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# Characteristics of Asian CSR

Jem Bendell

Chew Ng

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# CHARACTERISTICS of Asian CSR

Are Asian companies mere followers of Western CSR practitioners or have they evolved their own unique forms of CSR according to Asian culture and society? Jem Bendell and Chew Ng study the nature of social responsibility as practised by Asian corporations.



Corporate Social Responsibility (CSR) may be defined as ‘the social involvement, responsiveness, and accountability of companies apart from their core profit activities and beyond the requirements of the law and what is otherwise required by government’.<sup>1</sup> In this article, we will demonstrate that while the concept of CSR has developed extensively in Western countries over several decades, more Asian companies have been articulating their own social responsibilities in recent years.

Asia’s economic development is giving rise to new challenges for local and overseas corporations. Levels of pollution and toxicity have risen while health concerns such as obesity and diabetes have intensified. The growing middle class across Asia is well-educated, well-informed and empowered to express their interests more clearly. Meanwhile, Asian businesses abroad have been challenged for their employment practices and influence over governments.<sup>2</sup> These factors are motivating a new wave of CSR in Asia.

Although the relationship between government and businesses, particularly in East Asia, has often involved corporations providing social welfare such as housing and insurance<sup>3</sup>, the growth in contemporary CSR in Asia is potentially more comprehensive and dynamic. CSR practices and initiatives within the region cannot be understood purely as a response to Western interests. They are now evolving due to the global reach of Asian companies, changes within Asia and connection with local traditions and values. We are moving from a period of CSR in Asia to multiple forms of Asian CSR that will influence CSR worldwide.

In this article, we briefly discuss some characteristics of CSR within the region and the implications for practice and research, before warning against some assumptions that could undermine the evolution of Asian forms of CSR in future.

### Asian Companies and CSR

Asian companies have increasingly used the term CSR to describe the social and environmental effectiveness of their business. This trend has encouraged discussions on Asian CSR, which is often compared to CSR in the West.<sup>4-7</sup> Typically, some express the view that CSR in Asia is less developed than in the West, whereas others argue that there is an implicit form of CSR amongst many Asian enterprises that needs to be codified and communicated.

One assumption in many of these conversations is that Asia is following the West, either by ‘catching

up’ with Western CSR practices or in codifying and communicating its own indigenous approaches to socially and environmentally effective enterprise in ways that can be reported to Western companies, non-governmental organisations (NGOs), investors and consumers.<sup>8-10</sup> This is a natural response to how Western firms have increasingly been requesting compliance from their suppliers, subsidiaries and business partners in Asia to non-statutory codes on social or environmental performance.

This perspective sees CSR performance as a means of remaining competitive in international markets. However, CSR deals with how business and society relate to each other in both the local and international scene. Hence, a traditional view of CSR overlooks the rapid economic, cultural and environmental changes within Asia that are creating new risks and opportunities for businesses. An Asian agenda is emerging due to dynamics within the region itself. This demands our attention and analysis.

Another assumption in many discussions of CSR in Asia is the simple distinction between East and West, and therefore a tendency to generalise about Asia in a way that overlooks how the purpose and practices of business are constantly being contested and debated within the region itself. Asia is a vast region with over half the world’s humanity. Traditions in South Asia and in East Asia, for instance, are so different that to generalise across this groups can often be misleading. Why, therefore, is it useful to generalise about Asian forms of CSR?

It is useful to reflect on the characteristics of Asian forms of CSR for four reasons: Explore diverse approaches to social advancement across Asia; assess whether certain Asian approaches are a by-product of social imbalances or positive social values; reflect on whether certain approaches that are promoted as globally responsible are relevant to the Asian context; and measure the locus of influence in Asian businesses and society for more effective intervention by those interested in promoting sustainable development through CSR.

