

1 **CHAPTER** **5** *A Comparative Study* 1  
 2 *of CSR Practices* 2  
 3 *by Multinational* 3  
 4 *Corporations in their* 4  
 5 *Operations in Developed* 5  
 6 *and Developing Economies* 6  
 7 7  
 8 8  
 9 9  
 10 10  
 11 11  
 12 12  
 13 13  
 14 14  
 15 15  
 16 16  
 17 17  
 18 18

19 ABUBAKAR SADIQ KASUM AND ASLI YÜKSEL MERMOD 19  
 20 20  
 21 21  
 22 22  
 23 23  
 24 24

25 **Abstract** 25  
 26 26

27 This chapter examines the corporate social responsibility (CSR) practices of multinational 27  
 28 corporations (MNCs) in their operations in some developed and developing countries. 28  
 29 The study specifically compares how CSR is practised by MNCs in the developed countries 29  
 30 with that of the developing countries, with the ultimate aim of understanding how 30  
 31 influential the CSRs of MNCs are in terms of contributing to socio-economic development 31  
 32 of their host countries. The study observes that MNCs, just like every other business 32  
 33 unit, are essential to the development stages of every country and some developmental 33  
 34 gains have been discovered to accrue from them. It also confirms that MNCs are known 34  
 35 to be engaging in CSRs as one of the ways to give back to the communities in which 35  
 36 they operate some of the wealth made from them. It observes, however, that there is a 36  
 37 wide gap between the CSR practices of MNCs in their operations in developed countries 37  
 38 as compared with their operations in the less developed countries. Several factors are 38  
 39 responsible for this and those relating to, for example, lower levels of education, lack 39  
 40 of awareness of CSR practices and bad leadership in many developing countries are 40  
 41 prominent among them. Science, technology, education, research and development, 41  
 42 and other sustainable development activities are part of the CSR issues in the developed 42  
 43 countries. On the other hand, sport, music, fashion events, leading celebrities' passion 43  
 44 for some good causes related to CSR, donations and a handful of infrastructure building 44  
 45 projects – roads, electricity, water – which will first serve the needs of MNCs – are their 45  
 46 CSR concerns in developing countries. CSR practices therefore contribute further to 46  
 47 socio-economic development in developed countries, while close to nothing or further 47

1 impoverishment is often their result in developing countries. The study aligns with the 1  
 2 recommendations that CSR should involve all stakeholders and it should be integrated 2  
 3 into education, training and research, with potential funding among other possibilities. 3

4 4  
 5 5

## 6 Introduction 6

7 7

8 It is a popular conclusion that government alone cannot deal with societal issues, 8  
 9 including those related to development (Ojo, 2009). 'While governments have 9  
 10 traditionally assumed sole responsibility for the improvement of the living conditions of 10  
 11 the population, society's needs have exceeded the capabilities of governments to fulfill 11  
 12 them' (Jamali and Mirshak, 2007). The business sector provides the economic vehicle 12  
 13 for the fundamental human right to development, for all nations as well as individuals. 13  
 14 Many governments are thus pinning their hopes of economic growth and technological 14  
 15 innovation on strong private sector growth (Fourie, 2009). 15

16 Today one of the most popular means by which corporations present and are 16  
 17 assessed on their role in society is through the concept of corporate social responsibility 17  
 18 (CSR). The World Business Council for Sustainable Development (WBCSD) defines CSR 18  
 19 as 'the commitment of business to contribute to sustainable economic development, 19  
 20 working with employees, their families and the local communities' (WBCSD, 2001, cited 20  
 21 in Jamali and Mirshak, 2007). CSR refers to strategies corporations or firms deploy to 21  
 22 conduct their business in a way that is ethical, society-friendly and beneficial to the 22  
 23 community in which they operate in terms of development (Ismail, 2009). It is the 23  
 24 'continuing commitment by business to behave ethically and contribute to the economic 24  
 25 development while improving the quality of life of the workforce and their families as 25  
 26 well as of the local community and society at large' (Holme and Watts, 2000, cited in 26  
 27 Lenguyen, 2011). CSR is, therefore, essentially about the relationship between business 27  
 28 as an entity and its stakeholders in the community within which the business operates. 28  
 29 This perhaps explains why 'Business stakeholders have often been defined as any group 29  
 30 or individual who would affect or be affected by the achievement or non-achievement of 30  
 31 an organization's objectives' (Freeman, 1984, cited in Lenguyen, 2011). They comprise 31  
 32 shareholders and investors, employees, customers, suppliers, governments and other 32  
 33 public organizations, trade associations and environmental groups (Clarkson, 1995 33  
 34 and Donaldson and Preston, 1995, cited in Lenguyen, 2011). All these stakeholders are 34  
 35 affected by corporate activities and may also have an effect on the corporations. 35

