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CORPORATE SOCIAL RESPONSIBILITY AND DIFFERENT STAGES OF ECONOMIC DEVELOPMENT: SINGAPORE, TURKEY, AND ETHIOPIA

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Abstract

U.S. and U.K. models of corporate social responsibility (CSR) are relatively well defined. As the phenomenon of CSR establishes itself more globally, the question arises as to the nature of CSR in other countries. Is a universal model of CSR applicable across countries or is CSR specific to country context? This paper uses integrative social contracts theory (ISCT) and four institutional factors—firm ownership structure, corporate governance, openness of the economy to international investment, and the role of civil society—to examine CSR in Singapore, Turkey, and Ethiopia. Field research results illustrate variation across the institutional factors and suggest that CSR is responsive to country differences. Research findings have implications for consideration of the tradeoff between global and local CSR priorities and practices.

CORPORATE SOCIAL RESPONSIBILITY AND DIFFERENT STAGES OF ECONOMIC DEVELOPMENT: SINGAPORE, TURKEY, AND ETHIOPIA

Corporate social responsibility (CSR) is firmly entrenched in the corporate mindset (or at least in the corporate rhetoric) of major Anglo-American corporations. Smith (2003) asserted that the question is no longer whether to incorporate CSR into the corporate agenda, but how to do so. Many U.S. and U.K. firms, especially larger firms, now appreciate the need to align their CSR efforts with firm competencies and consider CSR an integral part of doing business (Dunfee 2006, Porter and Kramer 2006). CSR has been the subject of considerable scholarly research that prescribes as well as documents the nature of CSR. This paper, consistent with Dunfee (2008), considers CSR to consist of a firm's efforts to further a "social objective consistent with relevant social norms and laws" (p. 349).

Recent growth in the number and size of multinational firms, coupled with their expanding global reach, has heightened awareness of CSR as an international topic (see, for example, Damiano-Teixeira and Pompermayer 2007, Eweje 2006, Galbreath 2006, Idemudia 2007, Rwabizambuga 2007). CSR has been considered a "concept in flux," (Shamir 2005) and may well take a different path in different countries, particularly as executives enact values and beliefs specific to their country's culture (Waldman et al. 2006). Country differences in CSR are a function of "a variety of longstanding, historically entrenched institutions" including governmental and legal institutions, as well as norms, incentives and rules (Matten and Moon 2006, p. 7). For example, Matten and Moon (2008) have differentiated the "explicit" nature of CSR in the U.S., compared to a more "implicit" concept of CSR in continental Europe. U.S. corporations engage in and publicize specific CSR initiatives, whereas in continental Europe corporations have not afforded CSR the same prominence in their communications.

These differences suggest that CSR be approached across the world's more than 190 countries not by applying a uniform perspective or framework, but by identifying a more limited set of patterns in groups of countries. A competing hypothesis proposes that CSR will standardize globally due to the strong influence of multinational firms, which tend to apply a uniform set of CSR practices globally. Also, the prominence of the Internet and other forms of global communication render it no longer possible for CSR (or the lack of CSR) in any country to remain hidden from the rest of the world. This potential for global monitoring tends to drive standardization as CSR is evaluated against a set of common standards worldwide, e.g., the United Nations Global Compact.

This paper investigates the following overall research question: What is the nature of CSR in different countries and what factors external to the firm influence CSR? (Clearly factors within the firm also play a large role, but that is not the focus here.) This field research investigates CSR in three countries selected to represent a range of level of economic development from high to low: Singapore, Turkey, and Ethiopia.

Integrative Social Contracts Theory

Donaldson and Dunfee's (1994) integrative social contracts theory (ISCT) provides a realistic and balanced approach to ethical decision-making that requires managers to consider firms' ethical obligations to respect local community norms without violating universal moral principles or "hypernorms." Although ISCT was formulated with individual decision-makers in mind, its balance of universalism and relativism (Spicer, Dunfee, & Bailey 2004) provides a promising normative approach to CSR. Tension exists between the two extremes of constructing or even imposing an international standard or model of CSR and treating CSR on a country-by-country basis. However, the principles of ISCT offer an intermediate position in which CSR is consistent across nations with respect to overall objectives, but differs according to factors that influence CSR in a given country. This approach aligns with ISCT's concept of "moral free space" which recognizes communities' right to "define moral norms for themselves" (Donaldson and Dunfee 1994). Country differences in CSR would occur within this "moral free space." According to Dunfee's (2008) view of CSR the furtherance of a "social objective" represents the broad, generalizable norm underpinning CSR, and the "relevant social norms and laws" provide a more specific set of considerations for firms.

Compatible with ISCT's emphasis on community norms, institutional theory examines the role and legitimacy of organizations within a given environment (DiMaggio and Powell 1983). As such, it is useful for the understanding of cross-national differences in corporate practice (Aguilera and Jackson 2003), and there has been an increasing call for research that makes use of institutional theory to enhance understanding of CSR (Campbell 2007, Husted and Allen 2006, Maignan and Ralston 2002, Rodriguez et al. 2006). Using institutional theory, four key factors critical to CSR in a given country are identified: 1) corporate ownership structures, 2) corporate governance, 3) openness of the economy to international investment, and 4) the role of civil society. These institutional factors were chosen based on potential to affect the nature of CSR, with the expectation that country differences in these factors will lead to different characteristics of CSR.

The following sections apply this conceptual framework to Singapore, Turkey, and Ethiopia, ask what lessons can be learned from the CSR experiences of firms in these three countries, and conclude with implications for future research.

