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—

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For my family



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## LIST OF ABBREVIATIONS

CSR	Corporate Social Responsibility
CC	Corporate Citizenship
CG	Corporate Governance
CSP	Corporate Social Performance
TBL	Triple-Bottom Line
OECD	Organisation for Economic Co-operation and Development
ILO	International Labour Organisation
UN	United Nations
USA	United States of America
GC	Global Compact
ISO	International Organization for Standardization
GRI	Global Reporting Initiative
RSE	responsabilité societal des entreprises
SCSR	Strategic Corporate Social Responsibility
CS	Corporate Sustainability
CR	Corporate Responsibility
SEE	society, environment, economic
SRI	Social Responsible Investing
SMEs	small- and medium sized enterprises
IÖW	Institute for ecological economic research
NREL	Le Loi sur les Nouvelles Régulations Économique
EU	European Union
FKTU	The Federation of Korean Trade Unions
FKI	Federation of Korean Industries
KFEM	Korean Federation for Environmental Movement
KCTU	Korean Confederation of Trade Unions
DLP	Domestic Labor Party
PCSD	The Presidential Commission on Sustainable Development of Republic Korea
KNCSO	Korean National Commission on Sustainable Development
GINI	Gender related Income Index
HDI	Human Development Index





# 1 PREAMBLE

## 1.1 MARKING THE TOPIC OF CSR

In a globalized society, companies are responsible for greater stewardship or, at a minimum, develop a growing sense of responsibility. “CSR - or something that goes under the banner of CSR or one of its many counterparts – is now practiced in most large corporations in Europe and the USA, as well as in parts of Asia, and has been taken up by corporations from many major developing countries (...). The CSR practices of huge multinationals (...) affect millions, perhaps billions of people across the world, whether through the products they supply, the people they employ, the communities in which they locate, or the natural environments they affect.”<sup>1</sup> Companies’ actions behind the products, brands and success are gaining an influence on the payers purchase decision. “Property imposes duties. Its use should also serve the public weal”<sup>2</sup>, as it is said in the German Basic Law, represents the central idea of business commitment in the society. Not only the production and sales of products and services is expected by companies but a more ambitious effort in the sense of “Giving back to society”<sup>3</sup> is the path expected of companies to follow.<sup>4</sup> Corporate behavior is clearly a theme in media on an everyday basis. The news of corporate misdeeds provides fodder for new headlines but positive corporate behavior is attracting attention as well. Societal pressure, along with actions by international organizations, nongovernmental organizations and governmental regulations have forced businesses to rethink actions regarding human rights violations, environmental pollution, harming of stakeholders and fraud and corruption. These actions have become a matter of survival in a growing critical society. Key suspects, such as the oil, tobacco and chemical industries, were accused of not behaving like responsible members of society. To combat this, companies adopted a new business approach, which is now commonly referred to as Corporate Social Responsibility (CSR). Corporate Social Responsibility started out as a management idea in 1950s in the United States with an unexpected gain of popularity in global business world. Despite the

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<sup>1</sup> Crane/Matten/Spence 2008e: Applying corporate social responsibility. In: Crane A. et al. (eds.): Corporate Social Responsibility. Readings and cases in a global context. London, New York: Routledge. 175.

<sup>2</sup> Handy 2003: What’s a Business For? In: Harvard Business Review on Corporate Responsibility. Boston: Harvard Business School Press. 80.

<sup>3</sup> Köppl/Neureiter 2004: Gesellschaftliche Verantwortung als Business-Motor: Was ist Corporate Social Responsibility? Ein globaler Rundgang. In: Köppl P. et al. (eds.): Corporate Social Responsibility. Leitlinien und Konzepte im Management der gesellschaftlichen Verantwortung von Unternehmen. Wien: Linde Verlag 16 et seq.

<sup>4</sup> Cf. Ibidem: 13-17.

formal development of the management idea in the 1950s, it does not mean that, prior to the time there was no responsible behavior of business at all.<sup>5</sup>

Even before CSR, businessmen were very concerned with their employees' productivity and therefore engaged in socially responsible behavior. It was then, as it is now as well, questionable whether the companies' actions should just improve the employees' productivity, or if companies should engage in responsible behavior on a voluntary basis out of sheer generosity.<sup>6</sup>

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<sup>5</sup> Cf. Crane/Matten/Spence 2008a: Corporate social responsibility: in a global context. In: Crane A. et al (eds.): Corporate Social Responsibility. Readings and cases in a global context. London, New York: Routledge. 3, 4. and Burchell 2008a: Just what should business be responsible for? Understanding the concept of CSR. In: Burchell J. (ed.): The corporate social responsibility Reader. New York: Routledge. 78.

<sup>6</sup> Cf. Carroll 2008a: A history of Corporate Social Responsibility: Concepts and Practices. In: Crane A. et al. (eds.): The Oxford Handbook of Corporate Social Responsibility. New York: Oxford University Press. 19-21.



## **1.2 RESEARCH OBJECTIVE**

The theme of Corporate Social Responsibility (CSR) is gaining increasing attention and importance. Social inequality and the environmental damage all around the world, leading to poverty and hardship, especially among the weakest, not only in developing countries but also in industrial countries. It is therefore especially necessary for companies to engage in sustainable forms of business which should lead to better conditions for their employees, their social surrounding and the environment. The preconditions and motivations of companies for acting this way are very often in question, but regardless of intention, progress in resolving environmental and social problems can only occur by a hand-in-hand approach of business and society. Therefore, sustainable actions on the part of business are indispensable in equal international development.

Lacking a clear and specific definition, the concept of CSR is implemented in many different ways. Therefore the actions following are influenced by the company context including, legal regulations and international guidelines. It is the aim of this paper to understand what is actually expected from companies practicing CSR in specific national contexts.

This paper is meant to examine the different frameworks and guidelines for corporation's practical implementation of CSR provided, as it may be that in countries from different regions and with different cultural background there are different points of focus, especially in terms of their efforts on sustainable development. To get a better comparison and insight in different CSR practices and influences to it, the comparison of CSR initiations and actions demanded in Western European countries and of those in East Asian countries should bring an insightful result.

Now the main question that accounts for this paper is what significance corporate social responsibility has for Western European and East Asian countries and if there are recognizable differences in the CSR initiatives of Western European countries (and their companies) in comparison to those of the CSR initiatives of East Asian countries (and their companies), in terms of their emphasis on the three components (economy, ecology, social) of sustainable development.

## 2 METHOD

In order to answer the question regarding the significance Corporate Social Responsibility has for Western European and East Asian-countries and if there are recognizable differences in their respective CSR initiatives, this paper is divided into a theoretical and a practical part.

The focus of this paper is on guidelines, concepts, necessary actions, initiatives and in which corporations should become engaged in and what they should report but not the actions actually implemented by the corporations or on the actual outcomes of those actions.

To begin the theoretical section, the main characteristics and features of CSR need to be defined. Therefore, the chapter entitled 'Method' explains the necessary basic elements of CSR, beginning with the development of CSR and the many influences which added to the concept. It is essential to define what CSR is actually meant to be because we will find out that CSR is not a concept that has one significant proper definition but numerous ones, each focusing on different areas according to the influence of the corporations' context. CSR is a concept which basically contains guidelines and frameworks for the engaging of corporations in corporate social responsible behavior. As it is the fact that there does not exist 'the one' definition of CSR, the definition of CSR by the Pyramid of Archie B. Carroll will be used, because it is the most inclusive and widely most cited theoretical definition. Following the chapter of definitions, further characteristics of CSR will be explained like the aspect of voluntariness, the stakeholder orientation and the demand that CSR has to go beyond the level of philanthropic giving. Further international guidelines are explained as they serve as frameworks for corporations' creation of Codes of Conduct and nations' development of CSR strategies. Also the numerous motivations that lead to the engagement of CSR behavior are revealed and finally a critical overview of the whole concept and several critical aspects if given. The theoretical part will conclude with an intermediate result which summarises the main characteristics of the CSR concept.

The theoretical part functions as the preparation for the examination of the CSR practice in Western European and East Asian countries. In order to evaluate the significance that CSR has to those two regions, some controls must be put into place.

First, the paper will compare CSR in Germany and France, as representative countries for the Western European region and Japan and South Korea as representative countries for the East Asian region. This limit was necessary to ensure an easier comparison and the possibility of achieving more detailed results while remaining within the scope of this paper. It is important to recognize that the practice of CSR in each country of these two regions certainly includes different frameworks according to the context, than what can be drawn from those two countries which are standing for each region. To keep that in mind and in order to get a better insight of what attention is given to CSR in those regions an introductory chapter illuminates the Western European and East Asian area and their CSR efforts as well as guidelines and frameworks that need to be followed by the countries within the regions. The reason for choosing those four countries for comparison will be explained.

Second, it is impossible to detect what actions and initiatives motivate corporations to become engaged in CSR behavior and what impact those actions had so this paper sticks to an abstract description regarding the sorts of actions in which corporations should become engaged. It is about finding out what national strategies towards CSR those countries are following. In order to bring to light what shapes the meaning of CSR in each country, it is necessary to research the context of CSR in the four countries and what obligations and guidelines are provided or required. It is about examining the engagement necessary and the specific actions in which the corporations are supposed to engage, divided into the three basic areas of the triple-bottom-line. In order to do so, information has been gathered from existing research papers, national sustainable development strategies, legal requirements that cover areas of CSR, government homepages and further strategy papers by trade unions, industrial organizations and non-governmental organizations depending on which institution or organization is the leading force in the country's CSR strategy.

In one further chapter, the differences of the four countries will be identified and compared following the established outline of main characteristics of CSR, in order to detect the significance of CSR for those four countries. The comparison is with the use of the information gathered in the practical part and should lead to some concrete points of difference in the practice of CSR and if their focus is on advocating for one specific pillar of sustainable development. It can be foreseen that not all the concepts include the same characteristics equally and some even seem to have nothing in common. It is further about comparing their focus areas and identifying if the main characteristics of CSR are part in the

CSR strategy followed by those countries and their corporations. A summary will conclude this paper.

*Reason for selecting Japan, Germany, South Korea and France as example countries:*

For the examination of CSR four countries have been chosen for a detailed research on CSR. As the question is whether there are differences between the practices of CSR in Western European countries compared to East Asian countries, it was necessary to limit the countries chosen. The examined countries will be Germany and France as representatives of Western European countries and Japan and South Korea as representative countries for the East Asian region.

The selection was made due to several components of importance, like the rate of development and the size of the country by population. The ranking of the countries development and size was necessary to find approximately equal countries for comparison.

The Human Development Index of the United Nations Development Program was used to find countries with the approximate same level of development. This approach was chosen as it does not just define the development of a country through its Gross Domestic Product but also incorporates the life expectancy at birth and the literacy rate by a combined primary, secondary and tertiary gross enrolment ratio. The Human Development Index provides a more appropriate measure as it not only compares economic development but also social development of countries and, in order to compare countries regarding their efforts towards CSR they need to have an approximate equal standard of development.<sup>7</sup>

The selected countries are all countries within the ranking of ‘high human development’ among the first twenty-five countries out of 179, according to the latest available data in the year 2008 (which rely on the data of 2006 and therefore no difference between the available data of 2006 and 2008 is recognizable on the UNDP Homepage). The chosen countries are not without reason ranked under the ‘high human development’ countries. During the research in preparation for the paper, it could be noticed that the higher the development of country, the more attention was paid toward Corporate Social Responsibility. In addition, countries with an approximate equal size were necessary in order to have approximate preconditions for the research. Therefore, the decision fell for Germany, Japan, France and South Korea. While Germany is ranked on position twenty-three in 2008, Japan is positioned the eighth most

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<sup>7</sup> Cf. UNDP 2008: Human development reports. Statistics. <http://hdr.undp.org/en/statistics/> [access: 06/13/09]

developed country in 2008. Republic of Korea is ranked twenty-fifth highest developed country of the world while France is ranked shortly after Japan in position eleven.<sup>8</sup> If only the GDP was considered, the ranking of the countries would be slightly different as you can see in Table 1. In comparing the GDP per capita Japan, France and Germany are listed one after another. A closer look on the life expectancy shows that with 82.4 years Japan is number one in the world but when it comes to literacy rate Japans ranks fortieth among 179 countries of the world. Table 1 shows the Human Development Ranking of the first twenty-five countries of 'high human development' with a separate comparison of the three elements of the Human Development Index - life expectancy, literacy rate and GDP per capita. Due to the availability of data the table on the next page contents data from the year 2006.<sup>9</sup>

The second element contributing to the choice of countries to be used was the size of the country. The population size served to identify comparable countries with approximately the same development standards like Japan with a population size of 127,288,419 (by December 2008) and Germany with a population size of 82,369,548 (by December 2008) and South Korea with a population size of 48,379,392 (by December 2008) compared with France which has a population size of 64,057,790 (by December 2008). There are great differences indeed but still in order to compare Western European with Eastern Asian countries those are the countries to choose in order to have approximate equal countries for comparison.<sup>10</sup>

After comparison of those two preconditions, the availability of the necessary literature was one last element considered before deciding which countries are best for comparison.