With these in mind, and reflecting on our experience of CSR practices and attitudes in both the West and Asia, we hypothesise that contemporary Asian CSR is familial, governmental, practical, informal, religious and non-global, in comparison to the West. Let us briefly discuss each of these characteristics before drawing some tentative conclusions.

### Familial

Comparatively, more companies in Asia are owned

**Comparatively, more companies in Asia are owned privately by families. Not beholden to shareholders, these owners bring their own values and interests to their companies, including priorities on social and environmental performance.**

privately by families.<sup>11</sup> Not beholden to shareholders, these owners bring their own values and interests to their companies, including priorities on social and environmental performance. On one hand, this can raise ethical issues concerning nepotism and class stratification. On the other hand, it presents a great diversity of possible ethical approaches and the ability for unusual innovations on particular social or environmental issues.<sup>12</sup> One example of the extensive influence of family in business is the importance of family-related notions of social capital in Chinese culture, called *guanxi*. Its ethical implications have been the subject of an ongoing debate for the past decade in the *Journal of Business Ethics*.<sup>13-15</sup>

For those professionals interested in influencing CSR practice in Asia, recognising the familial nature of business means that traditional social networks are highly important. Although the majority of family businesses are small or medium-sized, the role of families in controlling some large transnational corporations suggests that professionals or activists who seek high-leverage points of influence to promote CSR should seek to engage high-society networks as well as more traditional business channels.

**Governmental**

The role of government is important in shaping CSR in Asia.<sup>16</sup> Unlike the West, governments in many Asian countries are traditionally expected to lead on matters concerning national development. In the post-war years, the relationship between state and corporations in many parts of East Asia required the latter to take on the provision of social welfare for their employees, families and communities.<sup>17</sup> The importance of government in shaping CSR today is highlighted by the difference in environmental management performance among Japan, Hong Kong and Singapore. In Japan, 80% of local companies were considered by the Ethical Investment Research Services (EIRIS) as having either an advanced or good management response to environmental issues, compared to 10% reported in Hong Kong and Singapore. In private correspondence, one

of the authors, Stephen Hine – Head of Research at EIRIS, attributes this difference to government involvement.

Since the economic crisis in 2008, state-owned enterprises and sovereign wealth funds have grown in significance both in Asia and abroad. The efficiency and accountability of state-owned enterprises when compared to private companies have been challenged occasionally.<sup>18</sup> Yet, the potential exists for governments to exert novel forms of influence on business practices. In 2008, the Chinese government announced that corporate responsibility reports would be mandatory for all state-owned enterprises. Not surprisingly, half of all such reports issued in China that year were from state-owned enterprises.<sup>19</sup>

The growing role of government as an industry owner and investor poses a challenge for how they can be active and responsible owners and investors without creating political controversies. They may after all pursue national interests through their international firms and investments. There is scope for government's systemic interventions in markets, including the basics of business incorporation and money-creation. In a new book by Jem Bendell, *The Corporate Responsibility Movement*, it is argued that an interlocking framework of ideas for how to redesign economic actors and systems is emerging: 'Capital democracy describes an economic system that moves towards the creation, allocation and management of capital according to the interests of everyone directly affected by that process, in order to support the self-actualisation of all'.<sup>20</sup> It is an agenda that is perhaps more likely for some governments within Asia, given wider acceptance of their role in intervening in markets as compared to in the West.

**Practical & Informal**

The challenges of development are inescapable across most of Asia. Given levels of corruption in the public sector, there are concerns with the effective rule of law; given levels of poverty, there are concerns with provision of basic material needs; given occasional toxicity of food, beverages and water supply, there are concerns with weak regulation; and given racial tensions and the subjugation of women, there are concerns with basic equality. Therefore, much responsible enterprise initiative is focused on these practical challenges.<sup>21</sup> This context leads us to much activity that is, paradoxically, either philanthropic (and thus does not address how business processes can avoid adding to public problems) or innovative (ie. seeking enterprise solutions to public challenges).