36 More than any other business unit, Multinational Corporations (MNCs) are at the 36  
 37 centre of CSR discourse. MNCs are spread all over the world and they control a significant 37  
 38 percentage of the global economy. Their increased presence in the international political 38  
 39 economy has led to the startling reality that companies can be political entities and 39  
 40 their influence as political actors can be sizeable, both in positive and negative capacities 40  
 41 (Holland, 2010). According to Pimpa (2011), 'it can be argued that the CSR movement 41  
 42 would advance if different types of MNCs actively participated in various host country 42  
 43 activities' MNCs operate in both developed and underdeveloped countries, which are, 43  
 44 of course, characterized by different competencies and needs. Developed countries are 44  
 45 characterized by good regulatory and governance systems, and high levels of consumer 45  
 46 protection law and customer awareness. On the other hand, 'customers of developing 46  
 47 countries are less educated and sometimes don't know their rights or don't care' (Ndzibah 47

1 and Maxwell, 2008). Their governments have limited capacity to provide good governance 1  
 2 and regulatory systems and some governments have institutionalized 'a less regulatory 2  
 3 business environment' (Iamandi, 2007). 3  
 4 'While increasing attention has been accorded in recent years to CSR, as a postulate 4  
 5 for ethical and responsible behavior in business, very little is known of the practice of 5  
 6 CSR in developing countries' (Jamali and Mirshak, 2007). 'Responsibilities assigned to 6  
 7 corporations will not be pursued voluntarily' (Kolstad, 2007) in their operations, plus 7  
 8 the fact that regulatory framework and consumer education are known to be weak in 8  
 9 developing countries. There is therefore a very high probability that CSR delivery may 9  
 10 continue to be lopsided in favour of the developed countries. According to Werner 10  
 11 (2009), 'there have been many examples in which corporations have taken advantage 11  
 12 of developing countries'. Corporations' operations have in addition been criticized for 12  
 13 facilitating a situation in developing countries where 'major shops are stocked with 13  
 14 inferior products [...] to suit the cheap market, which include electrical and electronic 14  
 15 gadgets/appliances, wax prints, [...] second[-hand] goods and discarded gadgets like 15  
 16 computers, stereo sets, TVs, industrial machineries, receded tires, etc.' (Ndzibah and 16  
 17 Maxwell, 2008); while 'it is evident that the best of technologies, the most innovative 17  
 18 products and trends are meant for developed countries as well as the "cream" of every 18  
 19 society' (Ndzibah and Maxwell, 2008). By virtue of their wealth, few wealthy citizens of 19  
 20 developing countries travel to developed countries to buy these products or import some 20  
 21 for consumption by them and their immediate family. 21  
 22 It is against these backgrounds that this study set out to review the CSR practices and 22  
 23 the impact of the practices by MNCs on the developed and developing economies of the 23  
 24 world. In the remainder of the chapter, the nature and practices of CSR are examined 24  
 25 in the section below; the two following sections are devoted to the nature of MNC 25  
 26 activities and their CSR practices respectively; there follows a section comparing the CSRs 26  
 27 delivered in developed countries with those delivered in developing countries; and then 27  
 28 conclusions are drawn. 28

## 31 Corporate Social Responsibility Practices 31

32  
 33 Fisher (2004) links corporate obligation to all stakeholders, both internal and external. 33  
 34 According to him, 'Organizations have a social responsibility to protect and enhance the 34  
 35 society in which they operate' (Fisher, 2004). Epstein (1987) sees social responsibility 35  
 36 as 'achieving outcomes from organizational decisions concerning specific issues or 36  
 37 problems which have beneficial rather than adverse effects upon pertinent corporate 37  
 38 stakeholders'. In a similar tone, Strike, Gao and Bansal (2006) define CSR as 'the set of 38  
 39 corporate actions that positively affects an identifiable social stakeholder's interests and 39  
 40 does not violate the legitimate claims of another identifiable social stakeholder (in the 40  
 41 long run)'. Marrewijk (2002) simply defines CSR as a 'more humane, more ethical and a 41  
 42 more transparent way of doing business'. Although with different degrees of freedom for 42  
 43 corporations, the scholars cited above all believe that an organization is responsible not 43  
 44 only to its owners but also to other stakeholders. 44

45 In relating social responsibility to ethics, Fisher (2004) states that the 'most widely 45  
 46 supported view is that there are four dimensions of corporate social responsibility: 46  
 47 economic, legal, ethical and philanthropic'. 'The pyramid places economic responsibilities 47