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<sup>8</sup> Cf. UNDP 2008.

<sup>9</sup> Cf. UNDP 2008.

<sup>10</sup> Cf. US Census Bureau 2008: International Data Base (IDB). Countries and areas ranked by population: 2008. <http://www.census.gov/cgi-bin/ipc/idbrank.pl> [access: 06/13/09]

Table 1: Human development index 2006\*  
Source: individual table in dependence on UNDP 2008.

HDI ranking 2006	Life expectancy at birth (years) 2006	Combined primary, secondary and tertiary gross enrolment ratio (%) 2006	GDP per capita (PPP US\$) 2006
1. Iceland	3. Iceland (81.6)	12. Iceland (96.0)	14. Iceland (35,814)
2. Norway	13. Norway (79.9)	7. Norway (98.6)	3. Norway (51,862)
3. Canada	9. Canada (80.4)	6. Canada (99.3)	12. Canada (36,687)
4. Australia	5. Australia (81.0)	1. Australia (114.2)	20. Australia (33,035)
5. Ireland	24. Ireland (78.6)	9. Ireland (97.6)	9. Ireland (40,823)
6. Netherlands	16. Netherlands (79.4)	10. Netherlands (97.5)	13. Netherlands (36,099)
7. Sweden	7. Sweden (80.7)	18. Sweden (94.3)	18. Sweden (30,056)
8. Japan	1. Japan (82.4)	40. Japan (86.6)	24. Japan (31,951)
9. Luxembourg	26. Luxembourg (78.6)	16. Luxemburg (94.6)	1. Luxemburg (77,089)
10. Switzerland	4. Switzerland (81.4)	45. Switzerland (82.7)	11. Switzerland (37,396)
11. France	11. France (80.4)	14. France (95.4)	23. France (31,980)
12. Finland	21. Finland (79.1)	4. Finland (101.4)	21. Finland (32,903)
13. Denmark	30. Denmark (78.1)	5. Denmark (101.3)	16. Denmark (35,125)
14. Austria	15. Austria (79.6)	26. Austria (90.5)	15. Austria (35,523)
15. United States	31. United States (78.0)	20. United States (92.4)	8. United States (43,968)
16. Spain	6. Spain (80.7)	11. Spain (96.5)	27. Spain (29,208)
17. Belgium	22. Belgium (79.1)	17. Belgium (94.3)	19. Belgium (33,035)
18. Greece	20. Greece (79.1)	3. Greece (101.6)	26. Greece (31,290)
19. Italy	10. Italy (80.4)	22. Italy (91.8)	28. Italy (28,828)
20. New Zealand	12. New Zealand (80.0)	2. New Zealand (107.5)	31. New Zealand (25,260)
21. United Kingdom	19. United Kingdom (79.2)	32. United Kingdom (89.2)	22. United Kingdom (32,654)
22. Hong Kong, China (SAR)	2. Hong Kong China (SAR) (82.1)	85. Hong Kong, China (SAR) (74.4)	10. Hong Kong China (SAR) (39,146)
23. Germany	17. Germany (79.3)	37. Germany (88.1)	25. Germany (31,766)
24. Israel	8. Israel (80.5)	30. Israel (89.9)	33. Israel (24,405)
25. Korea (Republic of)	29. Korea (Republic of) (78.2)	8. Korea (Republic of) (98.5)	34. Korea (Republic of) (22,985)

\*numbers ahead of the country codes is the countries position in world ranking

## 2.1 THE ORIGINS OF CSR

The concept of Corporate Social Responsibility (CSR) has a long history and definitions varied at this origin as they do now. There is no single history of the rise of the CSR concept because of the contributions of several theories over time from proponents along with presentation of opposition of the concept. The perspective on CSR also vary from country to country. Therefore this recapitulation is not exhaustive, but takes into consideration, the various inputs to the CSR debate which will be discussed later. The birth of CSR cannot be attributed to one particular event in history. In the 1950s when the concept of Corporate Social Responsibility first started out in the USA it was more referred to as Social Responsibility (SR). That may be because the age of modern corporations which dominate global business world now had not yet arrived. With the publication of the book ‘Social Responsibilities of the Businessman’ by Howard R. Bowen in 1953, the demand for business social responsible behavior set in.<sup>11</sup> Bowen is the so-called “‘Father of Corporate Social Responsibility’”<sup>12</sup>, who gave his first definition to this unclear term.

“‘It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society.’”<sup>13</sup>

In the 1950s, this resulted in little more than the already common practice of philanthropic giving to charity in the United States, which has been practiced since the appearance of the American industrial age by large firms. It was not until the 1960s, the age in which the first meaningful regulations in consideration of environment pollution in the United States and Europe were instituted that CSR became a known concept. Up until the 1970s, though there was a growing awareness of business towards environmental and social and issues, the first Codes of Conducts were dismissed. In the same time period, international organizations like the International Labor Organization (ILO) and the Organization for Economic Cooperation and Development (OECD) passed codes for responsible behavior for multinationals. Nevertheless, according to Archie B. Carroll Corporate Social Responsibility did not become a real force in business management until the late 1970s through growing pressure of

<sup>11</sup> Cf. Carroll 2008a: 24-34. and Carroll 1999: Corporate Social Responsibility: Evolution of a Definitional Construct. In: *Business & Society*, Vol. 38, No. 3. 269 et seq. <http://bas.sagepub.com/cgi/content/abstract/38/3/268> [access: 05/14/09] and White 2008: Fade, Integrate or Transform? The Future of CSR. In: Burchell J. (ed.): *The Corporate Social Responsibility Reader*. London, New York: Routledge. 272. and Hiß 2005: *übernehmen Unternehmen gesellschaftliche Verantwortung? Ein soziologischer Erklärungsversuch*. Dissertation der Universität Bamberg. Frankfurt, New York: Campus Verlag. 29.

<sup>12</sup> Carroll 1999: 270.

<sup>13</sup> Ibidem: 270.

expectations by society.<sup>14</sup> While in the postwar area, the dominant view was that it is the state's responsibility to provide social welfare. This changed with the decades of upcoming privatization in the 1980s. During that time, the power and responsibility of business both rose and the accountability for the actions of public and private business became more unclear and additionally the main focus on shareholder value gain of business was in question.<sup>15</sup>

As the concept of CSR became more common in the 1990s, its definition was not narrowed down to one specific term and still is not. It was the period in which global corporations gained on importance and power and corporate giving rose and with it demands of Corporate Social Responsibility rose as well. Consequently, Corporate Social Responsibility, business ethics, stakeholder theory and corporate giving became de facto part of business management.<sup>16</sup>

With the beginning of the twenty-first century, the concept of CSR resounded throughout the nations and with the creation of the United Nation 'Global Compact' in 2000 and the 'Green Paper' of the European Union in 2001 not only guidelines and frameworks were established, but in regard to the European Commission, a positive influence of CSR practice on competitive capability was expected.<sup>17</sup>

In the twenty-first century, contributions toward defining the CSR concept on a theoretical basis lost ground to the empirical examination of corporations' actual CSR practice.

“Despite its uneven and disjointed evolution, it is fair to say that one identifiable thread in CSR history is a three-fold shift in focus from what is legally required and charitable to what is financially justified and, most recently, to what is morally expected. Each step along this continuum mirrors an evolving definition of the parties to whom corporations are responsible and accountable.”<sup>18</sup>

As CSR has become a common issue in everyday business in the twenty first century and many opportunities have been realized, it can be concluded that CSR is a concept which significantly influences business management.<sup>19</sup>

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<sup>14</sup> Cf. Carroll 2008a: 24-34. and Carroll 1999: 269 et seq. and White 2008: 272. and Hiß 2005: 29 set seq.

<sup>15</sup> Cf. Crane/Matten/Spence 2008a: 3 et seq. and Burchell 2008a: 78.

<sup>16</sup> Cf. Carroll 2008a: 37-42. and White 2008: 273.

<sup>17</sup> Cf. Carroll 2008a: 37-42. and White 2008: 273.

<sup>18</sup> White 2008: 273.

<sup>19</sup> Cf. Carroll 2008a: 37-42. and White 2008: 273.



## 2.2 DEFINITION OF CSR

So far not one specific definition of CSR has been found. The great variety of Corporate Social Responsibility definitions available results from the fact that the definitions emanate from different theoretical backgrounds as well as different countries with varied public welfare standards.<sup>20</sup>

Numerous attempts of defining CSR by economists, proponents, opponents as well as international organizations, have been made. It can be noted that there are at least as many attempts to create a definition for CSR as there are attempts to disprove the whole concept.<sup>21</sup>

At the center of the numerous CSR definitions stands the commitment of companies, which should, with the input of socially responsible behavior, create an outcome of some kind of social or environmental benefit, not just economic benefits for the whole range of stakeholders that lies within the rule of law.<sup>22</sup>

Blowfield and Frynas point out that the concept of CSR would better be seen as an ‘umbrella term’ of several theories, definitions and sometimes questionable implementation in practice. Inside this ‘umbrella term’: (1) companies need to be held responsible for the impact of their actions on society and environment beyond the requirements by law, (2) companies need to oversee the behavior of whomever they do business with as they are responsible for their behavior and the impact on society and environment caused by that company as well, and (3) companies need to act responsible in order to be responsive to societal norm whether it is for the economic reasons or not.<sup>23</sup>

According to Stefanie Hiß (2005) approach to the concept, the first attempt to understand the concept of CSR is to explore the components - namely ‘corporate’, ‘social’ and ‘responsibility’.

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<sup>20</sup> Cf. Kuhlen 2005: Corporate Social Responsibility (CSR). Die ethische Verantwortung von Unternehmen für Ökologie, Ökonomie und Soziales. Entwicklung-Initiativen-Berichterstattung-Bewertung. Diplomarbeit der Technischen Hochschule Aachen. 7. and Crane/Matten/Spence 2008a: 5.

<sup>21</sup> Cf. Kuhlen 2005: 7. and Crane/Matten/Spence 2008a: 5.

<sup>22</sup> Cf. Burchell 2008a: 79 et seq.

<sup>23</sup> Cf. Ibidem: 79 et seq.

**Corporate** alludes to several forms of companies but mainly in CSR literature and practice, companies featured are usually multinationals whereas small and medium-sized companies (SMEs) are not included in the discussion. Dunning defines multinationals as the following: “A multinational or transnational enterprise is an enterprise that engages in foreign direct investment and owns or controls value adding activities in more than one country.”<sup>24</sup>

**Social** is a word of several possible definitions. The term social responsibility actually only refers to the responsibility of business towards society but in the concept of CSR, the environment is addressed as well.

The definitions of CSR provided by the European Commission and the Asian-Pacific Economic Corporation will include an environmental component in the term of social responsibility.<sup>25</sup> The detailed definition can be found under the chapters of ‘CSR of Western European and East Asian countries’.

**Responsibility** identifies the basic task and the accountability within the society. Basically there exist two different opinions on corporate responsibility. On one side opponents argue that firms do not and should not have any responsibilities beyond profit maximization and on the opposite side of argumentation proponents of CSR ask for corporations to act according to their responsibilities that they believe business has.<sup>26</sup>

Additionally CSR definitions mostly include the aspect of voluntariness. The debate about only voluntary activities count as CSR or if adherence to international agreements and national laws also counts as contributions towards CSR will be further outlined in one of the following chapters.<sup>27</sup>

As indicated, the heterogeneity of CSR concepts is tremendous. There is one definition though that is most commonly cited and can't be missed within a discussion on CSR definitions. It is ‘The pyramid of CSR’ by Archie B. Carroll published in the end of the 1970s which will be explained.

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<sup>24</sup> Hiß 2005: 23. (cited after Dunning 1993: 3.) and Cf. Hiß 2005: 23.

<sup>25</sup> Cf. Ibidem: 23 et seq.

<sup>26</sup> Hond den/Bakker de/Neergaard 2007: Introduction to Managing Corporate Social Responsibility in Action: Talking, Doing and Measuring. In: Hond den F. et al. (eds.): Managing Corporate social Responsibility in Action. Talking, Doing and Measuring. Hampshire, Burlington: Ashgate Publishing. 2. and Cf. Hiß 2005:25 et seq.

<sup>27</sup> Cf. Hiß 2005: 27.

