these issues and their relative importance may be different between business and society and have changed over time. The model also helps managers to have a clearer view of the social issues they face and helps them plan and improve their social performance.

During the 1980s and 1990s Carroll's CSR model was refined. Wartick and Cochran (1985) proposed another three-dimensional model of principles, policies and processes or the 3P CSR model. This model extended Carroll's earlier three-dimensional CSR model (i.e. responsibilities, issues and actions) by accepting Jones' notion (1980) that CSR is not a set of outcomes but an evolving process (e.g. analysis, debate and modification) regulated by formally embedded principles and policies. Principles are equivalent to Carroll's corporate responsibilities, and policies guide social issue management including corporate actions. The process is further extended by undertaking more actions to various social issues, while responding to the changing challenges of society. In summary, this new model integrates the principles of corporate responsibility, the policies of social issue management and the processes of actions into an evolutionary dynamical system.

Wood (1991) further reformulated the two three-dimensional models by emphasizing the outcomes or performance of CSR initiatives. First, Carroll's four types of corporate responsibilities (i.e. economic, legal, ethical and philanthropic) were linked to three institutional levels (i.e. legal, organizational and individual).[17] This helps to explain CSR more clearly, as the society's expectation of business behaviours and outcomes is more distinguished. Second, Wood came up with three principles of corporate behaviours and outcomes: legitimacy, public responsibility and managerial discretion. Legitimacy refers that society grants permission to do

[17] The institutional framework relating to CSR may also include the politics, history, culture and religion of a country or a region (Doh and Duay, 2006; Lammers, 2003).

business and business should follow the rules of the game. Public responsibility means that businesses have to be responsible for outcomes related to their primary and secondary areas of involvement with society. Managerial discretion emphasizes that corporate managers are moral actors and they are obliged to play such a role to make CSR matter. Third, social issues were reorganized as the outcomes, or performance, of CSR initiatives. The outcomes are separated into three types: social impacts of corporate behaviours, policies that companies use for handling social issues, and CSR programmes. Fourth, corporate actions were further divided into external assessment, stakeholder management and implementation management. The firms must monitor and analyse the external environment (i.e. economic, technological, social, political and legal) which changes over time; take stakeholder demand into consideration for proper designing of CSR initiatives; and emphasize quality implementation to enhance the effectiveness of the CSR initiatives.

During the same period, the focus on developing new or refined concepts of CSR gradually gave way to alternative approaches such as corporate citizenship[18] (Pinkston and Carroll, 1994), business ethics[19] (Shapiro, 1995) and stakeholder theory[20] (Freeman, 1984), although the core concerns of CSR were reflected in those new approaches. The CSR concept served as the basis, building block or point-of-departure for other related initiatives, many of which adopted CSR principles (Carroll, 2008).

Since entering into the twenty-first century, more focus has been given to implementation of CSR initiatives and empirical study of CSR impacts. However, some development of the CSR concept has been continuously observed. Schwartz and Carroll (2003) reduced Carroll's four categories of corporate responsibilities (i.e. economic, legal, ethical and philanthropic) to three-domain approach, namely economic, legal and ethical. The International Labour Organization (ILO) (2007) redefined CSR as a way that enterprises consider the impact of their operations on society and CSR principles are integrated in enterprises' internal processes and interactions with stakeholders on a voluntary basis. More recently, the European Commission (2011) simplified the CSR definition as the responsibility of enterprises for their impacts on society, which indicates that enterprises should have a process in place to integrate CSR agenda into their operations and core strategies in close corporation with stakeholders. The World Business Council for Sustainable Development (WBCSD) (2012) also emphasized a balance of return on financial, natural and social capitals, particularly suggesting the integration of CSR reporting into annual report. Table II.1 summarizes the major development of CSR concepts.

[18] While the term corporate citizenship strongly indicates the principle of corporate personhood, which may possess the same political and legal rights of a citizen in a country, in practice it can be seen as the equivalent of CSR (Matten and Crane, 2005).

