CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE: CONCEPTS, PERSPECTIVES AND EMERGING TRENDS IN IBERO-AMERICA

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PREFACE

Corporate Social Responsibility (CSR) has become an established part of business to such an extent that it is no longer questioned that it has a role to play in business decision making. Indeed it seems to have become generally accepted by businesses and their managers, by governments and their agencies, and by the general public that there is considerable benefit in engaging in CSR. Consequently every organisation tends to have its CSR policy which has been translated into activity. Despite the fact that many people remain cynical about the genuineness of such corporate activity, the evidence continues to mount that corporations are actually engaging in such socially responsible activity, not least because they recognise the benefits which accrue. So altruism is no longer a prerequisite of CSR activity as enlightened self-interest shows it to be beneficial. It seems therefore that the battle is won and everyone accepts the need for CSR activity – all that remains for discussion is how exactly to engage in such activity and how to report upon that activity. Even this has been largely addressed through such vehicles as GRI and ISO26000.

There has also been considerable change in the emphasis of corporations reporting of their CSR activity which has taken place in recent years. This change is not just in terms of the extent of such reporting, which has become more or less ubiquitous throughout the world, but also in terms of style and content. When researching into corporate activity and the reporting of that activity in the 1990s it was necessary to acknowledge (Crowther, 2002) that no measures of social or environmental performance existed which had gained universal acceptability. Good social or environmental performance was subjectively based upon the perspective of the evaluator and the mores of the temporal horizon of reporting. Consequently any reporting concerning such performance could not easily be made which would allow a comparative evaluation between corporations to be undertaken. This was regarded as helpful to the image creation activity of the corporate reporting as the authors of the script were therefore able to create an image which could not be refuted through a comparative evaluation of quantitative data. Instead such images could be created through the use of linguistic and non-linguistic means. Thus each company was able to select measures which created the semiotic of social concern and environmental responsibility and of continual progress, through the selective use of measures which support these myths. As a consequence of the individual selection of measures to be reported upon, a spatial evaluation of performance, through a comparison of the performance with other companies, was not possible and a temporal evaluation was all that remained.

Even the definition of what constitutes CSR has been contentious and uncertain. The broadest definition of corporate social responsibility is concerned with what is – or should be – the relationship between global corporations, governments of countries and individual citizens: a redefinition of the Social Contract. More locally the definition is concerned with the relationship between a corporation and the local society in which it resides or operates. Another definition is concerned with the relationship between a corporation and its stakeholders. Each of these definitions is pertinent and each represents a dimension of the issue. A similar debate is perhaps taking place in the arena of business ethics – whether corporations should be controlled through increased regulation or not, and whether the ethical base of citizenship been lost and needs replacing before socially responsible behaviour will ensue in whatever manner this debate is represented, it seems that it is concerned with some sort of social contract between corporations and society.

This social contract implies some form of altruistic behaviour – the converse of selfishness (Crowther & Caliyurt, 2004) – whereas the self-interest of Classical Liberalism connotes selfishness. Self-interest is central to the utilitarian perspective championed by such people as Bentham, Locke and J. S. Mill. Similarly Adam Smith's free-market economics is predicated on competing self-interest – recognising what he regarded as inevitable despite his personal concern for ethical behaviour. These influential ideas put interest of the individual above interest of the collective. The central tenet of social responsibility however is the social contract between all the stakeholders to society, which is an essential requirement of civil society. This is alternatively described as citizenship but for either term it is important to remember that the social responsibility needs to extend beyond present members of society. Social responsibility also requires a responsibility towards the future and towards future members of society. Subsumed within this is of course a responsibility towards the environment because of implications for other members of society both now and in the future. Essentially the argument is that CSR must be considered as a process of development for every organisation – a process which is still taking place.

Sustainability is a term which seems to a great extent to have replaced CSR in the language used within corporations and it is a word which is used by everyone and everywhere – to such an extent that its meaning has become somewhat nebulous. Thus it is just a general term to means anything but create an impression of considerate and beneficial behaviour. A quick look at dictionary may lead us to a list of definitions as: ability to suffer (loss or injury); ability to be supported (emotionally or physically); ability to keep going for a long time (business); ability to be kept going, ability of being sustainable; ability to survive without human interference, ability to continue in existence (botany). On the whole therefore one can get the impressions that sustainability relates to survival. Many a time we might have seen people who use sustainability as a synonym for sustainable development whereas sustainability is the target for sustainable development. Sustainable development as indicated in ISO 26000 is 'development that meets the needs of the present without compromising the ability of future generations to meet their own needs', an echo of the Brundtland definition of 25 years previously. All that is done under the title, sustainable development, is only aiming at sustainability of the ability to survive.