### 2.2.1 PYRAMID OF CSR

Carroll's pyramid of Corporate Social Responsibility presented in 1979 is probably for its plausibility the most cited and therefore perhaps the most convincing definition of CSR. Crane et al. find positive word for Carroll's CSR pyramid "The model described by Carroll is (...) broad, but simple. Perhaps most significantly, it provides a way of reconciling some of the different perspectives on CSR (...) – for Carroll, social responsibility does not mean forgetting about economic responsibilities in order to do good, but is about acting responsibly within a context of basic legal and economic obligations."<sup>28</sup>

The CSR Pyramid by Carroll starts off with the thought, that business responsibility moves beyond the economic and legal level because there is also an ethical and philanthropic level to CSR. Therefore Carroll's CSR pyramid mirrors the whole range of social responsibility by business. He sees economic success and abidance of law a necessity of CSR. "[T]he point here was that CSR, to be accepted as legitimate, had to address the entire spectrum of obligations business has to society, including the most fundamental – economic. It is upon this four-part perspective that our pyramid is based."<sup>29</sup> Further Carroll identifies the ethical responsibility as expected by society even there are no legal requirements. The philanthropic responsibility is desirable, but optional.<sup>30</sup>

In Carroll's opinion, a company can only act socially responsible if it meets all four levels of responsibilities. On the other hand, Friedman argues against Corporate Social Responsibility behavior, because in his opinion it is upon the shareholders themselves to decide whether and to whom grant relief out of the gains of their investment.<sup>31</sup>

<sup>28</sup> Crane/Matten/Spence 2008c: What is CSR? Concepts and theories. In: Crane A. et al. (eds.): Corporate Social Responsibility. Readings and cases in a global context. London, New York: Routledge. 58. and Cf. Ibidem.

<sup>29</sup> Carroll 2008b: The Pyramid of Corporate Social Responsibility. Toward the moral management of organizational stakeholder. In: Burchell J. (ed.): The corporate social responsibility Reader. New York: Routledge. 91.

<sup>30</sup> Cf. Carroll 2008b: 90-97. and Mayerhofer/Grusch/Mertzbach 2008: Corporate Social Responsibility. Einfluss auf die Einstellung zu Unternehmen und Marken. Wien: Facultas Verlags- und Buchhandels AG. 12-14. and Hiß 2005: 36 et seq. and Schwalbach 2008: Editorial. In: Journal of Business Economics. Special Issue 3/2008. Corporate Social Responsibility. VIII-X.

<sup>31</sup> Cf. Schwalbach 2008: IX. and Friedman 2008: The social responsibility of business is to increase its profits. In: Burchell J. (ed.): The corporate social responsibility Reader. New York: Routledge. 84-89.

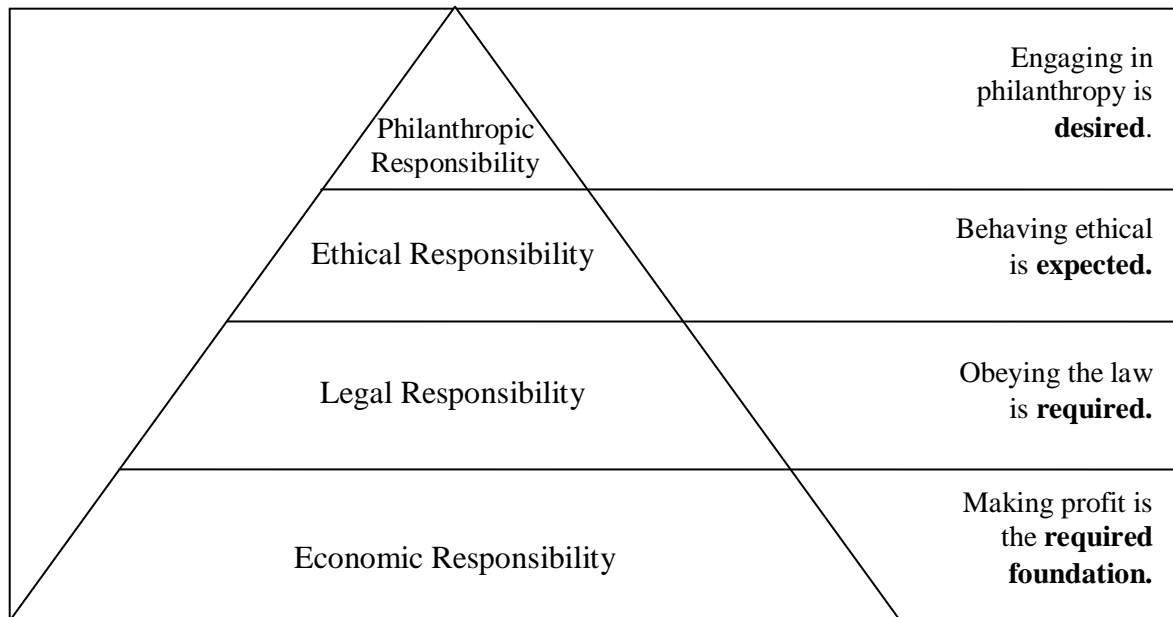


Figure 1: Pyramid of CSR by Archie B. Carroll.

Source: individual illustration in dependence on Carroll 1996: 39 and Schranz 2007: 28.

Due to Carroll this pyramid covers the whole spectrum of CSR of business. It should be noted that all four components of CSR have always existed but it was not until recently that an emphasis was placed particularly on ethical and philanthropic responsibility.<sup>32</sup>

### 2.2.1.1 Economic responsibility

Ever since the beginning of business organizations their purpose was to produce goods consumers needed and wanted and to gain profits by doing so. The main function of business has always been economic success. Being as profitable as possible with maximum earnings ensures strengthens competitive position.<sup>33</sup> Carroll assesses “All other business responsibilities are predicated upon the economic responsibility of the firm, because without it the others become moot considerations.”<sup>34</sup>

<sup>32</sup> Cf. Carroll 2008b: 92.

<sup>33</sup> Cf. Mayerhofer/Grusch/Mertzbach 2008: 13. and Carroll 2008b: 92. and Schranz 2007: Wirtschaft zwischen Profit und Moral. Die gesellschaftliche Verantwortung von Unternehmen im Rahmen der öffentlichen Kommunikation. Wiesbaden: VS Verlag für Sozialwissenschaften. 27 et seqq.

<sup>34</sup> Carroll 2008b: 92

### **2.2.1.2 Legal responsibility**

Even though it is the business duty to generate profit, this has to be done within the rules of law and regulations fixed by state and government. Carroll compared the legal responsibility with some sort of ‘codified ethics’, which means that a company has to operate fairly on their road to success. The economic responsibility combined with the legal responsibility form the basis of the free market economy.<sup>35</sup>

### **2.2.1.3 Ethical responsibility**

Ethical responsibility is expected by society even though it is not codified into law and therefore is not mandatory. “Although economic and legal responsibilities embody ethical norms about fairness and justice, ethical responsibilities embrace those activities and practices that are expected or prohibited by societal members even though they are not codified into law.”<sup>36</sup> Ethical standards of societies are subject to continual change and are sometimes a pre-stage to a new law.<sup>37</sup>

### **2.2.1.4 Philanthropic responsibility**

At the fourth layer of the pyramid, philanthropic responsibility comes with the request on part of society that companies act like good corporate citizens. Corporate Citizenship is also a description in the CSR definition world and therefore the boundaries to CSR will be discussed later. Being a good corporate citizen includes actions to promote human welfare. For example, financial contributions to support education or community programs could be considered as simply philanthropic donations aimed at improving the stakeholders’ quality of life.<sup>38</sup>

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<sup>35</sup> Cf. Carroll 2008b: 93. and Mayerhofer/Grusch/Mertzbach 2008: 13. and Schranz 2007: 28.

<sup>36</sup> Carroll 2008b: 93.

<sup>37</sup> Cf. Mayerhofer/Grusch/Mertzbach 2008: 13. and Schranz 2007: 29.

<sup>38</sup> Cf. Carroll 2008b: 93 et seqq. and Werther/Chandler 2006: Strategic Corporate Social Responsibility. Stakeholders in a Global Environment. California, London, New Delhi: Sage Publications. 9. and Schranz 2007: 27.

#### 2.2.1.4.1 Practices beyond philanthropy

Now the distinction between ethical and philanthropic responsibility lies in the fact that philanthropic responsibility is not considered morally or ethically essential. Companies who do not contribute to philanthropic causes need not fear being labeled unethical because philanthropic contributions are optional; however, they are often noted positively by society. Carroll points out though that acting like a good corporate citizen does not mean to act socially responsible.<sup>39</sup> “This distinction brings home the vital point that CSR includes philanthropic contributions but is not limited to them. In fact, it would be argued here that philanthropy is highly desired and prized but actually less important than the other three categories of social responsibility. In a sense, philanthropy is icing on the cake – or on the pyramid, using our metaphor.”<sup>40</sup>

According to Archie B. Carroll, philanthropy alone can't be considered as 'real' corporate social behavior. CSR goes beyond philanthropy. It requires good behavior in all components of business and not just philanthropic giving and donating. There is a postulation that CSR should be a concept which is inherent in every single business action.<sup>41</sup> Or as Grayson and Hodges put it “[t]he attempt to consider how CSR might be ‘built in’ to the core business of firms as opposed to ‘bolt on’ as an extra has become a major theme in the CSR practitioner world.”<sup>42</sup>

#### **2.2.1.5 Critics of the concept of the Pyramid of CSR**

Some criticise Carroll's CSR pyramid. For example, Stefanie Hiß finds fault in the seemingly disconnectedness between the four layers of the responsibilities, but seems not to have noticed that Carroll himself points out that “[t]hough the components have been treated as separate concepts for discussion purposes, they are not mutually exclusive and are not intended to juxtapose a firm's economic responsibilities with its other responsibilities.”<sup>43</sup>

Further Carroll himself points out “No metaphor is perfect, and the CSR pyramid is no exception. It is intended to portray that the total CSR of business comprises distinct components that, taken together constitute the whole.”<sup>44</sup>

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<sup>39</sup> Cf. Carroll 2008b: 93 et seqq. and Werther/Chandler 2006: 9. and Schranz 2007: 27.

<sup>40</sup> Carroll 2008b: 94.

<sup>41</sup> Cf. Crane/Matten/Spence 2008a: 8. and Carroll 2008b: 90-97.

<sup>42</sup> Crane/Matten/Spence 2008a: 8 et seq. (cited after Grayson and Hodges 2004.)

<sup>43</sup> Carroll 2008b: 95. and Cf. Hiß 2005: 37.

<sup>44</sup> Carroll 2008b: 95.

It has been clearly illustrated that there is no one specific definition of CSR. In the following chapter the main characteristics evocative of CSR, will be outlined in order to develop a firming understanding of CSR.

## **2.3 VOLUNTARINESS**

Most CSR definitions include the aspect of voluntariness as does the definition by the European Commission. Acting socially responsible therefore means to do so voluntarily. It goes beyond what is required by law. Andrew Crane et al. claim “[m]any companies are by now well used to considering responsibilities beyond the legal minimum, and in fact the development of self-regulatory CSR initiatives from industry is often seen as a way of forestalling additional regulation through compliance with societal moral norms.”<sup>45</sup> The inclusion of voluntariness as a key concept in CSR concept is controversial.<sup>46</sup>

### **2.3.1 ANALYSIS: CRITICAL VIEW OF THE ASPECT OF VOLUNTARINESS**

The aspect of voluntariness is a key principle of CSR because voluntary approaches depend on more positive acceptance within the company. Companies can decide for themselves to what extent they contribute to CSR activities. The key elements are that CSR activities do not controvert legal or labor-management regulations nor rely on narrow employee participation.<sup>47</sup>

There is no consensus if only voluntary activities can be considered as CSR or if obedience to national law and international contracts also counts as CSR. There is a noticeable difference between the opinions of Anglo-American constituents and those from Continental Europe on this matter. Whereas in Central-European traditions, many elements of CSR are already regulated by law, this is not as much the case in more liberal Anglo-Saxon capitalism. CSR in Europe still is understood as a more voluntary activity, not least because of CSR definitions provided by the European Union.<sup>48</sup>

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<sup>45</sup> Crane/Matten/Spence 2008a: 7

<sup>46</sup> Cf. Crane/Matten/Spence 2008a: 7. and Morbitzer 2006: Corporate Social Responsibility – Grundlagen und beginnende Verankerung in österreichischen Unternehmen. Diplomarbeit Wirtschaftsuniversität Wien. 13.

<sup>47</sup> Cf. Kuhlen 2005: 12 et seq.

<sup>48</sup> Cf. Hiß 2005: 27. and Kuhlen 2005: 12.

The aspect of voluntariness on the other hand confronts much criticism. Ungerich et al. cynically note that the aspect of voluntary activities causes the impression that CSR is more a ‘voluntary spare time-work’. While companies and organizations stress the voluntary character of CSR, society points out that such initiatives can’t be considered as rewarding and are not enough to protect the rights of employees and citizens, therefore a regulatory parameter with minimum standards is absolutely necessary. The voluntary approach basically gives the companies the opportunity to choose whether to actually engage in CSR actions, and necessary equal ethical standards for business all around the world can’t even be guaranteed.<sup>49</sup>

Burchell summarizes the main problematic as the following

“The current voluntary approach, it is argued, allows companies to apply the central principles of CSR to their particular setting and context. Others, however, suggest that voluntary approaches alone will never ensure the level of compliance that is required to improve the ethical standards of business worldwide. Allowing companies to self-regulate in this field, it is argued, is problematic, since it allows companies to choose whether or not to engage with this agenda and to what extent.”<sup>50</sup>

As already shown Milton Friedman can’t be satisfied with taking on socially responsible behavior on voluntary bases. In his opinion economic actions are in any event embedded in laws, customs and ethics which have to be obeyed unintentionally. Voluntariness is in his opinion neither necessary nor an adequate precondition for responsibility. Friedman views the whole concept of voluntary socially responsible actions as “a cloak for actions that are justified on other grounds rather than a reason for those actions.”<sup>51</sup> In his opinion demanding social responsibility could unhinge the foundations of a free society.<sup>52</sup>

On another opinion it has to be observed that within the field of CSR there is a grand variety of issues and themes that need to be addressed. Therefore it seems impossible to come up with a ‘one –size-fits-all’ concept of how responsible business must be conducted. The aspect of voluntariness pays regard to that. The voluntary approach gives every company the

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<sup>49</sup> Cf. Ungerich/Raith/Korenjak 2008: Corporate Social Responsibility oder gesellschaftliche Unternehmensverantwortung? Kritische Reflexionen, empirische Befunde und politische Empfehlungen. Wien, Münster: LIT Verlag. 19. and Hiß 2005: 28. and Kuhlen 2005: 12.