[19] Business ethics is a form of perceptions, attitudes and behaviours derived from professional principles and moral norms which regulate the conduct of individuals (and organizations) in business (cf., Frederick and Carroll, 1999). It can also be seen as part of CSR.

[20] The stakeholder theory states that businesses operate with various groups of stakeholders within a particular society and need to respond to the interests and requirements of these stakeholders (cf., Clarkson, 1995; Maignan, Ferrell and Hult, 1999; Wood and Jones, 1995). Main stakeholder groups include customers, employees, shareholders, suppliers, the Government and members of communities where the business operates. Stakeholders may advocate not only issues that affect their own welfare (e.g. consumer protection and product safety) but also additional issues that affect others (e.g. consumer activists condemning pollution and child labour).

## Table II. 1. Development of CSR concepts

| Period | Name of concept | Description | Literature |
|---|---|---|---|
| 1950s | Social responsibility of businessmen | The obligations of businessmen to pursue policies, to make decisions or to follow lines of action which are desirable in terms of the objectives and values of society | Bowen (1953) |
| | | Some socially responsible business decisions can be justified by the long-run economic gain of the firm, thus paying back for its socially responsible behaviour. | Davis (1960) |
| | | Private contribution to society's economic and human resources and a willingness on the part of business to see that those resources were utilized for broad social ends | Frederick (1960) |
| 1960s–1970s | Stakeholder approach | Instead of striving only for larger returns to its shareholders, a responsible enterprise takes into account the interests of employees, suppliers, dealers, local communities and the nation as a whole. | Johnson (1971) |
| | Three dimensional model | The concept consists of corporate responsibilities (i.e., economic, legal, ethical and philanthropic), social issues of business (e.g., labour standards, human rights, environment protection and anti-corruption) and corporate actions (e.g., reactive, defensive, accommodative and proactive). | Carroll (1979) |
| 1980s-1990s | Three-dimensional model of principles, policies and processes | Integration of the principles of corporate responsibility, the policies of social issue management and the process of action into an evolving system. | Wartick and Cochran (1985) |
| | Institutional framework and extended corporate actions | Four types of corporate responsibilities (i.e., economic, legal, ethical and philanthropic) were linked to three institutional levels (i.e., legal, organizational and individual), while corporate actions are extended to assessment, stockholder management and implementation management. | Wood (1991) |
| 2000s | Three-domains approach | Three domains of corporate responsibilities: economic, legal and ethical. | Schwartz and Carroll (2003) |

| | | | |
|---|---|---|---|
| | New concept | A process to integrate social, environmental, ethical, human rights and consumer concerns into business operations and core strategy in close corporation with the stakeholders | European Commission (2011) |

## B. RECENT DEVELOPMENTS IN CSR AS AN INTEGRAL PART OF BUSINESS MANAGEMENT

As mentioned above, with the entry of the twenty-first century, the CSR community has focused more on the implementation of CSR initiatives, while the refinement of the CSR concept has received less attention. As businesses face intensified challenges, including rapid globalization, increasing environmental concerns and mounting pro-poor needs, there has been a growing need for the adoption of result-based CSR management and stringent evaluation of CSR performance (ESCAP, 2009). These trends suggest that businesses integrate CSR into their core operations throughout the value chains they are part of at both national and global levels. However, such integration requires strong corporate motivation as well as adequate reporting systems. Within this context, this subsection covers the most recent developments in CSR, particularly relating to CSR's ongoing integration in various managerial aspects, including global value chains, sustainability and inclusiveness, core business activities, entrepreneurship, investment decision, international standards, business motives and monitoring and evaluation (M&E).

A global value chain refers to the full range of cross-border, value-added business activities (ESCAP, 2007), involving the diverse interactions between individual companies and their key stakeholders, both locally and globally. When companies operate in or procure from other countries, such as developing countries where laws and regulations are different and standards are not compatible with those in the home country, managing CSR throughout the value chain becomes more challenging in terms of governance, assessment and information management. The difficulty in tracing back entire production processes and distribution networks reveals a number of risk factors critical to CSR management. Although there is a wide array of unique managerial issues in global value chains, CSR issues such as environmental impacts, child labour and forced labour, fair trade, corruption, suppliers' business practices and human rights have received increased attention from business.