Singapore, Turkey, and Ethiopia

Methodology. Over the course of about a year I had the opportunity to spend approximately one week each in Singapore, Turkey, and Ethiopia (in that order) holding meetings and conducting interviews with academics, businesspeople, government leaders and members of NGOs. In both Turkey and Singapore I attended CSR conferences and spoke to fellow participants. My sample selection used a "snowball" technique to identify interviewees with one respondent leading me to another. My discussions followed an open-ended interview format with the basic structure of the interview contained in the Appendix. I took notes on these interviews and in some instances emailed respondents to collect more data. Where companies were named as exemplars of CSR, I gathered information on the companies' CSR initiatives from their websites.

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Table 1 about here
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These three countries were chosen because they presented opportunities for field research and because they are excellent examples of a well developed economy (Singapore), an economy that is rapidly growing (Turkey) and an underdeveloped economy (Ethiopia). Choosing such different countries allows for exploration of country differences in institutional factors and any resulting differences in CSR.

Baseline Data. Turkey and Ethiopia are much larger countries than Singapore both in land mass and population (See Table 2). However, gross national income per person looks very different. Overall, the economic figures suggest that Singapore is vastly wealthier per capita and more developed than Turkey, and Turkey, in turn, is substantially more developed than Ethiopia.

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Table 2 about here
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Similarly, on quality of life indices Singapore has excellent indicators and Ethiopia very poor indicators, with Turkey falling between the two. For example, The Human Development Report (2006) reveals that life expectancy in Singapore is 10 years longer than that in Turkey and over 30 years longer than it is in Ethiopia. On other measures the same pattern of rankings holds (see Table 3). Overall, indices and data suggest that Singapore enjoys greater economic freedom and lower levels of corruption than is believed to be the case in Turkey. In turn, Turkey has considerably greater economic freedom as well as less corruption than does Ethiopia.

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Table 3 about here
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Ownership Structure

Ownership structure is crucial because there is a tendency for the ownership structures of firms within countries to be very similar. For purposes of this paper, the question of publicly held versus privately held ownership is examined. (The phenomenon of government ownership of corporations is not considered, although such ownership also clearly has implications for CSR.) Much of the debate about the legitimacy of CSR activities centers on the question of whether CSR adds to or detracts from shareholder value (See, for example, Margolis and Walsh 2003). In a study of 49 countries, La Porta et al. (1998) found that concentration of ownership of shares in the largest public companies is negatively related to investor protections. In other words, if the ownership of shares is held by a small number of shareholders, regulations to protect minority shareholders are unlikely to be in place, although this would seem to be the very instance in which protection is most needed. Singapore is ranked 2nd, Turkey 64th, and Ethiopia 107th in protection of investors (World Bank 2007).

The majority of firms in both Turkey and Ethiopia consist of a sole proprietorship, partnership or privately held corporation (Table 4). Less than 1% of the firms in Turkey are publicly held corporations, and Ethiopia has no stock exchange. In contrast, in Singapore whereas the majority of firms are also privately held, a larger proportion (13%) is comprised of corporations listed on a stock exchange. In Turkey 60% of the firms are individually or family-owned, followed by Ethiopia where 44% are owned by individuals or by a family (World Bank Group 2000).

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Table 4 about here
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A key measure of corporate ownership is market capitalization, that is, the value of all outstanding publicly traded company shares of stock. As Table 2 indicates, in Singapore in 2005 market capitalization was $208.3 billion (in contrast to the U.S. $17.0 trillion and the U.K. $3.1 trillion). Market capitalization in Turkey in 2005 was $161.5 billion (NationMaster.com 2005) and in 2005 was estimated to be a relatively low 20 to 25% of GDP (Egeli et al. 2005). Given the comparative size of Singapore and Turkey, Turkey's market capitalization is small, which indicates that private ownership of firms is much more prevalent in Turkey. The lack of a public market for equities in Ethiopia means that the level of market capitalization is essentially zero.

Singapore. Shareholder rights in Singapore are relatively well protected. La Porta et al. (1998) report that Singapore's overall score on protection of shareholder rights is a 4 (where 5 indicates the highest protection). The U.S. and U.K. both receive scores of 5 whereas Turkey' score is a 2. (Ethiopia is not reported because the La Porta et al. study only includes countries with a public market for the issuing and exchange of shares.) This scale contains measurements of shareholder voting rights in the process of voting for corporate directors, as well as what is termed “antidirector rights,” that is, how strongly the legal system protects and favors minority shareholders.

Protection of shareholder rights is consistent with an “enlightened self-interest” conceptualization of CSR in which CSR is believed to benefit shareholders as well as to operate to the benefit of stakeholders and society as a whole (Keim 1978). This point of view is reflected in respondents’ consistent mention of the need to educate Singaporean firms about the financial benefits of CSR. As respondents stated:

> “An important barrier to CSR is the lack of appreciation that it contributes to the bottom line. Only a few enlightened ones appreciate that it works in their favour” (Foo 2006).

> “A major barrier to CSR would be the lack of commitment of management to see beyond just their stockholders. Concern is often given more to profits and stockholders than stakeholders. There needs to be a change in the mindset. Incentives should also be given to companies to practice CSR” (Wee 2007).

Thus, strong protection of shareholder rights is compatible with CSR that emphasizes the union of CSR and profitability.

Turkey. In contrast to Singapore, a sample of 243 companies listed on the stock exchange in Turkey reveals that in 45% of these companies, one shareholder controlled more than 50% of voting rights. In the vast majority of cases, the controlling shareholder was a holding company controlled by a family such as Koç, Sabanci, Dogan, Karamehmet, or Sahenk (World Bank Group 2006). The Istanbul Stock Exchange (ISE) is relatively young, having been established in 1989. The average free float (the number of shares not held by corporate insiders that are freely tradable in the public market) on the ISE is 20% and there are very few public companies with more than 50% free float. In more than half of the ISE companies, CEOs hold the majority of the shares making it very difficult to separate governance from management (Naipoglu, 2003), a point that will be explored in the following section on corporate governance.