The concept of corporate governance is also one which is in the public spotlight. It is undeniable that corporate governance is fundamental to the continuing operating of any corporation; hence, much attention has been paid to the procedures of such governance. A significant part of the reason for this is due to the developments brought about through globalisation. A great deal of concern has been expressed all over the world about shortcomings in the systems of corporate governance in operation: Britain, Australia, most other Anglo-Saxon and English speaking countries, and many other countries, have a similar system of governance. Conversely Germany is a good example of where the distance between ownership and control is much less than in the United Kingdom and United States, while Japan's system of corporate governance is in some ways in between Germany and the United States, and in other ways different from both (Shleifer & Vishny, 1997). By contrast, in India the corporate governance system in the public sector may be characterised as a transient system, with the key players (viz. politicians, bureaucrats and managers) taking a myopic view of the system of governance. Such international comparisons illustrate different approaches to the problem of corporate governance and the problem of ensuring that managers act in their shareholders' interest. Recently of course much attention to this issue has been paid by institutional investors (Cox, Brammer, & Millington, 2004).

Good governance is of course important in every sphere of the society whether it be the corporate environment or general society or the political environment. Good governance levels can, for example, improve public faith and confidence in the political environment. When the resources are too limited to meet the minimum expectations of the people, it is a good governance level that can help to promote the welfare of society. Governance is of concerned with both the rights of shareholders and, increasingly, the rights of other stakeholders. There is also considerable debates as to whether corporate governance and corporate social responsibility are separate concepts of whether they are interrelated – and indeed which is a subordinate part of the other. Opinions vary but it is clear that there is some kind of relationship.

Most people would say that corporate social responsibility is an Anglo-Saxon concept which has been developed primarily in the United Kingdom and the United States. Critics however would say that it is only under the Anglo-Saxon model of governance that there could ever be a need for CSR. They would argument that the Cartesian dichotomy is a peculiarly Anglo-Saxon development which led directly to the notion of a free market as a mediating mechanism and the acceptance of the use of power for one's own end, in true utilitarian style. This has led to the loss of a sense of community responsibility which removed any sense of social responsibility from business. This therefore necessitated its reinvention in the form of corporate social responsibility, just as it necessitated the development of codes of corporate governance.

The Latin model of governance however is founded in the context of the family and the local community and is therefore the opposite of the Anglo Saxon model, being based on a bottom up philosophy rather than a hierarchical top down approach. Thus this model is based on the fact that extended families are associated with all other family members and therefore feel obligated. In such a model of governance the sense of social responsibility remains strong and is applied to firms just as much as individuals. This sense of social responsibility has never therefore been really lost and consequently there has been no need for its reinvention.

As already stated, discussion has taken place as to whether corporate governance is an aspect of corporate social responsibility, or vice versa. In this book we will see various authors adopt one position or the other so it seems that they are inevitable interrelated – good governance must recognise CSR and effective CSR must accommodate governance. The various contributors to this book examine governance and social responsibility in various locations focusing within Ibero-America and in various types of business and organisation. If space was not a factor, then many more locations and types of business could be examined in a similar manner. The focus of this book is upon the Ibo-American world and a consideration of what distinctive features of the CSR and CG can be found there. Thus one question to consider is whether or not the group of countries – in Ibero-America and Europe but culturally connected – give a different interpretation of the concepts and whether lessons can be learned from this study. So one thing that is apparent is that these are issues of considerable significance all over the world. In doing so we need to consider the issues raised and explore commonalities and differences. And lastly in this chapter we will need to take these debates and the arguments from the chapters in this book in order to consider a prognosis of what the future might hold for corporate governance and social responsibility procedures and practices. This is something which we do not attempt but leave to each individual reader.

This book constitutes a contribution towards the debate concerning the role of corporate governance and corporate social responsibility throughout the world and the perceived need to develop appropriate standards and practices through its focus upon one particular cultural area. We have sought to show similarities and differences in practice and understanding throughout this area and also that cultural issues are an important element which is often omitted from any analysis. Nevertheless the debate about such procedures continues and we consider that we need to complete the analysis undertaken in this book by offering some form of prognosis, albeit subject to criticism and challenge for many reasons. So we start by stating that many companies regard corporate governance as simply a part of investor relationships and do nothing more regarding such governance except to identify that it is important investors/potential investors and to flag up that they have such governance policies. The more enlightened recognise that there is a clear link between governance and corporate social responsibility and make efforts to link the two. Often this is no more than making a claim that good governance is a part of their CSR policy as well as a part of their relationship with shareholders. We hope that the reader agrees with us but welcome any alternatives understanding – all help develop the discourse.

It is recognised – and amply demonstrated throughout the contributions from the various authors in this book – that these are issues which are significant in this part of the world, just as elsewhere, and a lot of attention is devoted to this global understanding. Most analysis however is too simplistic to be helpful as it normally resolves itself into a simple duality of rules based versus principles based. Our argument is that this is not helpful as the reality is far more complex. It cannot be understood without taking geographical, cultural and historical factors into account in order to understand the similarities, differences and concerns relating to people of different parts of the world. The aim of this book has been to redress this by asking subject experts from different parts of the world to explain the issues from their particular perspective. Our prognosis is that this debate will continue and mature and that vested interests will seek to develop codes and standards with universal application. This has not yet happened with financial reporting so will take time with governance and CSR. Moreover we argue that any such code or standard will only survive if it is designed to be sufficiently flexible to allow for the full extent of cultural variation throughout the world. With that we invite you to read the book and contribute to the future debate.

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