<sup>50</sup> Burchell 2008c: Regulating corporations. The role and impact of codes and guidelines. In: Burchell J. (ed.): The corporate social responsibility Reader. New York: Routledge. 122 et seq.

<sup>51</sup> Ungerich/Raith/Korenjak 2008: 22. (cited after Friedman 2003: 253.)

<sup>52</sup> Cf. Ibidem: 22.



opportunity to adapt CSR to the company's business context.<sup>53</sup> Blowfield and Frynas offer another contribution to the discussion of voluntariness, as they note that “[v]oluntary CSR’ can also be interpreted as part of a wider revisiting of the role of government, and an increasing focus on enabling legislation that encourages certain behavior rather than simply attempting to codify every detail of compliance.”<sup>54</sup> In the case of a weak rule of law, the voluntary approach is seen as an encouraging aspect for multinationals to introduce higher standard levels than locally demanded. The voluntary social responsible behavior is especially important in developing countries with missing or inadequate labor laws and social standards. It is believed that in the long term, voluntary CSR actions will have positive influence on legislation.<sup>55</sup>

On top of it all it needs to be considered if the claim of voluntariness is even an appropriate one. Do companies carry Corporate Social Responsibility actions out on a voluntary basis or is it more the external pressure that makes them act socially responsible in a seemingly voluntarily manner? For this reason is Corporate Social Responsibility more mandatory than voluntarily? Köppl and Neureiter espouse the latter theory and mention that leadership elite didn't become aware of CSR out of nowhere. The theme is thought in universities and business schools alike and with rising pressure in cases of ethic and transparency by mainly non-governmental organizations and the media companies cannot simply get away with a disregard of CSR any more.<sup>56</sup> The reasons why companies choose CSR has to be further reviewed.

## 2.4 STAKEHOLDER ORIENTATION

The main characteristic for CSR is – setting aside critical voices towards CSR activities like Milton Friedman's – the orientation towards stakeholder responsibility. As a matter of fact the success of a company does not only rely on their shareholders investment but also on consumers, employees, local communities, suppliers and many more and therefore a company

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<sup>53</sup> Cf. Burchell 2008c: 122 et seq.

<sup>54</sup> Blowfield/Frynas 2008: Setting new agendas. Critical perspectives on Corporate Social Responsibility in the developing world. In: Burchell J. (ed.): The corporate social responsibility Reader. New York: Routledge. 279.

<sup>55</sup> Cf. Kuhlen 2005: 12 et seq. and Blowfield/Frynas 2008: 279.

<sup>56</sup> Cf. Köppl/Neureiter 2004: 39.

is not only responsible for their shareholders' benefits but also for the whole range of stakeholders' benefit.<sup>57</sup>

#### **2.4.1 ANALYSIS: SHAREHOLDER VALUE THEORY VERSUS STAKEHOLDER THEORY**

Beginning in the 1960s, there has been the discussion whether business is 'only' responsible towards their stakeholder or if business is, due to their gain on power, responsible towards a broader surrounding beyond the expected economic and legal realm. This assumes that with a gain in power, responsibility rises as well. Carroll points out that because of the uncertainty who the word 'social' addresses it is also unclear to whom corporations are responsible. The whole question regarding to whom a company is responsible refers either to their sole responsibility towards their shareholder or to their entire stakeholder.<sup>58</sup>

##### **2.4.1.1 Theory of shareholder value**

The theory of shareholder value is mostly promoted by the neoclassical economic Milton Friedman. According to this theory, a corporation is only responsible to a specific group of participants, such as the owners of the company and investors. Their influence on the company's success is essential due to their financial input and connectedness to the company.<sup>59</sup> For the first opinion, Milton Friedman is the most cited and well know proponent. According to Milton Friedman, the only element to whom business is responsible, is to the shareholder, and therefore the only mission of business is to gain profit. "The business of business is business"<sup>60</sup> Friedman notes that and further writes "there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud."<sup>61</sup>

Therefore the 'shareholder value theory' is emphatic on the fact that the only responsibility a company has is towards their shareholder and so the main and only goal of business is to make profit and maximize economic value. It is the government's duty to deal with

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<sup>57</sup> Cf. Crane/Matten/Spence 2008a: 8. and Morbitzer 2006: 13.

<sup>58</sup> Cf. Friedman 2008: 84 et seq. and Melé 2008: Corporate Social Responsibility Theories. In: Crane A. et al (eds.): The Oxford Handbook of Corporate Social Responsibility. New York: Oxford University Press. 56. and Carroll 2008b: 96.

<sup>59</sup> Cf. Schranz 2007: 30. and Friedman 2008: 84 et seq.

<sup>60</sup> Hond den/Bakker de/Neergaard 2007: 2. (cited after Milton Friedman.)

<sup>61</sup> Friedman 2008: 89.

environmental and social problems and in Friedman's opinion, spending corporate resources on 'social objectives' would mean the same as foisting 'taxes' on the shareholder.<sup>62</sup>

#### 2.4.1.2 Stakeholder theory

Contrary to the 'theory of shareholder value', there is the 'stakeholder theory'. According to Melé, the stakeholder theory takes into account the law and market economy principles. Furthermore, the theory is based on the belief that any individual or group, who is affected by a company, be it out of benefit or harm or out of its activities and functions, can address requirements toward the company that go beyond the law or contract.<sup>63</sup> Friedman does not acknowledge that engaging in ethical and social responsibility does not just affect stakeholders but could also influence the company's output in a positive way as well. As Edward Freeman, main contributor of the stakeholder theory points out, the stakeholder theory is based in the creation "win-win" situations.<sup>64</sup> Within the social surrounding two groups of stakeholders can be identified. In general one can differentiate between people, groups and organizations within the company like employees, ownership, management and those within the external circumference of the company like consumers, suppliers and investors. There is also a third group which would be social groups, like the state, employee associations, employer associations or the media which has a double function of diffusing news in behalf of the company as well as of the stakeholders and the ecosystem.<sup>65</sup>

To be specific Freeman pointed out that "Stakeholders include: (1) any individuals or groups affected by the organization's actions, policies, and decisions. (they have a stake in outcome of the company's decision), as well as (2) any individual or group who is vital to the survival and success of the enterprise."<sup>66</sup> It basically can be narrowed down to the opinion that business should consider the moral consequences which follow the actions they take.

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<sup>62</sup> Cf. Lantos 2001: The boundaries of strategic corporate social responsibility. In: *Journal of Consumer Marketing*, Vol. 18, No. 7. 12 et seq. <http://www.emeraldinsight.com/Insight/viewPDF.jsp?contentType=Article&Filename=html/Output/Published/EmeraldFullTextArticle/Pdf/0770180703.pdf> [access: 07/11/09] and Melé 2008: 55 et seq; 59.

<sup>63</sup> Cf. Hiß 2005: 26. and Schranz 2007: 30. and Melé 2008: 62.

<sup>64</sup> Cf. Freeman 2008: Stakeholder Management: Framework and Philosophy. In: Crane A. et al. (eds.): *Corporate Social Responsibility. Readings and cases in a global context*. London, New York: Routledge. 131. and Donaldson/Preston 2008: The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications. In: Crane A. et al. (eds.): *Corporate Social Responsibility. Readings and cases in a global context*. London, New York: Routledge. 142. and Lantos 2001: 13. and Hiß 2005: 26 et seq.

<sup>65</sup> Cf. Schranz 2007: 30 et seq. and Crane/Matten/Spence 2008d: Responsibilities to stakeholders. In: Crane A. et al (eds.): *Corporate Social Responsibility. Readings and cases in a global context*. London, New York: Routledge. 108.

<sup>66</sup> Lantos 2001: 14. (referring to Freeman 2001.) and Cf. Freeman 2008: 111 et seqq.

The stakeholder theory can be seen as reaction to the shareholder theory because according to Graves, not only the stockholders contribute to the company but also the stakeholders by investing time, intellectual capital of employees or, in the case of customers, their trust. By providing infrastructure and the education of employees, the community contributes to the company as well. Because of that fact, the company is not only responsible for their shareholders benefits but also their stakeholders. But as Werther and Chandler point out, the stakeholders also have the responsibility of being informed about the activities a company engages in and to respond to that. With this interaction, benefits for both sides are expected.<sup>67</sup>

### 2.4.1.3 Critics of both theories

In order to make allowance for all aspects of both theories a critical overview of positive and negative sides to both theories is required

While Friedman asserts that taking into account the social responsibilities toward a company's stakeholders would "undermine the basis of a free society"<sup>68</sup>, proponents of the stakeholder theory point out that there lies profitability in social contributions, which can reward stakeholders and shareholders likewise. Due to Melé's contributions, it is mostly now commonly accepted that the satisfaction of social interests can contribute to an increase in shareholder value. Therefore, most companies' take CSR actions into consideration and incorporate them in business actions, which means taking the needs and wants of the stakeholders in consideration was well. The fact that there may be more reasons functioning as motivators for CSR will be discussed in one of the further chapters. The consideration of stakeholder interests in business actions is seen as a contribution towards long-term value maximization of a company, whereas the shareholder theory is aimed at short-term profits. Nevertheless it can't be embraced that every practice towards CSR can lead to profit somehow. Therefore According to Burke and Longsdon it is to be calculated in what amount CSR has positive influence on the maximizing of shareholder value by acting social responsible before actually doing so. This consideration would be compatible with Milton Friedman's opinion towards CSR.<sup>69</sup>

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<sup>67</sup> Cf. Werther/Chadler 2006: 26. and Hond den/Bakker de/Neergaard 2007: 3. (referring to Freeman 1994.) and Lantos 2001: 14.

<sup>68</sup> Friedman 2008: 84.

<sup>69</sup> Cf. Melé 2008: 57-61. (referring to Burke and Longsdon 1996: 496.)

The probably most obvious weak point of the stakeholder theory lies in the multifaceted possibility of interpretation as Hummels points out. “[E]ach interpretation provides us with a different set of stakeholders and stresses the importance of specific values, rights and interests. Hence, different stakeholder interpretations lead to different distribution of benefits and burden, of pleasures and pain, of values, rights and interests”<sup>70</sup>. A further problem with the stakeholder theory lies with the absence of specific objectives that need to be identified as well as the lack of proven results of the expected improvement of business and profit for the long-run. Critical voices indicate that within stakeholder theory lays the risk of manager justifying actions of their own interests through ascribing them to stakeholders’ benefits. But for all that the stakeholder theory holds some very positive aspects like the fact that it is an ethical approach towards shareholder value maximization. It takes in consideration the stakeholders rights and interference beyond the requirements by law.<sup>71</sup>

## 2.5 CSR-INHERENT CONCEPTS

Andrew Crane et al. point out that according to the different context that underlies CSR in different countries the actions and focus of CSR are very likely to vary and change. “[C]orporate social responsibility is an idea that needs contextualizing in the relevant social context – the culture, country, region or society where the corporation is deemed to have responsibilities (...). Since these contexts differ, especially in a global context, so do the perspectives and meanings applied to the underlying idea of CSR across the globe.”<sup>72</sup> According to this, the understanding of the qualities of CSR concepts differs and that might cause some interference with other CSR-related and -inherent concepts.<sup>73</sup>

### 2.5.1 CORPORATE GOVERNANCE

Corporate Governance (CG) refers to a responsible business management and oversight. The main elements for guaranteeing Corporate Governance are therefore transparency and reporting. In order to draw a border between Corporate Social Responsibility and Corporate Governance two definitions need to be distinguished. There is a narrow and a broad definition

<sup>70</sup> Melé 2008: 68. (cited after Hummels 1998: 1404.)

<sup>71</sup> Cf. Melé 2008: 66 et seqq.

<sup>72</sup> Crane/Matten/Spence 2008d: 55.