This structure of family ownership has a significant effect on CSR in Turkey. For example, two major universities, Sabanci University and Koç University, have been founded in the last 15 years and funded by the Sabanci and Koç families, who control large numbers of shares of their respective firms. Guler Sabanci (2002) emphasized this commitment to philanthropy in describing the process of the founding of Sabanci University and also pointed out that

> "... committed ownership by families can be the driving force of a responsible business. The advantage of family ownership is in the relative ease in reaching shareholder consensus when values matter."

A listing of the CSR awards given by a business magazine in Turkey confirms that the projects are comprised of specific philanthropic activities, ranging from the establishment of a modern art museum in Istanbul to a project to build schools in rural areas (Ararat 2006). As such, these activities seem to reflect the values and preferences of corporate leaders. But as respondents stated, the emphasis on philanthropy alone seems to be changing.

> "There are fast and crucial developments in the CSR field. We have accomplished the first stage pretty fast which includes actions like donations. Now it is time for actions that will attract the attention of consumers and give companies the opportunity for public relations. In the long run, I believe, there will be companies who take CSR professionally and benefit in the name of strong brand name due to CSR and sustainability" (Tekinturhan 2006)

> "CSR in Turkey will move from its current philanthropic state to sustainability issues as it is perceived internationally. Due to this process, actions on social, economic and environmental issues will all be an inevitable part of the companies. In time a reporting framework for these attempts will be achieved" (Hizar 2007).

Turkey's present model of CSR as corporate philanthropy seems well-suited to the family ownership structure. Of course, Turkey's bid for membership in the EU may change this situation as Turkey moves toward a more European model of CSR. This point was mentioned repeatedly by academics and United Nations Development Program (UNDP) officials interviewed in Turkey, and was the subject of much discussion at the CSR conference held at Bogazici University in Istanbul. The general consensus of speakers at the conference was that a new form of CSR will be necessary if Turkey is to join the EU. It will be essential to adopt the legislation that all EU members share and that covers such issues as consumer and environmental protection and the promotion of fair competition. Academics and NGO members interviewed emphasized that Turkish firms need to move quickly to implement CSR, together with regulatory reform and enforcement in order to be considered for EU membership.

> "As a developing country, I believe what we need is an organized/planned [CSR] attempt. Current activities are only individual and at present topics are preferred according to their contribution to the individual or to the organization" (Meric 2007).

Ethiopia. Until 1992 the Ethiopian government was fully socialistic and private ownership of firms did not exist. The current government emanates from this socialist background and is slowly moving to privatization. Also, Ethiopia is a predominantly agrarian economy and its major products are coffee, meat, and animal hides. Approximately 85% of the population lives in rural areas and over three-quarters of that rural population is engaged in agriculture (Heritage Foundation Index of Economic Freedom 2007). A significant component of its economy consists of foreign aid. The major multinational firms represented (for example, Shell and BP) maintain small offices and operations there. Academics and businesspeople interviewed revealed that a handful of individuals control the majority of private sector wealth. They described the grey or black market as playing an important role in the country's economy. Firms do not think in terms of CSR, but instead, for the most part, are concerned with economic survival.

> "The private sector is not taking the leadership in CSR and private-public partnership is very limited. When the private sector grows stronger and starts to have a say, CSR will experience parallel growth" (Shiferaw 2007).

Summation. Ownership structure has a decided impact on CSR in a given country. The proportion of public versus private ownership of firms matters because it influences how executives make decisions about CSR; in a publicly traded company the interests of shareholders must be considered. As economies grow, the trend is often towards increasing market capitalization, which in turn should have some bearing on the nature of CSR.

Corporate Governance

Closely related to the issue of ownership structure is that of corporate governance, which is the second dimension of the framework. Corporate governance reflects dependence on the actions of formal organizations including the government and its mandates. It can also comprise a response to more informal pressures from stakeholders. Foundations of sound corporate governance are believed to be necessary in order for CSR to flourish (Ararat and Ugur 2003). CSR is unlikely to be achieved without corporate transparency and disclosure and is predicated on communication with and fair treatment of all stakeholder groups. Corporate governance is receiving increased U.S. and U.K. notice, as well as attention in both Singapore and Turkey. In Ethiopia corporate governance is a topic that is recognized by the academics interviewed to be important, but it does not seem to be a priority given Ethiopia's serious problems, and few steps have been taken to assure that adequate corporate governance measures are in place.

As is the case with CSR, corporate governance has different meanings in different countries to the point where "…the diversity of practices around the world nearly defies a common definition" (Aguilera and Jackson 2003, p. 447). One distinction commonly made between Anglo-American and continental European models of corporate governance is that of active markets for corporate control (U.S.-U.K.) versus weak markets for corporate control (continental European) (Aguilera and Jackson 2003). According to this distinction, Singapore would follow the U.S.-U.K. model and Turkey (and to a certain extent Ethiopia) would follow that of continental Europe. Thus, ownership structure is expected to result in different corporate governance issues and forms, which in turn link to different characteristics of CSR. Figure 1 depicts the ranking of the three countries on World Bank Worldwide Governance Indicators and demonstrates that government effectiveness and control of corruption are exceedingly high in Singapore and much lower in Ethiopia, with Turkey's ranking between that of Singapore and Ethiopia. Strong government effectiveness coupled with low levels of corruption can be expected to translate into relatively effective corporate governance.