Similarly, the contribution of CSR to sustainable development has recently attracted more attention. Sustainable development is defined as development that meets the needs of the present without compromising the ability of the future generations to meet their own needs (Strategis, 2003). In this sense, sustainable development is inextricably linked to environmental issues in addition to social and economic issues (Sachs, 2012). For instance, the environmental damage caused by business (e.g. water pollution and deforestation) has an impact on local communities which, in turn, becomes a barrier to their long-term socio-economic development. As such, CSR activities in the context of sustainable development could reverse or mitigate the adverse impacts of business (Carroll, 2006).

The concept of inclusive business or pro-poor business has also been gaining attention. Newell and Frynas (2007) suggest that CSR initiatives should target poorer groups more than other groups. They stress the key role of government in inclusive development (e.g. education and employment of minorities) and argue that CSR initiatives can make a larger contribution by reinforcing state-led pro-poor policies in addition to their direct contribution. Inclusive businesses typically encourage local employees, suppliers, producers and growers to participate in their production and other activities in the value chain so that they can not only achieve commercial objectives but also improve local competitiveness and productivity. Inclusive businesses can also offer opportunities to local stakeholders in terms of skills development and knowledge accumulation that are conducive to the formation of local industry clusters. Businesses, however, need focused CSR initiatives with a long-term commitment to the development of the poor and require close partnerships with government to ensure the successful implementation of such initiatives.

One example of inclusive business is the bottom of the pyramid (BoP) concept. BoP is based on the belief that the market mechanism can play a key role in alleviating global poverty (Prahalad, 2005). Under the BoP initiative, it is recognized that traditional business neglects the poor who have untapped capacity to be creative entrepreneurs as well as profitable customers. Thus, businesses can make profits by encouraging the poor to be entrepreneurs or selling to the poor, while contributing to poverty alleviation by bringing prosperity through BoP's involvement in such commercial activities. The most famous example of BoP is represented by the Grameen Bank, a microfinance institution of Bangladesh. The majority of customers of the Bank's microfinance facilities are women who run small business in rural areas. Microfinance can empower those women both financially and socially, and thus contributes to a more equitable and responsive society (Abed and Matin, 2007). The BoP concept can encourage businesses to stimulate innovation by way of targeting a new market (Landrum, 2007). Large firms in particular, such as TNCs, are also expected to play a leading role in the BoP process (Prahalad, 2005). However, a causal relationship between BoP and its impact on the eradication of poverty has not been fully supported by empirical research (Walsh, Kress and Beyerchen, 2005).

Many argue that CSR should be secured within core business activities and add value to corporate success (cf., Newell and Frynas, 2007; Carroll, 2008). Generally speaking, there are two ways for businesses to implement CSR. The traditional approach is that companies deliver a CSR programme, often seen as charity, which is separated from their core operations. In other words, the core business focuses on maximizing shareholder value, while the CSR programme addresses specific CSR issues and targets stakeholders. Some scholars including Porter and Kramer (2011a; 2011b) have been skeptical of conventional CSR. They argue that CSR is not successful unless mainstream companies begin reporting some aspects of CSR as being critical to the company's performance. Another point is that CSR can be just a tool to raise a business's own brand image and reputation, which are core corporate motives (Porter and Kramer, 2011a). The other approach, which is gaining increased attention, demands the full integration of CSR in core operations and value chains so as to minimize negative impacts resulting from business activities on the society and the environment. Such integration requires complying with codes of conduct, labour standards and environmental standards, which should be strengthened over the years and must be part of the daily operations of enterprises. In short, business can make a greater impact on the society and the environment by streamlining CSR practices into their core business than through isolated CSR programmes (Ashley, 2009).