<sup>73</sup> Cf. Crane/Matten/Spence 2008c: 55.

of what is to be understood by Corporate Governance. The narrow definition refers more to the Anglo-Saxon definition whereas the broad definition is more often used in parts of Europe and Japan. The difference between the broad and narrow definitions reflects the discussion of Shareholder vs. Stakeholder value. The narrow definition relies on the partition between property and monitoring, which should guarantee that managers act in the will of their common stockholder or the owner of the company. A broader definition also takes the interests of the company's stakeholder in consideration. According to the different definitions of Corporate Governance, it often is used as a synonym for Corporate Social Responsibility which is inappropriate. Corporate Social Responsibility deals with the differing interests of all Stakeholder whereas Corporate Governance is concentrated on confidence building between business management and everyone investing in the company. Even so in order of building confidence the abundance of certain voluntary practices is necessary.<sup>74</sup>

“[A] well-governed company takes a longer-term view that integrates environmental and social responsibilities in analyzing risks, discovering opportunities and allocating capital in the best interests of shareowners. There can be no better way to restore public confidence in both businesses and markets and build a prosperous future.”<sup>75</sup>

In order to practice good Corporate Governance, it is necessary to observe Codes of Conducts. There are Codes of Conduct of good Corporate Governance behavior for almost every country, which are mostly follow ups of the in 1999 established Global Corporate Governance Forum by the World Bank and the OECD.<sup>76</sup> The OECD-Principles of Corporate Governance were renewed in 2004 and are addressed not only to OECD members. The OECD Code of Conduct on Corporate Governance includes five principles, which are consequently outlined in order to get the full idea of what CG is:

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<sup>74</sup> Cf. Schwerk 2007: Corporate Governance and Corporate Social Responsibility. Integrative Betrachtung für eine “gute” Corporate Governance. 1-13. [http://www2.wiwi.hu-berlin.de/institute/im/publikdl/Schwerk\\_2007\\_CG\\_CSR.pdf](http://www2.wiwi.hu-berlin.de/institute/im/publikdl/Schwerk_2007_CG_CSR.pdf) [access: 06/12/09] and Kohl 2006: Konzepte und Widersprüche bei der Anwendung von Corporate Social Responsibility mit besonderer Berücksichtigung der Ölindustrie. Diplomarbeit der Wirtschaftsuniversität Wien. 16 et seq.

<sup>75</sup> IFC 2009: Corporate Governance. The Foundation for Corporate Citizenship and Sustainable Business. [http://www.gcgf.org/ifcext/cgf.nsf/AttachmentsByTitle/UNGCBROCHURE/\\$FILE/IFC\\_UNGC\\_brochure.pdf](http://www.gcgf.org/ifcext/cgf.nsf/AttachmentsByTitle/UNGCBROCHURE/$FILE/IFC_UNGC_brochure.pdf) [access: 09/02/09] (cited after Georg Kell, executive director, UN Global Compact.)

<sup>76</sup> Cf. OECD 2004: Die OECD Principles of Corporate Governance. 2004 amended version. 17-25. <http://www.oecd.org/dataoecd/32/18/31557724.pdf> [access: 09/02/09] and Schwerk 2007: 12. and Kohl 2006: 16.

“The corporate governance framework should

- protect and facilitate the exercise of shareholders’ rights”<sup>77</sup>
- “ensure the equitable treatment of all shareholders, including minority and foreign shareholder”<sup>78</sup>
- “recognize the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises”<sup>79</sup>
- “ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company”<sup>80</sup>
- “ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board’s accountability to the company and the shareholders.”<sup>81</sup>

## 2.5.2 CORPORATE SOCIAL RESPONSIVENESS

Corporate Social Responsiveness started out in the late 1960s beginning of 1970s and was seen as the final attempt of business to take on real business and management actions to concentrate on CSR issues.<sup>82</sup> The attention was drawn toward social responsiveness, meaning towards emphasizing the process of CSR rather than dealing with the content of socially responsible behavior. It means not just to decide what needs to be done but the actual tasks that management has to do in order to carry out what was decided needs to be done. Compendious Corporate Social Responsiveness is “the action phase of management responding in the social sphere. (...) [it] has no moral or ethical connotations [like Corporate Social Responsibility] but is concerned only with the managerial processes of response. The processes would include planning and social forecasting (...) organizing for social response (...), controlling social activities (...), social decision making, and corporate social policy.”<sup>83</sup> With the use of Corporate Social Responsiveness the consideration of business ethics is omitted. Therein Wartick and Chochran see the problem of Social Responsiveness as it may

<sup>77</sup> OECD 2004: 18.

<sup>78</sup> Ibidem: 20.

<sup>79</sup> Ibidem: 21.

<sup>80</sup> OECD 2004: 22.

<sup>81</sup> Ibidem: 24.

<sup>82</sup> Cf. Carroll 2008a: 25. and Wartick/Cochran 1985: The Evolution of the Corporate Social Performance Model. In: The Academy of Management Review, Vol. 10, No. 4. 758. <http://www.jstor.org/stable/pdfplus/258044.pdf> [access: 09/05/09]

<sup>83</sup> Carroll 1979: A Three-Dimensional Conceptual Model of Corporate Performance. In: The Academy of Management Review, Vol. 4, No. 4. 502. <http://www.jstor.org/stable/257850> [access: 09/05/09] and Cf. Carroll 1979: 498, 501 et seq.

be reactionary rather than acting 'good' in general. They further see non observance of Davis' 'Iron Law of Responsibility' which means that the corporations' social power which is given by society can also be taken away by them if not using that power responsibly. Being responsible and being responsive are two different characteristics and therefore corporations for the long-run have to fear society pressure. Epstein attempts to clarify the difference between responsibility and responsiveness with an example. "Suppose, for example, that a multiproduct firm's social responsibility is to produce reasonable safe products. Similarly, the same firm is responsive every time it produces an unsafe product: it withdraws the product from the market as soon as the product is found to be unsafe."<sup>84</sup> Contrary to that interpretation responsibility and responsiveness can also be seen as essential and supplemental.<sup>85</sup>

It has to be noticed though that the differentiation of responsibility and responsiveness is identified more frequently in Anglo-American interpretations.

### **2.5.3 CORPORATE SOCIAL PERFORMANCE**

The common understanding of the qualities of Corporate Social Performance was provided by Wood, who drew her conclusions from those of Wartick and Cochran (1985).<sup>86</sup> Wood understands CSP as a configuration of CSR principles and the process, outcomes which lead to corporations CSR. In descriptions of CSP, there are two foci noticeable, namely the one on process and the one on outcomes. CSP therefore is the intrinsic action of social responsibility principles, which include the economic, environmental and social responsibility likewise.<sup>87</sup> Wood adds that the CSP is not to be seen as something totally separate from business performance. CSP provides a concept for evaluating business outcome in consideration of their adherence of values and issues of socially responsible business behavior. To improve Corporate Social Performance means to change the company's behavior to that effect so that the outcomes for people and society are more fruitful.

To summarise, Corporate Social Responsibility delivers the normative and motivational concept, Corporate Social Responsiveness contributes the element of action regarding 'how to

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<sup>84</sup> Wartick/Cochran 1985: 763(cited after Epstein 1979.)

<sup>85</sup> Cf. Ibidem 1985: 763-765.

<sup>86</sup> Cf. Melé 2008: 49 et seqq. and Wartick/Cochran 1985: 758, 763.

<sup>87</sup> Cf. Wood 1991: Theory and Integrity in Business and Society. In: Business & Society, Vol. 39, No. 4. 693. <http://bas.sagepub.com/cgi/content/abstract/39/4/359> [access: 06/12/09] and Cf. Melé 2008: 49, 693 et seq. and Husted 2000: A Contingency Theory of Corporate Social Performance. In: Business & Society, Vol. 39, No. 1. 29. <http://bas.sagepub.com/cgi/content/abstract/39/1/24> [access: 06/12/09]



do it.’ Corporate Social Performance is the dimension where any actual performance exists and can be observed, like programs, policies and social impacts.<sup>88</sup>

#### 2.5.4 BUSINESS ETHICS

Right away, it must be mentioned that it is not the intention, nor the place for a full overview of the role of ethics in business with its numerous philosophical backgrounds and layers. In order to gain an insight of what is meant by addressing Business Ethics often referred to as corporate socially responsible behavior, a brief insight cannot be missed. In order to draw the line to the actual subject of Corporate Social Responsibility right away, Business Ethics forms the basic ground for any socially responsible behavior of business. Crane et al. show that within academic research, when it comes to addressing the interaction of business and society the term of Business Ethics is rather used than Corporate Social Responsibility. Business Ethics is used as kind of umbrella term. Crane and Matten see in business ethics a moral business behavior which addresses the rights and wrongs of corporations’ business practice. The willingness of companies to take over responsibility for economic, ecological and social matters understands the existence of ethical principles in business.<sup>89</sup> A main aspect of business ethic is the responsibility, because companies, which rely their activities on ethical framework requirement, simultaneously take over responsibility. Due to Homann long-run profit gain is – under the precondition of reasonable frameworks – a moral responsibility of companies, because it serves the interests of both, consumer and the public the best. Lantos though has a contrary argument signifying that there are cases and issues that ask for responsible behavior without the prospect of profitability.<sup>90</sup> This controversy pulls from the whole social responsibility discussion. Ethics further does not mean to just rely on statutory provisions, but reaches beyond that to reference ethical and moral core values. Lawful actions represent the ethical minimum. Ethics cannot replace regulations by law. Lawful regulations are the basis for Business Ethics. According to Crane et al., Business Ethics clearly form parts of CSR but CSR also means to be concerned of how to manage measure and implement ethical behavior in business. Moreover, traditional business ethics is more focused on specific

<sup>88</sup> Cf. Wood 1991: 693-711. and Melé 2008: 49, 55.

<sup>89</sup> Cf. Wieglerling 2008<sup>2</sup>: Grundbegriffe und Felder der angewandten Ethik. In: Schmidt M. et al. (eds.): Corporate Social Responsibility und Corporate Citizenship. München, Mering: Rainer Hampp Verlag. 21. and Brink/Tiberius 2005: Der Wert(e)orientierte Führungskräfte-Kodex. Zur freiwilligen moralischen Selbstverpflichtung des Managements. In: Brink A. et al. (eds.): Ethisches Management. Grundlagen eines wert(e)orientierten Führungskräfte-Kodex. Bern, Stuttgart, Wien: Haupt Verlag. 13 et seq. and Crane/Matten/Spence 2008c: 56.

<sup>90</sup> Cf. Lantos 2001: 16.

issues whereas CSR focused more on the general behavior of corporations in economy worldwide.<sup>91</sup>

### **2.5.5 CORPORATE CITIZENSHIP**

Just as the concept of CSR has many definitions, the concept of Corporate Citizenship (CC) has different forms of interpretation and definition. When studying the matter of Corporate Social Responsibility, the concept of Corporate Citizenship will appear in literature and therefore, it is necessary to point out the differences between those two concepts.

It must be mentioned that it is difficult to define Corporate Citizenship and the relationship to Corporate Social Responsibility because of the missing of an “all-embracing-definition of CSR”<sup>92</sup>. In the ‘Oxford Handbook of Corporate Social Responsibility’, Melé writes, that “[f]or decades, business leaders have been involving their companies in philanthropic activities and donations to the community where businesses operated. This has been understood as an expression of good citizenship.”<sup>93</sup>

‘Corporate Citizenship’ refers to civil engagement of companies in modern society. It is an entitlement of behaving like a ‘good citizen’. With it comes the effort of placing microeconomic interests behind general interests of public well-being. CC is about pursuing society’s interests and not about following personal interest of generating welfare but of peaceful cooperation. Business is a part of social community and therefore has to behave in a responsible way and needs to contribute to the common good of society and community like an individual citizen.<sup>94</sup>

Corporate Citizenship was also used as a synonym for Corporate Social Responsibility, because both refer to investments for a better future combined with achievement of economic interests.<sup>95</sup> However Corporate Citizenship is mostly seen as a part of Corporate Social Responsibility. In Carrols Pyramid of CSR, the top of the pyramid would refer to CC. CC is seen as a philanthropic responsibility of companies and therefore it contains desirable provisions of companies but on a voluntary basis. Corporate Citizenship contains two

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<sup>91</sup> Cf. Crane/Matten/Spence 2008c: 56. and Kuhlen 2005: 50-56. and Hiß 2005: 102-105. and Schwerk 2007: 24.

<sup>92</sup> Mayerhofer/Grusch/Mertzbach 2008: 9.

<sup>93</sup> Melé 2008: 68.

<sup>94</sup> Cf. Mayerhofer/Grusch/Mertzbach 2008: 5 et seq. and Melé 2008: 68 et seq. and Beschorner/Vorbohle 2008<sup>2</sup>: Neue Spielregeln für eine (verantwortliche) Unternehmensführung. In: Schmidt M. et al. (eds.): Corporate Social Responsibility und Corporate Citizenship. München, Mering: Rainer Hampp Verlag. 107 et seq.

<sup>95</sup> Cf. Mayerhofer/Grusch/Mertzbach 2008: 9.

different aspects, namely Corporate Volunteering and Corporate Giving. Corporate Volunteering is referred to as social engagement of a company's employees which is both requested and promoted by the company and Corporate Giving which is referred to as donating or sponsoring for a good cause.<sup>96</sup> As Corporate Volunteering and Corporate Giving are not part of the core business responsibilities, but belong to a company's philanthropic responsibility, it must be seen as a part of Corporate Social Responsibility behavior, but as Carroll mentioned it is 'only' the "icing on the cake"<sup>97</sup>.