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Figure 1 about here

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Singapore. The Code of Corporate Governance (as revised in July 2005) sets forth recommended corporate governance principles and practices in areas such as board composition, board performance, directors' remuneration, accountability, and communication with shareholders (Council on Corporate Disclosure and Governance 2005). The provisions of the Code focus on three of the five elements of a strong corporate governance framework described in the OECD Principles of Corporate Governance: 1) the rights of shareholders, 2) disclosure and transparency, and 3) the responsibilities of the board. Overall, the Code pays very little attention to stakeholders (other than shareholders) except for some reference to employees.

My interviews corroborate this corporate interest in employees as the stakeholder group most often considered. The two areas of CSR most discussed by respondents were employees and the environment. When asked about exemplars of CSR, HSBC was named for its environmental initiatives, and Banyan Tree Resorts cited both for its environmental efforts and its treatment of employees.

> "The one that jumps out at me is HSBC. Their CSR cause for the environment is well-articulated and executed throughout the entire organization. The cause is the primary message, and not the company" (Ong 2007).

Other firms received mention for family-friendly employment policies, including flexible working hours.

Turkey. As discussed in the previous section, Turkey has an underdeveloped equity culture; generally, companies with little reliance on equity markets have little incentive to protect the interests of minority shareholders. However, attention to corporate governance issues in Turkey is increasing and was formalized in 2003 with the establishment of the Corporate Governance Association of Turkey. This group of leading businesspeople and executives aims to undertake and support corporate governance-related initiatives in Turkey. Mr. Guray Karacar, National Program Coordinator UNDP Istanbul, sums up the critical nature of good corporate governance in Turkey.

> "Turkey needs to produce a model of corporate governance; once that model is in place CSR can flourish. Companies that are aiming to achieve CSR need sustainable corporate governance with a solid structure, ethical rules, and compliance with regulations" (Karacar 2006).

The UNDP also makes a distinction between CSR in Turkish companies and CSR in multinational firms, and Mr. Karacar attributes these differences to varying forms of corporate governance. In Turkey most boards still do not operate with much independence from the shareholder who controls the majority of voting rights; also many listed companies have at least one board member who is a member of the controlling family. Corporate governance reform thus focuses on this issue of board structure and the protection of minority shareholders' rights, as well as on the importance of transparency and disclosure. Additionally, calls for governance reform recognize the importance of the enforcement of law and regulations and the need to address weaknesses in the legal/regulatory framework (Ararat and Ugur 2003).

On paper corporate governance guidelines in Singapore and Turkey are remarkably similar in their emphasis on board structure, transparency, and disclosure. However, in Turkey the issue of enactment and enforcement of the guidelines, as well as issues within the overall regulatory/legal system, are significant.

Ethiopia. As mentioned previously, corporate governance appears to be at a stage in which it is only discussed at the university and government levels, not implemented.

> "We teach about ethics, corporate governance, and corporate social responsibility in our courses, but we have few examples in practice in our country" (Teklu 2006).

As the informal sector grows and more privatization takes hold, attention to corporate governance issues is expected to increase. At present the scale of business is too small to warrant attention to corporate governance. Government priorities are more fundamental: health care, education, and employment creation. Ethiopia's priorities are in capacity building, not in refinement of corporate governance.

> "We want to grow the private sector, but the issue is human capital. We lose many of our university-educated young people through emigration. We need technicians to give help to the farmers in order to expand their productivity and income. The country has recently moved from two to twelve universities, but we have difficulty staffing the faculties of these universities" (Dessalegn 2006).

Summation. Attention to issues of corporate governance varies a great deal among the three countries. If it is true that an effective corporate governance system needs to be in place for CSR to take hold, Turkey and especially Ethiopia will need to pay increasing attention to governance issues as their economies grow.

Openness of the Economy to International Investment

The third dimension of the framework, the openness of a country's economy, can be expected to influence CSR initiatives in at least two important ways. First, the presence of multinational firms in a country may have an impact on CSR activities by local firms because multinational companies tend to have at least reasonably well-developed CSR programs. A positive relationship exists between multinational firms that diversify internationally and CSR (Strike et al. 2006). Second, the more open and international the market, the greater is the expectation that firms engage in CSR. Multinational firms can act as agents of change in host countries in reducing corruption and leading to better business practice (Kwok 2006). An insular economy closed to international investment is unlikely to achieve standing in CSR. Singapore is ranked 1st in trading across borders, Turkey is 56th, and Ethiopia is 150th (World Bank 2007).

Singapore. As Table 2 indicates, Singapore's imports and exports of goods and services are relatively high given the size of the economy; foreign direct investment ($5.4 billion) is also relatively high. Singapore has very low barriers to foreign investment; its laws and regulations do not distinguish between foreign and domestic businesses, and nearly all sectors are open to 100% foreign ownership. The perception that Singapore is low in corruption and that its regulations and laws are strictly enforced also tends to attract foreign investment.

In the arena of environmental issues, foreign multinationals in Singapore were more active than were local companies (Perry and Singh 2001). A theme of the influence of multinational corporations on CSR runs throughout my interviews in Singapore. When those interviewed were asked to name companies that exhibit CSR, multinationals such as HSBC, Shell, and Starbucks topped the list of names. As one respondent put it:

> "There needs to be a gradual recognition that SMEs can partake in CSR—it is not an exclusive membership for the MNCs only" (Ong 2007).

Turkey. In contrast to Singapore, Turkey's imports and exports of goods and services, as well as levels of foreign direct investment are relatively low (Table 2). Turkey welcomes foreign investment, but maintains a number of both formal and informal barriers. Those interviewed stated that Turkish regulations can be burdensome, and bureaucracy and red tape as well as the perception of petty corruption as a part of day-to-day business, may prove a disincentive to foreign investment. Recently Turkey has taken steps to align itself with EU legislation, particularly in the area of product safety (Togan and Doğan 2006). Such steps should provide some measure of reassurance to Turkey's trading partners.