Social entrepreneurship has also been discussed by the CSR community (ESCAP, 2012) recently. The Global Entrepreneurship Monitor (GEM) report of 2009 refers social entrepreneurship as individuals or organizations engaged in entrepreneurial activities with a social goal (Global Entrepreneurship Monitor, 2009). Although it often embeds in SMEs, social entrepreneurship could be applicable to any type of organizations at both public and private sectors as well as at a non-profit organization. Borstein (2004) described social entrepreneurs as a transformative force for social change with novel ideas, which seeks to inspire and moves people at large. Social entrepreneurs aim to create a positive change by applying business methods in various fields, ranging from education and health to environment. Each social entrepreneur can contribute to society in a different area and with a varying degree, embracing positive social, environmental and cultural purposes. Therefore, Governments have to deal with the specific needs of individual social entrepreneurs. Governments can also strengthen social entrepreneurship by financially supporting social entrepreneurs, or their associations, and implementing promotional programmes targeting potential social entrepreneurs.

Corporations have been increasingly aware of the shareholders' consideration over CSR initiatives and performances to be supplementary to traditional financial criteria for investment decision-making. Such shareholders' consciousness on CSR is called social (or impact) investment (cf., Calvert Foundation, 2012). They typically inject the interest of social and environmental concerns into investment activities so that their commercial behaviours can influence business practices while making adequate profits. By implementing social investment practices, shareholders (or investors) can give pressure on firms to operate reasonably and ethically in order to ensure business continuity (ESCAP, 2009). Social responsible indexes, such as the Dow Jones Sustainability Index in the United States and the FTSE4GOOD Index in the United Kingdom,[21] provide information about the CSR practices of individual companies, so their shareholders can make their investment decision by tracking CSR records easily. Furthermore, the United Nations launched a set of Principles for Responsible Investment (PRI) that are guidelines for investors and include economic, social and environmental considerations (or the triple bottom line) in investment practices. The PRI provide a menu of possible actions for incorporating the agenda into mainstream investment decision- making.[22]

CSR instruments, which are voluntary regulatory measures for CSR activities, have also taken centre stage in international frameworks.[23] Those international CSR instruments include UNGC, OECD Guidelines for Multinational Enterprises, ISO 26000 and the ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (cf., ESCAP, 2009). UNGC is a strategic policy initiative for businesses that are committed to align their operations and strategies with ten principles in the area of human rights, labour, environment and anti-corruption. The OECD Guidelines for Multinational Enterprises provide a framework for business conduct covering various areas of business ethics, such as tax, competition, disclosure, anti-corruption, labour, human rights and environment. While ISO 26000 is the sole international CSR standards, providing guidance for businesses to translate CSR agenda into effective

[21] For more details of those two social responsible indices, see http://www.sustainability-index.com/ and http://www.ftse.com/Indices/FTSE4Good_Index_Series/index.jsp, respectively.
[22] Accessed from http://www.unpri.org/about-pri/about-pri/.
[23] These instruments are global in character and their coverage, as well as issues in forging a convergence among them, is further discussed in chapter IV of this publication.

corporate actions, the ILO Tripartite Declaration of Principles offers guidelines to enterprises, Governments and employers' and workers' organizations in such areas as employment, training, conditions of work and life and industrial relations. Under increasing globalization and bandwagon effect, each country is expected to follow the international instruments and make them link effectively with the national regulatory framework. As a result, the country naturally becomes more concerned with the CSR agenda and receptive to cooperate with the private sector for the promotion of the CSR concept.