The common element to both corporate philanthropy and social enterprise is that they seek immediate and tangible returns on investment of time and resources. However, one problem is that an expectation of ‘tangible’ returns may reduce attention to more systemic actions that are harder to demonstrate impact. In addition, this approach may hamper the potential comprehensiveness of how Asian enterprises approach their social and environmental effectiveness.

The business sector in Asia is diverse and is less regulated in some countries when compared to the West. Likewise, many of the social and environmental activities of business, of all sizes, are also informal. As noted above, informality is also derived from a high level of family ownership. This characteristic can lead to an unsystematic approach to the assessment of social and environmental aspects of business. This is highlighted by a high variability in the social and environmental issues that companies address. Evidence from a 2008 EIRIS report suggests that the range of performance on social and environmental issues is more variable in Asia than in the West. For instance, while approximately 80% of Japanese companies were assessed as having either advanced or good management response to environmental issues, only 17% of Japanese companies with a very high or high risk exposure on climate change have developed a good response.<sup>22</sup>

### Religious

In the West, responsible enterprise is often defined in terms of secular or universal humanist values as opposed to specific religious beliefs. In Asia, however, religion is becoming more overt within business, particularly in post-Communist societies.<sup>23</sup>

Kasit Piromya – Director of International Affairs of the Democrat Party of Thailand and the country’s representative of the Caux Round Table – spoke at the CSR Asia Summit about a parallel between Buddhist philosophy and responsible business:

*“Buddhist monks live according to the principle of interconnectivity with the community and the environment. They are one with their stakeholders. Similarly, every individual belongs to an organisation and ultimately to the society. Hence, every individual who is working to earn a living and enjoying the rewards is actually inter-dependent on the business community and society as a whole. Along with its stakeholders, business is part of a whole and*

*thus the need for social responsibility and good governance. In particular, large multinational corporations have a global responsibility, and not only to their financial stakeholders.”<sup>24</sup>*

There are similarities in this thinking within Islam. Centuries ago, Muslim thinkers conceived of and expounded the concept of ‘*al-wahda fi ‘l-kathra*’, which presupposes the essential oneness and transcendent connectedness of what on the surface seems diverse. The emphasis on non-duality – between heaven and earth, consciousness and matter, self and other – pervades most Eastern religions including the Abrahamic faiths.

On one hand, we can conclude that this emphasis on connectedness will encourage the growth of socially responsible enterprises. However, the changes in Asia arising from economic developments bear equal importance. Today, some regard Asians as increasingly pursuing Western CSR objectives with Asian intentions. This, however, can result in problematic and unsustainable outcomes, both personally and socially. Some also perceive that Asians pursue CSR efforts in order to promote social harmony, while others consider this to be a desire for conformity and see it as less noble. The belief in harmony or conformity is a manifestation of a level of consciousness that equates one’s personhood with a collective. If that outer form is disconnected from the consciousness that gives it meaning and context, then people can be exploited and made to doubt their natural tendencies towards compassion and fairness.

This religiosity will mean that the idea of conducting business in harmony with each other and our planet may find deep rhetorical resonance in many Asian communities in the coming years. However, this religiosity poses difficult questions about whether responsible enterprise might be developed in paternalist rather than rights-based ways, and for the benefit of particular groups and not others. What happens will depend on the relative importance of cultural forms or spiritual consciousness in shaping the actions of business leaders.

One area where the religiousness of some Asian CSR could give rise to interesting challenges is Islamic finance. This field of finance is fast accumulating a trillion dollars of assets under management and was much less affected by the economic crisis due to its restrictions on debt investments. The core principles of Islamic finance provide insight into a way of financing that can be more stable and sustainable.<sup>25-28</sup> Currently,



## Most Asian firms are not explicit about their companies' visions on expanding their business globally, let alone a vision on how their business should be conducted anywhere in the world. Often, nationalism is a key motivator for greater contributions to society.

Islamic investors and Western investees do not appear comfortable with the use of Islamic values in guiding practices of companies in the West.