Beschorner and Vorbohle narrow the basic distinction between Corporate Social Responsibility and Corporate Citizenship down to the fact that Corporate Social Responsibility describes the responsibility of companies towards to the society. That means to answer questions of third party claims and to be answerable to them. It is a behavior within a dialog that takes place, due to the gaining knowledge of public and demand for transparency. By contrast and as the Pyramid of CSR by Carroll already illustrated, the philanthropic responsibility which now includes Corporate Volunteering and Corporate Giving is desired but not demanded by society. Now the fact of the dialogical momentum makes the actual difference between Corporate Social Responsibility and Corporate Citizenship.<sup>98</sup>

There further is to mention the rather critical discussion of whether it is suitable for corporations to be called "citizens", which will not be discussed in detail in this paper. The labeling of companies as 'corporate citizens' that take on 'social responsibility' has become quite common. It means in practice that companies act like responsible citizens and are accepted and integrated in society as citizens. But the question remains of is whether a company can be characterized as a citizen. 'Citizen' is a political term and as such a citizen can only be an individual.<sup>99</sup> It can be realized that this term is also very controversial.

## 2.5.6 SUSTAINABILITY

As Thomas Dyllick and Hai Hockerts state, "Sustainability has become a mantra for the 21<sup>st</sup> century. It embodies the promise of societal evolution towards a more equitable and wealthy

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<sup>96</sup> Cf. Schwalbach 2008: IX. and Beschorner/Vorbohle 2008<sup>2</sup>: 107 et seq.

<sup>97</sup> Carroll 2008b: 94

<sup>98</sup> Cf. Beschorner/Vorbohle 2008<sup>2</sup>: 108. and Mayerhofer/Grusch/Mertzbach 2008: 10 et seqq. and Carroll 2008b: 93 et seqq.

<sup>99</sup> Cf. Petersen 2008<sup>2</sup>: Zur gesellschaftlichen Verantwortung eines korporativen Bürgers. Begriffe, Zusammenhänge und offene Fragen. In: Schmidt M. et al. (eds.): Corporate Social Responsibility und Corporate Citizenship. München, Mering: Rainer Hampp Verlag. 37 et seqq.

world, in which the natural environment and our cultural achievements are preserved for generations to come”.<sup>100</sup>

In fact CSR has been discussed a lot under the label of sustainability or sustainable development. The demand for sustainability arose during the time where especially in Europe companies and organizations were urged to reconsider the impact of their behavior towards society and especially the environment, starting in 1970s/1980s. Dramatic intensification of global environmental problems, which was mainly caused through poverty in less developed countries and immobile production and consumer behavior of developed countries. This seems to be the reason that even today most corporations focus mainly on ecological issues in their CSR engagement, because it refers to the starting motion of sustainability. The European Union puts CSR on par with sustainability, but also has made their contributions to rising interest in CSR in Europe.<sup>101</sup>

There is not the one definition that describes sustainability but connotation of sustainable development is mainly developed by the Brundtland-Report written by the World Commission on Environment and Development, which was established by the United Nations, in 1987.<sup>102</sup> The Brundtland-Report of the World Report of the Commission on Environment and Development indicates

“Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains within it two key concepts: the concept of 'needs', in particular the essential needs of the world's poor, to which overriding priority should be given; and the idea of limitations imposed by the state of technology and social organization on the environment's ability to meet present and future needs.”<sup>103</sup>

According to that definition, sustainability relies on the satisfaction of peoples elementary needs by respecting and observing the limits of ecological viability.

Today, Sustainability and Corporate Social Responsibility are mostly considered as synonyms. Corporate Social Responsibility in relation to sustainable development means an engagement on a company level towards sustainable development. This means Corporate Social Responsibility is the contribution of a company to achieve sustainable development. In

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<sup>100</sup> Dyllick/Hockerts 2002: Beyond the Business Case for Corporate Sustainability. In: Business Strategy and the Environment, Vol. 11. 130. [http://www.iwoe.unisg.ch/org/iwo/web.nsf/SysWebRessources/UMS\\_CorporateSustainability\\_Beyond\\_the\\_business\\_case/\\$FILE/DyHo\\_CorporateSustainability.pdf](http://www.iwoe.unisg.ch/org/iwo/web.nsf/SysWebRessources/UMS_CorporateSustainability_Beyond_the_business_case/$FILE/DyHo_CorporateSustainability.pdf) [access: 09/26/09]

<sup>101</sup> Cf. Crane/Matten/Spence 2008c: 56 et seq. and Marrewijk van/Werre 2003: Multiple Levels of Corporate Sustainability. In: Journal of Business Ethics, Vol. 44. 107. <http://www.springerlink.com/content/gx6676pw16574338/fulltext.pdf> [access: 09/05/09]

<sup>102</sup> Cf. Mayerhofer/Grusch/Mertzbach 2008: 5.

<sup>103</sup> WCED (n.d.): Our Common Future. <http://www.un-documents.net/wced-ocf.htm> [access: 09/26/09]

order to determine how CSR leads to sustainability by addressing the triple-bottom line in consideration of the input of the CSR pyramid by Archie B. Carroll the following Figure illustrates the interrelation.<sup>104</sup>

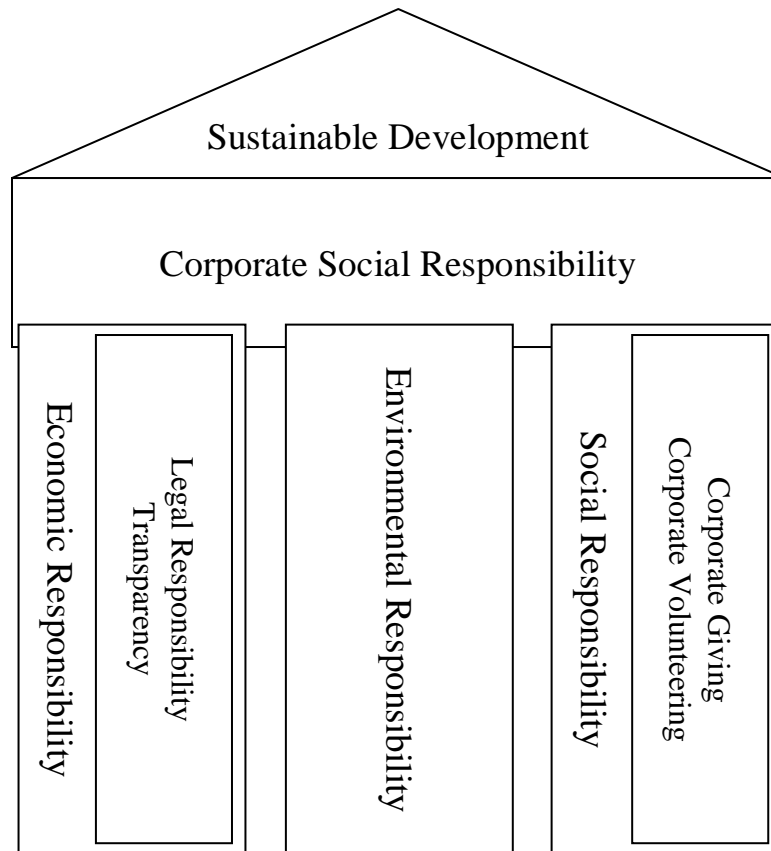


Figure 2: Concept of CSR.

Source: individual illustration in dependence on Mayerhofer/Grusch/Mertzbach 2008: 8. and Marrewijk van 2003: 101. and Kohl 2006: 10.

The illustration shows how CSR fits into the Sustainability framework and also shows the intersections among the three vertices of responsibilities that CSR rests upon. This Illustration also including the four layers of the Pyramid of CSR by Carroll.

<sup>104</sup> Cf. Mayerhofer/Grusch/Mertzbach 2008: 6 et seq. and Marrewijk van 2003: Concepts and Definitions of CSR and Corporate Sustainability: Between Agency and Communion. In: Journal of Business Ethics, Vol. 44. 101 et seq. <http://www.springerlink.com/content/t7175m6131691452/fulltext.pdf> [access: 09/05/09] and Willard 2002: The sustainability advantage. Seven business case benefits of the triple bottom line. Gabriola Island, Canada: New Society Publishers. 8 et seqq.

### 2.5.6.1 Triple-bottom line

With the growth of interest in Corporate Social Responsibility and Sustainable Development the term of ‘triple-bottom line’ (TBL) was introduced in that discussion in the year 1994 by John Elkington. There are some abbreviations for triple-bottom line in common use such as the notion of SEE: society, environment and economic or the 3Es: economics, environment, equity or e-business, environment and education. Another description is inherent in the concept of the 3Ps: profits, planet and people, which was also ‘invented’ by Elkington in 1995, adopted by Shell and now is a common description used in the Netherlands.<sup>105</sup> Basically all of these descriptions refer to the same thing and the practice of CSR rests upon three equal vertices, namely economical responsibility, ecological responsibility and social responsibility, also referred to as “triple-bottom-line”. As there are intersections among the vertices, they cannot be considered as isolated. They are interdependent and the issues of one pillar cannot be solved without considering the impact of that for the other two vertices.<sup>106</sup>

The idea of the triple-bottom line is that a company is not only an economic or financial unit but also a social and environmental unit. It is its responsibility to act according responsibly within the financial, social and environmental context and to report annually on the interactions in those three fields, not just on the economic performance. Usually, business reporting is about the economic bottom line, which means a statement of profits and earnings or losses.<sup>107</sup>

“TBL as it is evolving is a systematic approach to managing the complete set of a company’s responsibilities. At its narrowest, the term is used to refer to a framework for measuring and reporting corporate performance against economic, social and environmental parameters. At its broadest, the term is used to capture the whole set of values, issues and processes that companies must address in order to maximize the positive impact of their activities an degenerate added economic, social and environmental value (...). The TBL approach therefore looks at how corporations manage and balance all three responsibilities (economic, environmental, and social) and

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<sup>105</sup> Cf. Elkington 2004: Enter the Triple Bottom Line. In: Henriques A. et al (eds.): The Triple Bottom Line: Does It All Add Up? Gateshead, Sterling: Earthscan Books. 1 et seq. and Elkington 1997: Cannibals with Forks. The Triple Bottom Line of 21<sup>st</sup> Century Business. Oxford: Capstone Publishing Limited. 2. and Willard 2002: 8 et seq. and Gray/Milne 2004: Towards Reporting on the Triple Bottom Line: Mirages, Methods and Myths. In: Henriques A. et al. (eds.): The Triple Bottom Line: Does It All Add Up? Gateshead, Sterling: Earthscan Books. 74.

<sup>106</sup> Cf. Mayerhofer/Grusch/Mertzbach 2008: 6 et seq. and Marrewijk van 2003: 101 et seq. and Willard 2002: 8 et seqq.

<sup>107</sup> Cf. Elkington 2004: 1 et seq. and Elkington 1997: 2. and Willard 2002: 8 et seq. and Gray/Milne 2004: 74.

attempts to reconcile these inter-related spheres of activity for a more balanced view of overall corporate performance.”<sup>108</sup>

The triple bottom line can be used as a management as well as a reporting tool. A shift in business attitude from a more short-term economic and financial focus to long-term impacts in environmental, social and economic pillars can be detected. By adding Corporate Socially Responsible business practices, a company also must adopt some kind of measuring and reporting along the lines of the triple bottom lines. It is not just about practicing good corporate social behavior, but it also is about reporting and measuring the social, ecological and economic gains and losses that have been achieved resulting in a form of quality improvement and of information given to the stakeholders and the public and leads to more transparency which is demanded by stakeholders in general.<sup>109</sup>

There are no standards for TBL reporting as every corporation needs to detect its own set of priorities in CSR behavior, but there are guidelines such as the Global Reporting Initiative which lead the way in accounting and reporting a corporation's economic, social and environmental performance.<sup>110</sup>

It has to be mentioned once more at this point that the following practical section is not about actual outcomes of actions and reporting. The focus in this paper is on national guidelines and frameworks for CSR. It is also about what actions corporations are supposed to address and therefore include in their reporting.

Adrian Henriques proclaims skepticism about the triple bottom line but sees the usefulness in relation to the stakeholder approach to CSR, because stakeholder concerns can be grouped in the environmental, economic and social dimensions of CSR with the goal of sustainable development. Therefore, triple bottom line accountability gives the stakeholders the account of what they are interested in the areas in which they demand sustainable behavior from the company. It is an integral part of every aspect of CSR practice. Accountability itself is a social value, because it adds the intention that it is all done out of social concerns.<sup>111</sup>

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<sup>108</sup> Jamali 2006: Insights into triple bottom line integration from a learning organization perspective. In: *Business Process Management Journal*, Vol. 12, No. 6. 812. <http://www.emeraldinsight.com/Insight/ViewContentServlet?Filename=/published/emeraldfulltextarticle/pdf/1570120607.pdf> [access: 09/23/09] (referring to Sauvante 2002, Panapanaan 2002, McDonough and Braungart 2002, Elkington 1999.)