Following the above development, Porter and Kramer (2011b) present four motives for business to integrate the CSR concept into their core business: moral obligation, sustainability, licence to operate and reputation. The moral obligation is the argument that companies have duties to be good citizens and "to do the right thing". Sustainability highlights environmental and community stewardship. The concept of licence to operate derives from the fact that every company needs tacit or explicit permission from Governments, communities and numerous other stakeholders to do business. Many companies use reputation to justify CSR initiatives on the grounds that they improve a company's image by strengthening its brand, enlivening its morals and even raising the value of its stock. ESCAP (2009) also suggests that the CSR motives also consist of risk management, financial gains and innovation. CSR can be a tool to offset business risk, which could be derived from any malfunction in the company and its suppliers and distributors, promoting the "doing the right thing" culture throughout the value chain. While successful CSR practices could save cost from the reduction of pollution and waste, companies with good CSR records could access external capital easier than others as financial institutions are increasingly incorporating social and environment criteria into their investment decision-making (i.e. social or impact investment). CSR practices can also benefit both society and company from creating innovation (e.g. new products/services and efficient production process) through CSR practices. However, further study is required on the motives for CSR initiatives which are becoming important to attract an increasing number of businesses to integrate the CSR concept into their core operations. For example, McWilliams and Siegel (2001) suggest that CSR outcomes and R&D spending are highly correlated with a positive effect on profitability as both CSR and R&D relate to product and process innovation. Many efforts have also been devoted to the relationship between CSR and corporate financial performance but the results of these efforts have been inconclusive.

Finally, the planning, measurement and appraisal of CSR initiatives are commonly referred to as CSR (or sustainability) reporting. In recent years CSR reporting has raised considerable interests in business and academic communities although its roots, such as social audit and non-financial accounting, go back to the 1940s (Carroll and Beiler, 1975). As a form of measurement of environmental protection, labour relations, human right records, outstanding legal issues and community relations, CSR reporting is a natural evolutionary step in the operationalization of CSR initiatives and, in its essence, represents a managerial effort to measure, monitor and evaluate a company's CSR performance. CSR reporting is an attempt to enhance the company's accountability to its stakeholders with respect to CSR objectives and programmes. For example, the "triple bottom line" corporate reporting framework has gained popularity in the CSR community. The framework incorporates economic, social and environmental aspects of reporting and facilitates CSR activities through the efficient use of economic capital while simultaneously building and using social and natural capital (UNGC, 2012). The Global Reporting Initiative (GRI) and UNGC are two of the major initiatives of CSR reporting at the global level (UNGC, 2012; GRI, 2012).[24]

## C. A COMPREHENSIVE CSR CONCEPTUAL MODEL

As described above, some form of CSR has always existed and has evolved with the growth of modern industries. For years, the need for a positive relationship between business and society has been a common concern. The CSR concept will remain an essential part of business languages and practices because it responds to rising public expectations from the business community. As the theory of CSR is further developed and more research is conducted, scholars may revise and adapt existing definitions of CSR However, such definitions and interpretations will build on the groundwork that has been ongoing in the area of CSR for over half a century.

Within this context, it may be useful to present a comprehensive conceptual framework of CSR, which describes the main drivers, factors, issues, strategies and stakeholders of CSR. This framework has been developed mainly on the basis of previous work done by Carroll (1979; 1991), Wartick and Cochran (1985) and Wood (1991). The results of recent research on corporate motives are added to identify the specific drivers of CSR. The present framework is also based on stakeholder theory and includes concepts such as global value chains, sustainable business, inclusive business and CSR reporting. The framework appears in figure II.1.

The conceptual framework describes CSR phenomena of interest in their most general but evolving form. It specifically places, in sequence, five components: (1) corporate motives; (2) corporate responsibilities; (3) CSR issues; (4) institutional frameworks; and (5) corporate actions, reflecting the natural logical flow of conventional human behaviours that perceptions precede attitudes and attitudes precede behaviours (cf., Wartick and Cochran, 1985). Corporate motives are formed as a firm's perceptions, while corporate responsibilities and CSR issues are recognized as a firm's attitudes. Institutional frameworks and corporate actions are categorized as a firm's behaviours.

Corporate motives in figure II.1 refer to demands of or pressures on a firm to adopt a CSR practice. They are based on the motive model for business (Porter and Kramer, 2011b; 2011c; ESCAP, 2009), which comprises moral obligation, corporate sustainability, reputation, economic gain, licence to operate, risk management and innovation. Firms have increasingly realized that their ability to compete in the market significantly associates with their contribution to society and environment. The more the firm has a clear motive on CSR, the more likely it successfully implements CSR activities while achieving both social and economic gains.