The above implies that religious institutions throughout Asia will be important to the future of responsible enterprise and need to be engaged.

### Non-global

Most Asian firms are not explicit about their companies' visions on expanding their business globally, let alone a vision on how their business should be conducted anywhere in the world. Often, nationalism is a key motivator for greater contributions to society from leading companies in Asia, such as JN Tata.<sup>29</sup>

The colonial legacy of the West, its modern era of leadership within inter-governmental institutions and its levels of education and wealth have led many Westerners to have an opinion about the state of the world and its people. Anwar Ibrahim summarises this West's sense of itself as 'having something unique and benevolent to disseminate to others'.<sup>30</sup> You will be hard-pressed to find an Asian who is concerned about the rights of workers in factories in Scotland, for instance, in the way some Scottish people are concerned about the rights of workers in Asia. There are some sparks of this new global responsibility from within the responsible enterprise community. The global vision of Mohammed Yunus, taking microfinance to the low income communities in the United States, is one example.

For responsible enterprise professionals in the East, key is to evolve indigenously derived principles and agendas that resonate with existing international principles, and seek to apply them globally. In Singapore, the Global Social Innovators' Forum is one effort of business elements within Asian Society that are becoming globally aware and globally active.

### The Dangers of Distinctions

Many of the characteristics we have described above are not unique to Asia – Latin America and Africa also apply. They are characteristics of a 'Southern' form of CSR. Discussing differences between East and West has always been popular and current shifts in power make it more so. However, we should never lose sight of how these are simply imagined communities with imaginary

boundaries. Some fall into a trap of describing the East or West as entirely separate and internally coherent entities that act as conscious beings, so that 'the West' can be said to 'worry' about 'the East', for instance.<sup>31</sup> The problem is that by trying to distinguish one from the other, we may deny aspects of both that are universal, and restrict their identity to past forms.

The division between 'East' and 'West' is a product of European history and literature over hundreds of years, which made a distinction between European Christendom and the unfamiliar cultures to its East. The Western world and Western culture as imagined today are often typified by rationalism, science, freedom of thought, individualism, human rights, democratic values, and a dichotomy between Christianity and secularism. The rise of Asian forms of CSR does not imply development of a totally different set of values. We also do not accept the implication that there are no equally important traditions that emphasise personal liberty and democratic values from within Asia. We agree with Malaysian politician Anwar Ibrahim's assertion that 'it is altogether shameful, if ingenious, to cite Asian values as an excuse for autocratic practices and denial of basic rights and civil liberties. To say that freedom is western or un-Asian is to offend our own traditions, as well as our forefathers who gave their lives in the struggle against tyranny and injustice'.<sup>32</sup> Even the religion most often cited as justifying forms of hierarchy, Confucianism, does not provide a rebuttal against the need for personal freedom. Confucius advocated the primacy of the self, the individual and the community as *sine qua non* for human flourishing.<sup>33</sup>

A more organic emergence of ideas and innovations from dialogues and contestations among groups from across the region is much needed. The first step is to cultivate a greater awareness of the levels and nature of endogenous desire across Asia for socially progressive enterprise, and the relative roles of government, business and wider civil society in shaping and responding to that desire.

### Conclusion

There is a range of implications for policy, practice and research arising from these characteristics of Asian forms of CSR.<sup>34</sup> Our analysis of the last 10

years of management research on CSR indicates that academic attention is increasingly turning to Asian forms of CSR, which may help us to understand how Asian CSR might play a useful role in promoting a fair and sustainable world. Our own work will continue to explore these themes. The move from CSR in Asia to multiple forms of Asian CSR does not imply a deflection of Western values but an opening up to insights from all directions. The rise of Asia reminds us of the diversity of our world as well as the diversity of ideas about society, economy and politics. CSR professionals in Asia and the world have much to gain from a more open dialogue about the nature of social and environmental responsibilities. ❖