<sup>109</sup> Cf. Adams/Frost/Webber 2004: Triple Bottom Line: A Review of the Literature. In: Henriques A. et al. (eds.): *The Triple Bottom Line: Does It All Add Up?* Gateshead, Sterling: Earthscan Books. 17-19, 23. and Jamali 2006: 809.

<sup>110</sup> Cf. Adams/Frost/Webber 2004: 17-19, 23. and Jamali 2006: 809.

<sup>111</sup> Cf. Henriques 2004: CSR, Sustainability and the Triple Bottom Line. In: Henriques A. et al. (eds.): *The Triple Bottom Line: Does It All Add Up?* Gateshead, Sterling: Earthscan Books. 27 et seq and Gray/Milne 2004: 71 et seq. 76.

What is critical is that most companies do not report at all, unless enforced by law, because it contains the incalculable element of voluntariness. Another critical point, when it comes to social and environmental reporting is, that it detects the need for sustainable behavior but does not identify what those behaviors need to be. This may lead to practices representing what corporations can do instead of what they should do.<sup>112</sup> This can be seen as the main problem in CSR practice and reporting as Daone Deborah points out.

Generally the concept of the triple bottom line stands in contrast to the pyramid of Corporate Social Responsibility introduced by Archie B. Carroll. The social, economic and environmental responsibilities are inherent in Carroll's pyramid but are more of a step-like buildup whereas the TBL refers to the equal importance of all three dimensions in CSR and the interaction among them, which as mentioned above has also been realized by Carroll himself.<sup>113</sup>

Now as already mentioned practicing CSR intends to achieve sustainable development. Bob Willard describes sustainable development as a 'three-legged stool' of economic prosperity, social responsibility and environmental stewardship, where it is essential that all three legs are likewise in good shape so that the system works.<sup>114</sup>

According to Archie B. Carroll, corporations have to address the following 'top twenty activities, each belonging to one TBL pillar and issues of CSR' in order to be considered as acting a social responsible way:

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<sup>112</sup> Cf. Henriques 2004: 27 et seq. and Gray/Milne 2004: 71 et seq. 76. and Doane 2004: Good Intentions – Bad Outcomes? The Broken Promise of CSR Reporting. In: Henriques A. et al. (eds.): The Triple Bottom Line: Does It All Add Up? Gateshead, Sterling: Earthscan Books. 82.

<sup>113</sup> Cf. Kuhlen 2005: 9.

<sup>114</sup> Cf. Willard 2002: 5.



Table 2: Top 20 CSR issues by Archie B. Carroll.  
Source: individual table in dependence on: Carroll 1996: 59

Economic Responsibility	Environmental Responsibility	Social Responsibility
<ul style="list-style-type: none"> <li>• “Makes products that are safe</li> <li>• Obeys the law in all aspects of business</li> <li>• Does not use misleading/deceptive advertising</li> <li>• Responds quickly to customer problems</li> <li>• Shows no past record of questionable activity</li> <li>• Tries continually to improve quality”<sup>115</sup></li> </ul>	<ul style="list-style-type: none"> <li>• “Does not pollute air or water</li> <li>• Utilizes “environmentally friendly packaging</li> <li>• Recycles within company</li> <li>• Maintains waste reduction program</li> <li>• Promotes energy-conservation program</li> <li>• Utilizes only biodegradable/recycling materials”<sup>116</sup></li> </ul>	<ul style="list-style-type: none"> <li>• “Promotes honest/ethical employee behavior</li> <li>• Commits to safe workplace ethics</li> <li>• Protects employees against sexual harassment</li> <li>• Provides/pays portion of medical</li> <li>• Helps displaced workers with placement</li> <li>• Gives money to charitable/educations causes</li> <li>• Employs friendly/courteous/responsive personnel</li> <li>• Upholds stated policy banning discrimination”<sup>117</sup></li> </ul>

#### 2.5.6.1.1 Economy/Economic Responsibility

Economically responsible behavior guarantees the functioning of the free market economy and competition without roughly disadvantaging weaker market participants. Regarding the economic bottom line, it is intended to shift the focus away from short-term profit maximization to long-term economic outcomes. It is about guaranteeing a high level of service and quality, the fair and honest treatment of business partners, reliable payment practices, observance of business arrangements, contractual fulfillment, compliance with laws and international agreements, combating corruption, fostering fair trade in agricultural practice, demanding and monitoring the practice of CSR of business partners, ensuring transparency and fostering the relationship with the community as well as contributions to infrastructure and practicing responsible investment. Nevertheless, the objective of business is to guarantee stable economic growth but under consideration of the triple bottom line principles and not profit gain at any cost.<sup>118</sup>

<sup>115</sup> Carroll 1996: Business & Society. Ethics and Stakeholder Management 3<sup>rd</sup> Edition. Cincinnati, Ohio: South Western College Publishing. 59.

<sup>116</sup> Ibidem: 59.

<sup>117</sup> Ibidem: 59.

<sup>118</sup> Cf. Willard 2002: 5, 9. and Witting 2007: “Corporate Social Responsibility – Historische Wurzeln eines Diskurses”. Diplomarbeit der Universität Wien. 13 et seq.

#### 2.5.6.1.2 Ecology/Environmental Responsibility

Acting environmentally responsible is not solely about doing no harm to the environment through business, but also to restore the environment from the damage that has already been caused by inconsiderate business practice. It is about the protection of natural capital and biodiversity and wildlife as well as the minimization of the company's ecological footprint, which stands for the damage caused by the company's business actions. For instance, it is therefore essential to stop deforestation, desertification, the pollution of water, air, land and soil, as well as the random exploitation of natural resources so that there is enough to satisfy the needs of everyone at an equal level. The exploitation of nature or exposure of the environment to disturbance should be kept to a minimum, where the environment is able to regain or renew itself. Furthermore the rebuilding of a stable ecosystem and the reduction of consumption of resources and waste production can contain such actions as embedding filter systems, treatment plants and waste separation systems. The aim is that companies reduce the amount of water, energy and material they use and on the other hand produce environmentally friendly products which do not accumulate much waste or generate harmful pollution. By acting ecologically responsible, a company can lower its external and internal environmental costs, meaning that with the reduction of the ecological footprint, some internal environmental costs of waste management, energy consumption or some sort of environmental taxes also can be reduced. In addition, savings in packaging costs or even incomes from recycled or recovered materials can be generated.<sup>119</sup>

#### 2.5.6.1.3 Society/Social Responsibility

The social bottom line is about the equitable share of wealth and resources among all people in the world. Some of the activities implemented in socially responsible behavior are enforced by law but more often, they are motivated by societal interests. It is all about – as Willard calls it – “the fairness aspect of meeting basic human needs worldwide.”<sup>120</sup> It furthermore is about the protection of social capital and human capital like public health, education and skills. Social responsibility basically can be divided in internal meaning dimension of human

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<sup>119</sup> Cf. Willard 2002: 5, 10. and Elkington 1997: 79 et seq; 85. and Howes 2004: Environmental Cost Accounting: Coming of Age? Tracking Organizational Performance Towards Environmental Sustainability. In: Henriques A. et al. (eds.): The Triple Bottom Line: Does It All Add Up? Gateshead, Sterling: Earthscan Books. 101-106. and Putz 2003: Corporate Social Responsibility – Ein geschäftspolitischer Grundsatz auch für Kreditinstitute? Diplomarbeit der Wirtschaftsuniversität Wien. 30.

<sup>120</sup> Willard 2002: 7.

resource management and external dimensions regarding the whole work and business surrounding.

“For a corporation, social responsibility includes observing human rights, improving working conditions and labor relations, adhering to business ethics, making charitable contributions, reducing aesthetic impacts of factory and commercial sites on the local community, helping employees develop transferable job skills, supporting public health, and fostering community relations.”<sup>121</sup> It furthermore is about fostering diversity, fair labor practices, payment of fair salaries, share in profits and ownership, representation of trade unions, competitive wages and benefits as well as empowerment and the guarantee of a safe, harassment-free work environment. An element, gaining importance is the family friendliness of the environment. It is also about guaranteeing the prevention of child labor and exploitation and demanding that from the whole supplier chain. Elkington also claims that paying attention to a ‘good’ working atmosphere is the easiest and most rewarding action that guarantees a gain in efficiency and quality and further causes a decrease in staff turnover and leads to close company society relationships. Therefore the encouragement of employees’ education and training, health and nutrition also fall in this category and many more. Especially in doing business in developing countries this also incorporated actions in poverty reduction, social exclusion, and engagement in community health actions like against HIV/AIDS. By acting socially responsible this may influence business practice among a broad range of business. On the part of social responsibility, the connection to corporate citizenship has been made. It aims to connect the company in a positive way with the community and the company should act as a good corporate citizen by philanthropic giving.<sup>122</sup>

#### 2.5.6.1.4 Share Zones

John Elkington is demanding tremendous change in business for achieving sustainable development and he claims that the most challenging and interesting actions are not simply the ones of the social, economic or environmental pillar but the ones that are between those zones – the “share zones” as he calls them. John Elkington detected three share zones like the Economic-Environmental Share Zone, the Environmental-Social Share Zone and the

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<sup>121</sup> Willard 2002: 7.

<sup>122</sup> Cf. Willard 2002: 9. and Elkington 1997: 79, 85, 87 et seq. and MacGillivray 2004: *Social Capital at Work: A Manager’s Guide*. In: Henriques A. et al. (eds.): *The Triple Bottom Line: Does It All Add Up?* Gateshead, Sterling: Earthscan Books. 121-130. and Kuhlen 2005: 29-35.

Economic-Social Share Zone. The definitions of what falls within share zones and what can be clearly attributed to one of the three bottom lines of CSR are not clearly defined.<sup>123</sup>

## 2.6 CODES OF CONDUCT

By now one can already picture what CSR is meant to be and what impact on business and society it supposedly has. But no successful CSR can be launched without a Code of Conduct that frames the guidelines for CSR. There are many different descriptions for Code of Conduct like for example Codes of Behavior, or Codes of Ethics. Nevertheless they all mean the same, namely written obligations for what the company guarantees to maintain on a voluntary bases and which institutions and individuals can lean on. There is no such ‘one fits all’ concept and therefore a company has to state by themselves what they pledge themselves for.<sup>124</sup>

“There is no single code or standard, no panacea that will lead to corporate responsibility. Each company is different, with its own challenges, corporate culture, unique set of stakeholders and management systems. Corporate responsibility is a journey for which there is no single map but hundreds of guides. Codes and standards are maps that can be combined in new ways for different journeys.”<sup>125</sup>

A Code of Conduct is not a single unchangeable concept. It provides a framework for orientation, a framework of values and principles and rules that the company intends to follow in order to act and behave socially responsible. It provides goals that needs to be achieved but that cannot, in most cases, be measured and there lies certainly no guarantee of responsible behavior in a Code of Conduct. By establishing a Code of Conduct, the different conditions of all the industries need to be observed. One code for all of the different industries would be improper. Codes need to be considered flexible, to be suitable for the different environments in the various countries in which a company does business. Codes should be comprehensible and should not contain discrepancies. It is important that the achievable ideals are down-to-earth and realizable. Problematic hereby is more the fact that companies also expect the whole supply chain as well as employees to behave in the same manner but monitoring all of their behavior seems to be impossible. Nevertheless, by publishing a Code of Conduct a company states its commitment and by it, it can be held responsible. For a bit of simplification there are

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<sup>123</sup> Cf. Elkington 1997: 70-94.

<sup>124</sup> Cf. Brink/Tiberius 2005: 15. and Burchell 2008c: 119. and Kuhlen 2005: 14 et seq.

<sup>125</sup> Burchell 2008c: 119.

alternative approaches like common standards and requirements which all companies should follow. In that kind of common standards, employer protection, human rights and environmental rights are usually emphasized. Seals of quality are more usable in industries close to the point of sale like food industry or textile industry. The problem hereby is missing transparency and inspection. Only a couple of seals of quality are checked by independent observations. Transparency and the initialization of information are ground elements necessary to be addressed by corporate socially responsible behavior.<sup>126</sup>

### **2.6.1 GLOBAL INITIATIVES**

The global core frameworks which provide for guidelines are: The UN Global Compact, Global Reporting Initiative, OECD Guidelines for Multinationals, ILO Conventions, ISO 14000 Series and many more like the Green Paper of the European Union and Codes of behavior for diverse countries themselves. Corporations can accede to these international guidelines. While those kinds of international standards bring added pressure to the company's social responsible behavior and engagement, it also is an indication for companies to get involved with CSR initiatives even if it is just out of sole reason for gaining advantage against competitive companies. Companies and stakeholders alike can have the guarantee that involvement with international frameworks brings more credibility to the table than a company's internal CSR codes. Uncertain is though if companies tend to drop out of their stated commitment towards CSR if they do not notice any benefit through it.<sup>127</sup>

In the following section, the most important international initiatives will be explained, which provide frameworks and guidelines of corporations are explained as they are referred to the practical part of the paper. Note that there are more international guidelines available than the view pointed out below, but those are the one of most importance and reference for Western European and East Asian regions.