Openness of the economy to international investment is conducive to adoption of CSR. In Singapore the presence of multinational companies and the levels of trade and foreign direct investment lay the groundwork for the globalization of CSR. In Turkey however, the predominant model of CSR as philanthropy may be better suited to an economy more guarded regarding international trade and investment. When asked to name firms that come to mind as examples of CSR best practice, Turkish respondents tend to name local companies rather than multinationals.

> "Koç Holding especially with its efforts on education and environmental issues; Arcelik, and Turkcell with their efforts on education; Vestel with efforts on culture, art, and sport" (Cekmece 2007).

> "Dogus Group (Garanti Bank) for environment, art, culture; Turkcell for education; Koç Holding for environment, art (museum), health; Sabanci Holding for culture, art; Eczacibasi for sport, art (museum)" (Hacimahmutoglu 2007).

As the economy becomes more open, a broader definition of CSR beyond philanthropy may develop. One respondent referred to the future in the following terms:

> "CSR is a very new topic in Turkey. Like all the new subjects its future and its content are both under discussion. However, the growing amount of foreign investment in Turkey pushes companies to find ways to differentiate themselves. Hence the importance

> of CSR will grow pretty fast. Turkey is in a great position considering the potential CSR applications" (Gurel 2007).

Ethiopia. Ethiopia has taken steps to liberalize its foreign investment policy, but official and unofficial obstacles to foreign direct investment (FDI) are still in place. Ethiopia's average tariff rate is high and the banking system is subject to strong political pressure. The transfer of funds to and from Ethiopia is extremely cumbersome. Also, the relatively high level of corruption in Ethiopia reported by TI's Corruption Perceptions Index make it less attractive to foreign direct investment. Finally, the nature of small individually owned farms may not be conducive to FDI.

> "It seems to me that one of the reasons that Ethiopia has not attracted multinational firms is that compared to other African countries, the traditional farming system in Ethiopia is less penetrable by foreign influence and thus does not allow easy expansion of multinationals" (Kelbessa 2006).

But the greatest obstacle to foreign direct investment was expressed by Ethiopia's Minister of Capacity Building, Mr. Fikru Dessalegn.

> "The World Bank wants us to expand the private sector and to attract further foreign investment. Our biggest challenge in accepting foreign investment is to have the human capacity to absorb it. What are needed are management development, education, and skills" (2006).

Similarly, Dr. Andreas Ashete, President of Addis Ababa University, stated,

> "A university priority is to establish a Ph.D. program in the business school in order to build capacity to train the country's future entrepreneurs and managers" (2006).

A comparable sentiment was expressed by a World Bank employee who was pessimistic about the ability of large amounts of foreign aid to effect change.

> "It doesn't matter how many billions of dollars of aid are poured in to Ethiopia. Nothing will change until people stop fighting about how to use the aid and work together to develop the capacity to put it to use" (World Bank employee, 2006).

This emphasis on the need for capacity building in Ethiopia runs throughout my interviews. The extent that firms, educational institutions, the government and NGOs can meet this need will determine the future of CSR in Ethiopia.

Summation. A country's openness to foreign investment shapes the nature of CSR. A country like Singapore that is dominated by multinationals, and where barriers to foreign direct investment are low, will have firms that tend to adopt CSR familiar to U.S. and U.K. firms. Chapple and Moon conclude, based on their study of CSR in seven Asian countries, that multinational companies are more likely than strictly domestic businesses to adopt CSR (2005). However, this does not prove to be the case in Turkey where CSR is present, but has different characteristics from that found in multinational firms. Still, Turkey's bid for EU membership means that the economy must become more open and the nature of CSR is expected to change. The dominance of international NGOs in Ethiopia does not provide exposure to international CSR, but it may influence the way in which CSR develops. The role of NGOs is discussed in greater detail in the following section.

Role of Civil Society

The final dimension of the framework is civil society. Civil society embodies the collective mentality and encompasses pressures brought to bear on firms from its stakeholders, ranging from the expectations of customers, employees, and suppliers, to pressures from trade unions, NGOs, political interest groups, or social movements. These stakeholder obligations are similar to the stipulations of ISCT to respect local social norms. Societal requirements and expectations may be exemplified in voluntary organizations that contribute to the functioning of a society, in contrast to government structures and commercial institutions. Stakeholder activism and the importance of the value that stakeholders place on CSR are also believed to drive CSR

(Elms 2006, Goodstein and Wicks 2007). Thus, a wide range of stakeholder groups is considered to comprise civil society.

In many countries CSR is responsive to various stakeholder groups who voice their needs and concerns. In the U.S., for example, consumers expect that firms will sell safe products. If they do not, government regulation will punish the firms, but consumers may also mount boycotts (Klein, Smith, and John 2004) (although not always effectively). However, consumer boycotts may be non-existent in some parts of the world. Furthermore, NGOs may play a prominent part in steering corporations towards CSR (Schepers 2006). Again, the strength and indeed the very presence or absence of NGOs, will vary by country. The term NGO covers a broad array of organizations, but for purposes of discussing CSR, this paper considers an NGO to be a non-profit advocacy group that acts independently of institutionalized political structures to further the agenda of its members. Thus, societal expectations about what a corporation can and cannot do, as well as should and should not do, play a role in shaping CSR.