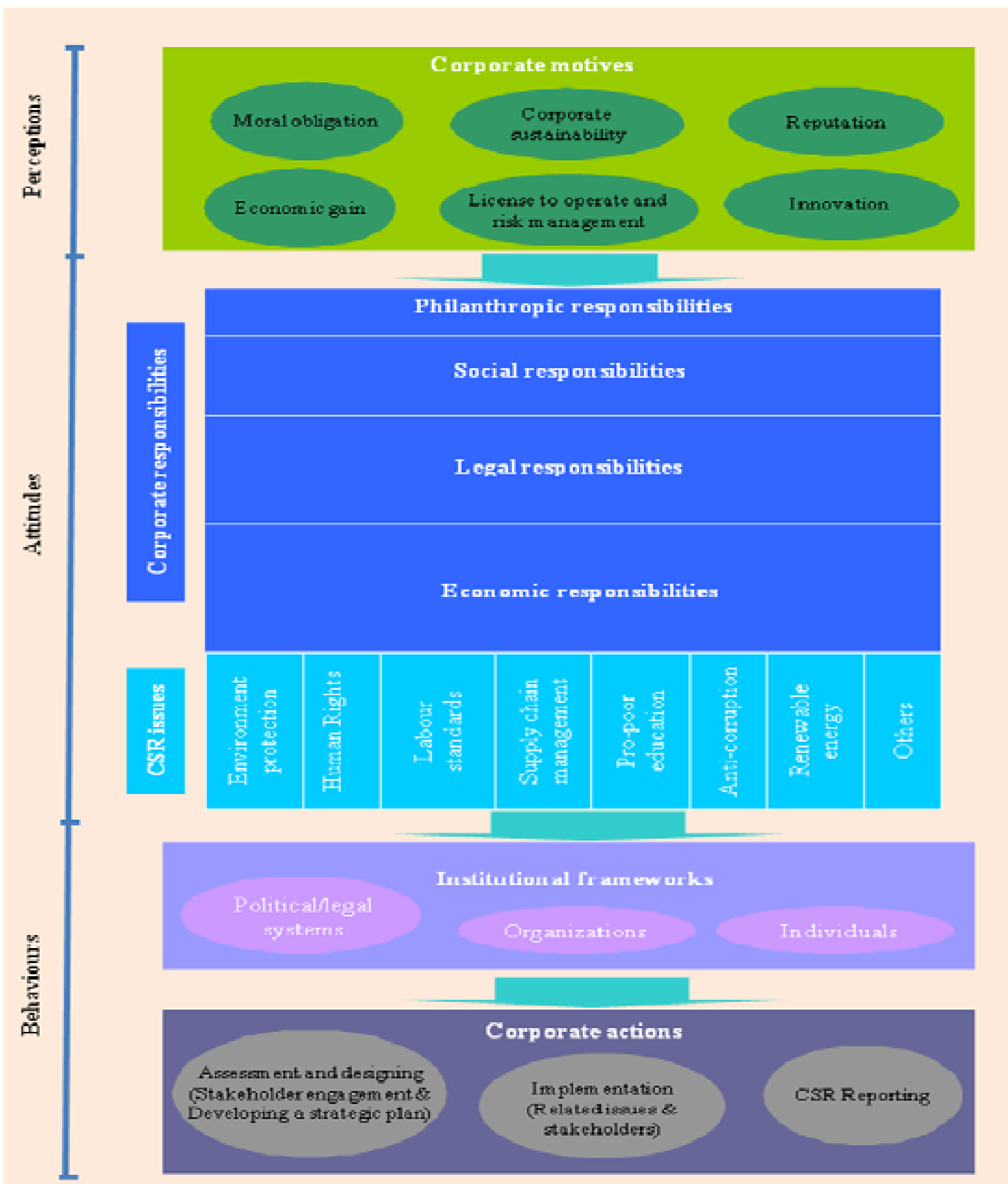
Corporate responsibilities are defined as obligations of a firm to contribute to society. They follow Carroll's four types of responsibilities, covering economic, legal, social and philanthropic (Carroll, 1979). Economic responsibility is the most fundamental goal of business entities, followed by legal responsibility that each firm has to act within the given legal framework. However, society is putting increasing emphasis on firms' higher social responsibility. Social responsibility generally reflects ethical attitudes of managers and