<sup>1</sup> Wendy Chapple and Jeremy Moon, "Corporate Social Responsibility (CSR) in Asia," *Business and Society*, 44 (2005): 415–41

<sup>2</sup> Jem Bendell and Chew Ng, Introduction, in *The Eastern Turn in Responsible Enterprise: A Yearly Review of Corporate Responsibility*, Jem Bendell et. al (Philippines: Lifeworth, 2009)

<sup>3</sup> Peter Utting, "Rethinking Business Regulation: From Self-Regulation to Social Control," *Programme Paper No. 15*, (UNRISD: Geneva, 2005)

<sup>4</sup> See for example, Daryl Koehn and Alicia Leung, "Dignity in Western versus in Chinese Cultures: Theoretical Overview and Practical Illustrations," *Business and Society Review*, 113 (2008): 477–504

<sup>5</sup> Scott Vitell and Abhijit Patwardhan, "The Role of Moral Intensity and Moral Philosophy in Ethical Decision Making: A Cross-Cultural Comparison of China and the European Union," *Business Ethics: A European Review*, 17 (2008): 196–209

<sup>6</sup> Lorne Cummings, "Managerial Attitudes toward Environmental Management within Australia, the People's Republic of China and Indonesia," *Business Strategy and the Environment*, 17 (2006): 16–29

<sup>7</sup> Gregory Jackson and Andreas Moerke, "Continuity and Change in Corporate Governance: Comparing Germany and Japan," *Corporate Governance: An International Review*, 13 (2005): 351–61

<sup>8</sup> See for instance, Audun Ruud, "Environmental Management of Transnational Corporations in India – are TNCs Creating Islands of Environmental Excellence in a Sea of Dirt?" *Business Strategy and the Environment*, 11 (2002): 103–18

<sup>9</sup> Aris Solomon, Jill Solomon and Megumi Suto, "Can the UK Experience Provide Lessons for the Evolution of SRI in Japan," *Corporate Governance: An International Review*, 12 (2004): 552–66

<sup>10</sup> Mooweon Rhee and Ji-Hwan Lee, "The Signals Outside Directors Send to Foreign Investors: Evidence from Korea," *Corporate Governance: An International Review*, 16 (2008): 41–51

<sup>11</sup> See for example, Yahya Wijaya, "The Prospect of Familism in the Global Era: A Study on the Recent Development of the Ethnic-Chinese Business, with Particular Attention to the Indonesian Context," *Journal of Business Ethics*, 79 (2008): 311–17

<sup>12</sup> Po-Keung Ip, "Corporate Social Responsibility and Crony Capitalism in Taiwan," *Journal of Business Ethics*, 79 (2008): 167–77

<sup>13</sup> See for example, Thomas Dunfee and Danielle Warren, "Is Guanxi Ethical? A Normative Analysis of Doing Business in China," *Journal of Business Ethics*, 32 (2001): 191–204

<sup>14</sup> Chenting Su, Joseph Sirgy and James Littlefield, "Is Guanxi Orientation Bad, Ethically Speaking? A Study of Chinese Enterprises," *Journal of Business Ethics*, 44 (2003): 303–12

<sup>15</sup> Chris Provis, "Guanxi and Conflicts of Interest," *Journal of Business Ethics*, 79 (2008): 57–68

<sup>16</sup> Po-Keung Ip, "Business Ethics and a State-Owned Enterprise in China," *Business Ethics: A European Review*, 12 (2003): 64–77

<sup>17</sup> T.J Pempel, "Labor exclusion and privatized welfare: Two keys to Asian capitalist development," in Huber, Evelyn (ed), *Models of Capitalism: Lessons for Latin America*, ed., Evelyn Huber (PA: Pennsylvania State University Press)

<sup>18</sup> Linfen Jennifer Huang, Robin Stanley Snell, "Turnaround, corruption and mediocrity: Leadership and governance in three state owned enterprises in Mainland China," *Journal of Business Ethics* Vol. 43 No. 1-2 (2003): 111