In the U.S. and U.K. firms experience a great deal of pressure from societal expectations of responsible behavior. Firms are especially concerned with their reputations with both employees and consumers. Firm reputational effects have an impact on corporate performance, particularly when negative consumer perceptions are formed (Brown and Dacin 1997). NGOs and watchdog groups track the moves of large corporations, monitoring instances of untoward or unethical behavior, or at least perceptions of such. Particularly in the U.S., NGOs have achieved significant influence on corporations and their CSR initiatives (Doh and Teegen, 2003).

<u>Singapore</u>. In Singapore the level of corruption is perceived to be extremely low (Table 3 and the TI Corruptions Perception Index, as well as Figure 1), and the argument can be made that there is little need for watchdog groups; instead the government is able to control and regulate

corporate behavior effectively. For example in the arena of CSR and the environment, the Singaporean government has engaged in an internal decision and implementation process that has effectively shut down public debate about the environment (Perry and Singh 2001). Despite this government control, organizations have recently formed to promote CSR, the most prominent being the Singapore Compact.

In 2005 the Singapore Compact was launched to provide a national platform to encourage dialogue and to further collaboration promoting CSR in Singapore. Multinational corporations including Shell, Standard Chartered, Credit Suisse, as well as large Singaporean firms including Singapore Telecommunications and Singapore Airlines, back the Singapore Compact.

> "The end result of the society [the Singapore Compact] is to create a Singapore brand that will help to sell Singapore businesses in the world" (Peck Ming 2005).

Thomas Thomas, executive secretary of the Singapore Compact states:

> "Corporate Social Responsibility in various forms—worker welfarism and corporate charities, notably—are already long in practice in Singapore. But its presence is patchy, largely confined to multinational corporations and large local businesses. CSR will gain strength over time. We are winning the support of business people and NGOs are well represented" (Thomas 2006).

<u>Turkey</u>. In Turkey there has been a traditional lack of individual participation in volunteer activities and as members of Civil Society Organizations (CSOs). Although Turkish citizens tend to be involved in close networks of friendship, they have shown little proclivity for organized movement concerning social issues. However, this is changing. The 1999 earthquake, which killed over 20,000 people, demonstrated that CSOs were in some instances better equipped than the government to respond quickly and effectively to the disaster (CIVICUS 2006). Turkey has recently established its first NGO dedicated to increasing the level of CSR, the CSR Association of Turkey. As its president, Mr. Serdar Dinler, declared

> "In Turkey it is no longer enough to just put a product on the market, but now a company has to think about its relationships with consumers and risk and reputation factors" (2006).

Mr. Dinler points out that the Turkish companies with the best reputations all have some form of CSR programs. These include: Arçelik, Vestel, Turkcell, Koç, H./Sabanci, and Garanti Bankasi (Michael, Riedmann, and Dinler 2006).

> "People do not want only profits anymore. They would like to see companies to care about environment and social factors" (Seckin 2007).

Singapore and Turkey both have minimal consumer and NGO activism, but for different reasons (see Figure 1 on Voice and Accountability). In Singapore the government does not invite opposition and this may spill over into all aspects of society. Furthermore, multinational corporations themselves have led initiatives for CSR; CSR has not come about as a result of activism. In Turkey, on the other hand, there has been little tradition of societal expectations about CSR, but that is beginning to change and it can be anticipated that corporations will experience increasing pressure from newly-formed NGOs to engage in CSR initiatives.

Ethiopia. The role of NGOs is critical in Ethiopia. The weakness of the economy means that a host of NGOs is present. The history of these organizations correlates directly with the occurrence of droughts and famines over the last three decades; early NGOs, which were mostly international, focused on providing relief. More recently, the domestic NGO sector has developed and, together with international NGOs, has come to play a prominent role in working with both the government and the private sector to improve the country's economic and social resources. As Ethiopia struggles to gain economic momentum, it relies on foreign aid and NGO investment. NGOs in Ethiopia are beginning to address issues of democracy and governance and thus to have a voice in government initiatives. If this trend continues, NGOs also can be expected to voice expectations about the role of business in addressing social issues. As corporations move in to Ethiopia, they are beginning to partner with NGOs. For example:

> "TOTAL [the French oil company] Ethiopia has been actively working with a local NGO to help improve the environment. The company funded the rehabilitation of the Churchill Road area with the aim of developing an environmentally sound and sustainable program to address the problem of litter. The company also planted flowers, bushes and trees, and installed four mobile toilets" (Yamomoto 2006).

Another example involves Cisco and Information and Communication Technology Assisted Development (ICTAD).

> "The objective of this program is to assist communities to improve their livelihood through the use of appropriate ICT that facilitated increased access to markets, development information and public services" (Hailu 2007).

Summation. The impact of the role of civil society on CSR is significant. As noted earlier, stakeholder dialogues are prominent in U.S. and U.K. firms, but are not as prevalent in Singapore, Turkey, and Ethiopia. Firms can be expected to respond to pressures and expectations idiosyncratic to their countries and this will result in different characteristics of CSR.

Lessons Learned

As firms face increasing societal expectations of CSR, it is important that they respond to the specific needs and issues in countries. Should multinational firms that value standardization dictate the model of CSR, or should the needs of a particular country be the driver of the model of CSR? The principles of ISCT can be applied to CSR to seek a middle ground between universalism and relativism. Similar to the idea of "hypernorms," multinational firms should develop uniform strategies and goals for CSR in all nations, based on core competencies (Dunfee 2006). On the other hand, ISCT acknowledges the existence of a "moral free space" where certain moral differences do not clearly violate hypernorms. Here, firms must consider their core values as they weigh various stakeholder obligations and decide whether or not the difference constitutes a valid local social norm (Donaldson and Dunfee 1999). Applying this same line of reasoning to CSR, firms should alter approaches to CSR strategy to tailor programs to individual country needs. Stakeholder obligations inherently vary with differing community norms, which Donaldson and Dunfee argue should influence corporate behavior. Dunfee (2008) notes, "In each community context, managers should consult local laws and be aware of local norms pertaining to the scope of their discretionary authority to make social investments" (p.352). Furthermore, this field research confirms that it is not only multinational firms that engage in CSR. Thus it is not only the CSR of multinational firms that should be the subject of research, yet multinationals have received the lion's share of CSR research attention.