[24] See chapter IV of this publication for more details.

entrepreneurs. Similar to social responsibility, philanthropic responsibility depends on managers' attitudes to the firm's relationship with society and environment.

CSR issues are considered to be target areas of a firm's CSR initiatives. The issues build up on individual firms' attitudes on corporate responsibilities and perhaps depend on their assessments on social and environmental needs. The CSR issues identified in figure II.1 expand on Carroll's social issues framework (Carroll, 1979), adding environmental and pro-poor aspects. The coverage of CSR issues has been gradually expanded as the needs of society are changing and new issues, such as environment, human rights, labour standards, value chain management, pro-poor education, anti-corruption and renewable energy, have invited more attention in the CSR arena.

**Figure II. 1. Comprehensive CSR conceptual framework**



Then, target CSR issues must be addressed through appropriate institutional frameworks, namely political and legal systems, organizations and individuals. These institutional frameworks are taken from Wood (1991), adding political aspect to legal systems. The political and legal systems, which are conscious of the society's needs and expectations in general, are expected to provide a proper policy and regulatory framework to firms' CSR initiatives. While organizations by nature have to be responsible for social outcomes of their activities and interests, individuals are supposed to take moral actions to support society's well-being.

Finally, corporate actions are viewed as a firm's responsiveness to CSR issues. Following Deming's popular "plan-do-check-act" cycle (1966), Wood's three types of corporate actions (i.e. external assessment, stakeholder engagement and implementation management) (Wood, 1991) were reorganized as assessment and designing, implantation and CSR reporting. The assessment and designing are necessity to develop an effective CSR plan or programme. Stakeholder engagement is focused in both the step of assessment and designing and implementation. Implementation also covers both management of CSR issues and CSR stakeholders, while the recent development of CSR reporting, which includes M&A process, was included in the corporate actions as the third and last element.

All in all, this CSR conceptual framework highlights a process flow from motives that drive business to adopt the practices of corporate responsibilities to implementation of CSR activities into business operations through the selection of key issues to society and environment as well as an appropriate institutional mechanism. The framework covers the various concepts of CSR that have been developed for years. It can also contribute to further conceptual development for effective CSR practices and provide clear guidelines and specific approaches for business, government and other stakeholders (e.g. international, non-profit and non-governmental organizations) to conduct their ongoing and future activities, resulting in better CSR performance.

## D. CONCLUSIONS

With the ongoing discussions and arguments on the role of business in development, increasing environmental concerns and the need for pro-poor development, the conceptualization and implementation of CSR have received increased attention. With the spread of globalization, intensification of competition and increased ecological footprint of TNCs, in particular in developing countries, the activities of businesses which focus on both social and environmental impacts have increased as an integral part of core business operations and management.

The concept of CSR finds its roots mainly in the Western world, in particular in the United States, where individualism and arms-length relationships are predominant (Carroll, 2008; Hofstede, 2001). The way in which CSR is practised and communicated is often related to specific cultural and social contexts, and in the Asia-Pacific region debates on CSR have tended to follow developments in the West (ESCAP, 2009). This observation invites some immediate questions. Can the present CSR model as presented in figure II.1 be fully applied to a non-Western context? Which elements of the CSR model are more essential to make the model as a whole function better in the region? Is there any missing CSR element which is unique to the region? While the core principles of environmental management, social responsibility and sustainable development are part of any CSR model, countries in the Asia-Pacific region may have different priorities depending on national culture, level of economic development and nature of state-business relationships (Welford, 2005). Further research is needed in this area.

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