<sup>19</sup> He Shan, "More firms pay attention to social responsibility," December 10, 2008 <[http://www.china.org.cn/business/news/2008-12/10/content\\_16928942.htm](http://www.china.org.cn/business/news/2008-12/10/content_16928942.htm)>

<sup>20</sup> Jem Bendell, Introduction, in Bendell et al, *The Corporate Responsibility Movement*, (Sheffield: Greenleaf Publishing, 2009)

<sup>21</sup> Richard Welford, Clifford Chan and Michelle Man, "Priorities for Corporate Social Responsibility: A Survey of Businesses and their Stakeholders," *Corporate Social Responsibility and Environmental Management*, 15 (2007): 52–62

<sup>22</sup> EIRIS, *The State of Responsible Business in 2008: Implications for PRI Signatories*, October 2008 <<http://www.eiris.org/files/research%20publications/stateofrespbusinesssep08.pdf>>

<sup>23</sup> Mohammed Y. A. Rawwas, Ziad Swaidan and Jamal Al-Khatib, "Does Religion Matter? A Comparison Study of the Ethical Beliefs of Marketing Students of Religious and Secular Universities in Japan," *Journal of Business Ethics*, 65 (2006): 69–86

<sup>24</sup> Catherine Walter, "Welcoming Remarks and Keynote Speeches," *CSR Asia Weekly*, Vol. 4 Week 46, November 12, 2008

<sup>25</sup> See for example, M. Iqbal and D.T. Llewellyn, *Islamic Banking and Finance: New Perspectives on Profit-sharing and Risk* (Cheltenham, UK: Edward Elgar, 2002)

<sup>26</sup> See Emma Vandore, "Crisis widens appeal of Islamic finance," December 24, 2008 <[www.thefreelibrary.com/Crisis+widens+appeal+of+Islamic+finance-a01611751048](http://www.thefreelibrary.com/Crisis+widens+appeal+of+Islamic+finance-a01611751048)>

<sup>27</sup> Hersh Shefrin and Meir Statman, *Beyond Greed and Fear: Understanding Behavioral Finance and the Psychology of Investing* (Boston, MA: Harvard Business School Press, 2002)

<sup>28</sup> *Islamic Finance News Guide, 2008* <[www.islamicfinancenews.com/pdf/guide08.pdf](http://www.islamicfinancenews.com/pdf/guide08.pdf)>

<sup>29</sup> Skip Worden, "The role of religious and nationalist ethics in strategic leadership: The case of J. N. Tata," *Journal of Business Ethics* 47 (2003): 147–64

<sup>30</sup> Anwar Ibrahim, *The Asian Renaissance*, (Singapore: Marshall Cavendish Editions, 2008), 128

<sup>31</sup> Kishore Mahbubani, "The New Asian Hemisphere: The Irresistible Shift of Global Power to the East," *Public Affairs Edition 1*, January 22, 2008

<sup>32</sup> Anwar Ibrahim, 28

<sup>33</sup> Tu Wei Ming, "Way, Learning and Politics: Essays on the Confucian Intellectual," (State University of New York Press, 1993)

<sup>34</sup> Jem Bendell & Chew Ng, op. cit



**Jem Bendell** has been promoting and supporting responsible business as a consultant, academic and entrepreneur for 14 years. As the director of Lifeworth, he has worked with corporations, NGOs and United Nations agencies on corporate responsibility issues in over a dozen countries. Bendell is an associate professor at the Griffith Business School.



**Chew Ng** is professor of Accounting at the Griffith Business School, Griffith University in Brisbane. She has won several industry research grants (totalling approximately \$300,000 either individually or jointly) to fund research in auditing, corporate governance, ethics, and public sector accounting. In recent years, Chew has shifted her research interest to issues relating to sustainability, including climate change, ethics, and socially responsible investing.