The four factors identified influence the nature of CSR and point to the existence of potential patterns (See Table 5). In a country like Singapore, with more public rather than private ownership of companies, more effective corporate governance structures, an economy that is relatively open to international investment, and one in which there is a tradition of citizen voice and action, the nature of CSR is likely to be similar to that of multinational firms in the U.S. and U.K. If these four factors remain relatively stable in Singapore, the expectation would be continued dominance by the multinationals and perhaps some diffusion of their CSR practices to smaller and local firms.

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Table 5 about here
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On the other hand, the nature of CSR in developing countries is expected to be very different. A country like Turkey, in which a significant proportion of private ownership of firms remains, is likely to have its own type of CSR. In Turkey, the expectation is that a broader notion of CSR will take hold as foreign direct investment increases and as it continues to seek membership in the EU. The recent formation of an NGO devoted to CSR and one to corporate governance should also result in this change. Finally, in Ethiopia, CSR (where it exists) is characterized by firms partnering with NGOs to deliver aid and education. The importance of foreign aid and NGOs in Ethiopia suggests that these may be significant influences on the form of CSR in similar developing economies.

Limitations and Directions for Future Research

The potential contribution of this research is the identification of institutional factors and examination of the processes by which they influence CSR in a given country. However, this exploratory research is subject to several limitations. Potential generalizations to other countries are necessarily tentative and remain to be investigated in future research. Close examination of these three countries reveals the richness and complexity of country contexts. It would be a mistake to extrapolate from any one factor and conclude, for example, that openness of the economy will result in a particular type of CSR. The four factors chosen are not the only ones that influence CSR, nor are they necessarily the most important ones in any given country. Furthermore, it is difficult to isolate the effects of any one factor, suggesting that future research could investigate interaction effects, as well as to add other factors. I was able to collect very little data on small and medium-sized firms in any of the three countries, and it is possible that these firms are practicing their own type of CSR, a possibility that warrants future research.

An obvious extension of this research would include empirical testing of the institutional framework in other countries and with larger samples. It would also be useful to conduct longitudinal research, especially in countries in which CSR is only beginning to take hold, since it is important to assess the changing nature of the four dimensions in any one country. For example, a country with little consumer or employee activism today may not remain so in the future. As CSR is increasingly present worldwide, it is important to identify the conditions in which it is likely to be successful, as well as to be mindful of the obstacles to its success.

Conclusion

ISCT emphasizes the importance of community norms, which have been considered here to be at least partially a function of economic and social conditions in each country. Husted and Allen (2006) lament the phenomenon of standardization in the adoption of CSR practices by multinational corporations. Given the rich variety of the responses of those I interviewed about CSR, such standardization does seem inappropriate and unfortunate. Instead what is needed is new thinking about the meaning of CSR, especially in developing economies. Ultimately, the development of CSR should be strongly influenced by relevant cultural, social, political, and economic factors specific to a particular country, and thus subject to cultural adaptation.

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TABLE 1
Interviews Conducted in Singapore, Turkey, and Ethiopia

Type of interviewee	Number of interviews		
	Singapore	Turkey	Ethiopia
Academics	6	5	9
Businesspeople	9	6	5
Government officials	0	0	4
NGOs	1	6	3

TABLE 2
Singapore, Turkey, and Ethiopia Contrasted

Economic Factors *(all $ amounts in USD)*	**Singapore**	**Turkey**	**Ethiopia**
Population[1]	4.3 million	72.6 million	71.3 million
Gross Domestic Product (GDP)[2]	$119.1 billion	$556.1 billion	$52.9 billion
Gross National Income per capita[3]	$24,220	$4,710	$160
Foreign direct investment[4]	$5.4 billion	$1.9 billion	$545.1 million
Exports of goods and services[5]	$179.5 billion	$76.8 billion	$818.0 million
Imports of goods and services[6]	$163.8 billion	$116.5 billion	$3.6 billion
Market capitalization[7]	$208.3 billion	$161.5 billion	$0
Human Development Report 2006[8]			
Overall Rank (out of 177 countries)	25th	92nd	170th
Life Expectancy at Birth (years)	78.9	68.9	47.8
Education Index *(based on the adult literacy rate and the combined gross enrolment ratio for primary, secondary and tertiary schools)*	0.91	0.81	0.40
Human Poverty Index Rank *(measuring deprivations in the three basic dimensions—a long and healthy life, knowledge and a decent standard of living)*	7th	21st	98th
Internet Users (per 1,000 people)	571	142	2

1 The World Bank Group, www.worldbank.org (2006)
2 Heritage Foundation Index of Economic Freedom (2007)
3 The World Bank Group, op cit
4 Heritage Foundation, op cit
5 The World Bank Group, op cit
6 Ibid
7 NationMaster.com (2006)
8 Human Development Report (2006)

TABLE 3
Transparency and Socially Responsible Competitiveness in Singapore, Turkey, and Ethiopia

Ranking	**Singapore**	**Turkey**	**Ethiopia**	**No. of Countries**
Heritage Foundation Program (UNDP)[9]	2nd	83rd	116th	157
Transparency International's Corruption Perceptions Index[10]	4th	64th	138th	179
2006 Global Competitiveness Rankings[11]	5th	59th	120th	125
2007 AccountAbility Global Responsible Competitiveness Index[12]	15th	51st	105th	108
Kurtzman Group Opacity Index[13]	12th	35th	N/A	48
Discount derived from doing business in a given country as compared to doing business in the U.S.[14]	0.65%	4.95%	N/A	48

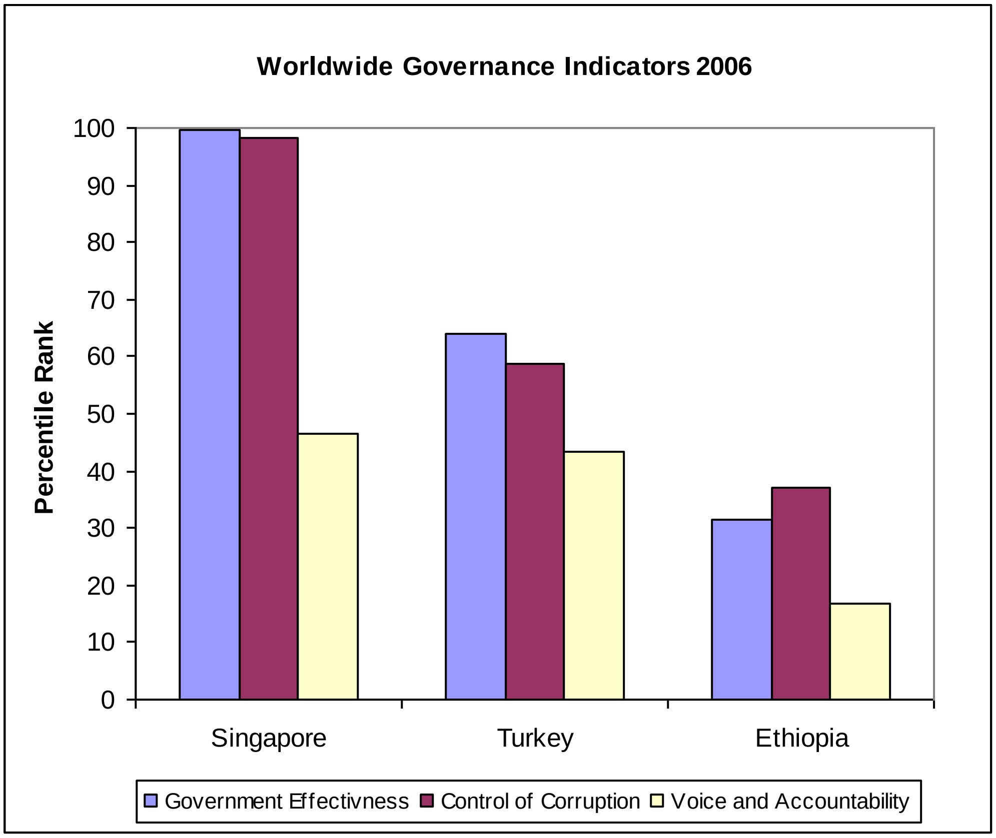
9 Heritage Foundation Index of Economic Freedom (2007)
10 Transparency International (2007)
11 World Economic Forum (2006)
12 AccountAbility (2007)
13 Kurtzman Group (2004)
14 Kurtzman Group (2004)

TABLE 4
Singapore, Turkey, and Ethiopia Ownership Structures[15]

Ownership Structure	Singapore	Turkey	Ethiopia
Public ownership	13%	<1%	<1%
Individual or family-owned	22%	60%	44%
Controlled by firm-managers	59%	19%	18%
Controlled by board of directors	N/A	N/A	24%

15 The World Business Environment Survey, The World Bank Group (2000)

FIGURE 1
Singapore, Turkey, and Ethiopia World Governance Indicators[16]



16 World Bank (2007)

TABLE 5
Institutional Factors and their Effect on CSR

	Singapore	Turkey	Ethiopia
Firm ownership structure	• Shareholder's rights score: 4 out of 5 • Closely resembles U.S.-U.K. model	• Shareholder's rights score: 2 out of 5 • Family ownership structure affords less protection of minority shareholder rights	• Slow move to privatization; handful of individuals controls private sector
Corporate governance	• Code of Corporate Governance • Focus on board structure, transparency, and disclosure; very little focus on the interest of stakeholders	• Corporate Governance Association of Turkey • Focus on board structure, transparency, and disclosure; issues of enactment and enforcement	• Only discussed; not implemented
Openness of the economy	• High imports, exports, and FDI • Very low barriers • Almost all sectors 100% open to foreign ownership • Reputation for low corruption	• Low imports, exports, and FDI • Burdensome formal and informal barriers • Petty corruption • Recent alignment with EU legislation	• Official and unofficial obstacles, such as tariffs and difficulty in fund transfers • High levels of corruption • Lack of human capacity to handle foreign investment
Role of civil society	• Singapore Compact • Little need for NGOs as government does not invite opposition • Case for CSR well understood	• Lack of individual participation in social issues • Recently established an NGO dedicated to enhancing CSR	• Role of NGOs critical • Domestic NGO sector has developed
Conclusion: Current State of CSR	**CSR in multinationals: Enlightened self-interest**	**CSR as philanthropy**	**CSR as partnerships with NGOs**

APPENDIX

Interview Questions: Corporate Social Responsibility

1. What does Corporate Social Responsibility (CSR) mean to you?

2. Are there companies in Singapore [Turkey] [Ethiopia] that come to mind as examples of best practices in CSR? Which companies would they be?

3. What do these companies do that you think is exemplar in terms of CSR?

4. If there are no companies that have practiced CSR, what barriers to CSR exist?

5. What do you think is the future of CSR in Singapore [Turkey] [Ethiopia]?