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<sup>126</sup> Cf. Kuhlen 2005: 16 et seqq. and Burchell 2008c: 120 et seq.

<sup>127</sup> Cf. Burchell 2008c: 122 et seq.

### 2.6.1.1 UN Global Compact

The Un Global Compact was created in 1999 by Kofi Annan with the intention of forming a platform for the organization of global business in peace and prosperity. Nowadays over 3000 international companies assigned to the Global Compact. Requirement of the Global Compact is to combine economic goals with universal moral concepts. The Global Compact demands companies to accept and follow a generally accepted code of behavior which rests on ten principles in the areas of human rights, environment, anti-corruption and labor.<sup>128</sup> Companies and countries participating in the Global Compact are expected to support and repeat the core values of the Global Compact. Even though implementation of principles naturally takes time, the reports on companies' change of practice are very positive. Separate networks in all of those more than 80 countries involved in operating within the Global Compact that 'translate' the principles to the use and need of different countries which makes it more practicable. Those country networks are the only way to make the Global Compact work, because participants increase rapidly. While fostering a beneficial connection between business and society the Global Compact especially intends to address poverty. The ten principles are not some kind of creation but are derived from the Universal Declaration of Human Rights as well as the Rio Declaration on Environment and Development or the International Labor Organizations Declaration on Fundamental Principles and Rights at Work and the United Nations Convention against Corruption. Governments, business, labor, civil society as well as organizations are involved alike which is probably the reason that it is successful. Governments play an important role insofar as they provide the regulatory framework, support the Global Compact country network and also provide financial support. The Global Compact is no compensation for public legislation but it is one of the most complex programs for the realization of the triple-bottom-line guidelines. Leisinger writes that The Global Compact has the premises to create some kind of 'Corporate Culture' among a broad number of rival companies that leads to a turn in business behavior towards higher social and economic standards.<sup>129</sup>

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<sup>128</sup> Cf. Hölz 2008: Der UN Global Compact. In: Habisch A. et al. (eds.): Handbuch Corporate Citizenship. Corporate Social Responsibility für Manager. Berlin, Heidelberg: Springer-Verlag. 511 et seq. and Website of: United Nations. UN Global Compact. <http://www.unglobalcompact.org> [access: 05/14/09]

<sup>129</sup> Cf. The United Nations Global Compact 2008: Advancing Corporate Citizenship. In: Burchell J. (ed.): The Corporate Social Responsibility Reader. London/New York: Routledge. 136-142. and Website of: United Nations. and Leisinger 2005: Globalisierung mit menschlichem Antlitz: Die Möglichkeiten und Grenzen des United Nations Global Compact bei Novartis. In: Brink A. et al. (eds.): Ethisches Management. Grundlagen eines wert(e)orientierten Führungskräfte-Kodex. Bern, Stuttgart, Wien: Haupt Verlag. 228, 240.

*The ten principles of the UN Global Compact are:*

“Human Rights:

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.”<sup>130</sup>

When it comes to the initiatives the Global Compact demands, the human rights are the main priority. As human rights has usually been an issue for states, the addressing of human rights themes by companies, as well as rethinking how business and companies themselves are related to human rights brings up some new challenges.<sup>131</sup>

“Labor Standards:

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour [sic!];

Principle 5: the effective abolition of child labour [sic!]; and

Principle 6: the elimination of discrimination in respect of employment and occupation.”<sup>132</sup>

“Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.”<sup>133</sup>

“Anti-Corruption:

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.”<sup>134</sup>

Even though the UN is the only global organization that can uptake a reasonable platform for responsible behavior, opponents see exactly in that the failure of the Global Compact. They

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<sup>130</sup> United Nations (n.d.) b: 10 Principles of the UN Global Compact. <http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html> [access: 09/20/09]

<sup>131</sup> Cf. The United Nations Global Compact 2008: 141 et seq.

<sup>132</sup> United Nations (n.d.) b.

<sup>133</sup> Ibidem.

<sup>134</sup> Ibidem.

argue that the UN is an Organization that has too much on its plate as to carry the principles of responsible business out into world. The challenge is a big one and therefore could be doomed to failure.<sup>135</sup>

### **2.6.1.2 OECD Guidelines for Multinational Enterprises**

The OECD Guidelines for Multinational Enterprises need to be mentioned as the following four countries, Germany, France, Japan and South Korea are members of the OECD and therefore the guidelines are also targeted at them.

The OECD Guidelines for Multinational Enterprises are recommendations on a voluntary basis that governments expect from multinational enterprises. It is a provision of principals and standards towards responsible behavior of companies that are also complementary to laws.<sup>136</sup> “The *Guidelines* aim to ensure that the operations of these enterprises are in harmony with government policies, to strengthen the basis of mutual confidence between enterprises and the societies in which they operate, to help improve the foreign investment climate and to enhance the contribution to sustainable development made by multinational enterprise.”<sup>137</sup>

The Guidelines recognize companies’ growing role and power in international business, nevertheless they are also for small- and medium sized businesses and their actions on the international field as well as for guiding foreign investment behavior. OECD Guidelines point out that a precise definition of a multinational is not necessary because the guidelines promote good practice for all companies. Acting according to the Guidelines should bring benefits for the host and home countries as well. The OECD Guidelines are to guide companies in their practice towards sustainable development with the focus on the social, economic and environmental objectives. The Guidelines, like the Global Compact principles, lean on the same international declarations as the UN Global Compact does and even on some more.<sup>138</sup>

The governments play a specific role within the Guidelines as “Governments adhering to the *Guidelines* encourage the enterprises operating on their territories to observe the *Guidelines* wherever they operate, while taking into account the particular circumstances of each host

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<sup>135</sup> Cf. Kohl 2006: 43.

<sup>136</sup> Cf. OECD 2000: The OECD Guidelines for Multinational Enterprises. Revision 2000. 15. [http://www.oecd.emb-japan.go.jp/kiso/\(4-1-2\)OECD%20Guidelines%20forMNEs.pdf](http://www.oecd.emb-japan.go.jp/kiso/(4-1-2)OECD%20Guidelines%20forMNEs.pdf) [access: 05/14/09]

<sup>137</sup> Ibidem: 15.

<sup>138</sup> Cf. Ibidem: 15-18.



country.”<sup>139</sup> In addition to the thirty OECD member countries, Argentina, Brazil, Chile, Estonia, Israel, Lithuania and Slovenia also signed the OECD Guidelines.<sup>140</sup>

Due to the comprehensive principles of the Guidelines, that involve ten chapters, a brief abstract of what they include should be given at that point. As the core principle, the “Contribution to economic, social and environmental progress with a view to achieving sustainable development”<sup>141</sup> can be determined. The principles cover the whole business structure from promoting employee awareness, to combating corruption, to environmentally friendly production, encouraging human capital formation and promotion of science and technology, considering consumer interests. They encompass seemingly every possible sector including ‘fair’ competition and contribution to public finances of host countries through taxation.<sup>142</sup>

What is clear about the OECD guidelines is that they are all-embracing and also include the behavior in all the countries the companies are involved, as well as the behavior of supplier companies. Nevertheless there are points of critics as well. Again the voluntariness and the absence of sanctions are two critical points. Other than that, clearly the vague definition on some points needs to be examined.<sup>143</sup>

### 2.6.1.3 Global Reporting Initiative

The GRI is created by the United Nations Environmental Program. For further information, one should frequent the Website<sup>144</sup>, which gives detailed information and provides reports on sustainability. The Global Reporting Initiative is to mention at this point as it is a guideline of how to report on the economic, environmental and social performance of an organization or company. It provides a framework for sustainable reporting called the ‘Sustainable Reporting Guideline’, which is used by companies and organizations to explain on what behavior and principles the reports of their sustainable actions rest on. It provides instruments for the communication of the sustainable behavior of companies and their stakeholder and should help ease the concretization of concepts. It is a framework especially for multinationals used for

<sup>139</sup> OECD 2000: 17.

<sup>140</sup> Cf. OECD 2000: 18. and Heydenreich 2004: Die OECD-Leitsätze für multinationale Unternehmen – Erfahrungen und Bewertungen. In: Fonari A. (ed.): Menschenrechts-, Arbeits- und Umweltstandards bei multinationalen Unternehmen. Germanwatch Regionalgruppe Münchner Raum & Europäische Akademie Bayern. München: No publisher. 41. <http://www.germanwatch.org/tw/kw04ls.pdf> [access: 09/24/09]

<sup>141</sup> OECD 2000: 19.

<sup>142</sup> Cf. Ibidem: 19-27.

<sup>143</sup> Cf. Heydenreich 2004: 43 et seq.

<sup>144</sup> For further information visit Website of: GRI. <http://www.globalreporting.org> [access: 09/24/09]

reporting. The report is meant to view the organizations performance in the context of challenges that sustainability comprises and most importantly should give the stakeholders a simple, understandable outline of the company's socially responsible actions.<sup>145</sup>

The Global Reporting Initiative itself publishes reports about the status of sustainability in general. The central aspects of the Global Reporting Initiative Guidelines include:

- within the economic criteria: salary, productivity, outsourcing, science and development and education and further training (which actually is supposed to be part of the social pillar of the triple-bottom line)
- within the ecological criteria: impact on water, air, soil and biodiversity
- and within the social criteria: security and well-being in the workplace, human rights, salary and working conditions within the framework of outsourcing and collective agreements.<sup>146</sup>

#### 2.6.1.4 ISO 14000 Standardization Series

The 'ISO 14000 family' as it is called by the description of the International Organization of Standardization, first announced in 2004, mainly refers to considerations of environmental management. It is called the 'family' because there are several standards introduced after one another but all referring to the same matter. For example while the ISO 14001 provides corporations with the information for necessary requirements, the ISO 14004 provides general guidelines, pointing out that it is not possible to provide specific guidelines because those guidelines would need to change for every business in order to tap the full potential. Generally they are referred to as ISO 14000.<sup>147</sup>

Specifically the ISO 14001 requires any corporations assigned to it to

- "identify and control the **environmental impact** of its activities, products or services, and to **improve** its environmental performance continually, and to
- implement a **systematic approach** to setting environmental objectives and targets, to achieving these and to demonstrating that they have been achieved"<sup>148</sup>

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<sup>145</sup> Cf. Global Reporting Initiative 2008: Sustainability Reporting Guidelines. In: Burchell J. (ed.): The corporate social responsibility Reader. New York: Routledge. 144-155. and GRI (n.d.): GRI Reporters List. <http://www.globalreporting.org/GRIReports/GRIReportsList/> [access: 11/17/09]

<sup>146</sup> Cf. GRI (n.d.). and Kuhlen 2005: 68 et seq. and Hölz 2008: 516. and Köppl/Neureiter 2004: 27.

<sup>147</sup> Cf. ISO (2009): ISO 14000 essentials. [http://www.iso.org/iso/iso\\_catalogue/management\\_standards/iso\\_9000\\_iso\\_14000/iso\\_14000\\_essentials.htm](http://www.iso.org/iso/iso_catalogue/management_standards/iso_9000_iso_14000/iso_14000_essentials.htm) [access: 11/21/09]

<sup>148</sup> Ibidem.

Further the ISO 14004 provides the following guidelines for corporations to follow their actions by:

- **“provide assurance to management** that it is in control of the organizational processes and activities having an impact on the environment
- **assure employees** that they are working for an environmentally responsible organization.
- provide assurance on environmental issues to **external stakeholders** – such as customers, the community and regulatory agencies
- comply with environmental regulations
- support the organization's **claims and communication** about its own environmental policies, plans and actions
- provides a framework for **demonstrating conformity** via suppliers' declarations of conformity, assessment of conformity by an external stakeholder - such as a business client - and for certification of conformity by an independent certification body.”<sup>149</sup>

### 2.6.1.5 ILO International Labor Standards

Starting in 1919, the International Labor Organization (ILO) has introduced a system of International Labor Standards. The aim is to promote equal opportunities for men and women in order to guarantee safe, decent and efficient work. The basic requirement therefore is to ensure of work conditions in freedom, equity, security and dignity. The overall goal is to guarantee that the worldwide economic development benefits all labor participants. According to the enormous amount of Conventions and International Standards passed it would not be in terms of this paper to fathom them all. All the countries – also the four countries of our study ratified numerous of them.<sup>150</sup> The International Labor Organization provides a very helpful homepage, which gives detailed information of all Country Profiles.<sup>151</sup>

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<sup>149</sup> ISO (2009).

<sup>150</sup> Cf. ILO 2004: Introduction to International Labor Organization. [http://www.ilo.org/global/What\\_we\\_do/InternationalLabourStandards/Introduction/lang--en/index.htm](http://www.ilo.org/global/What_we_do/InternationalLabourStandards/Introduction/lang--en/index.htm) [access: 11/20/09]

<sup>151</sup> For further information visit: ILO 2009: Country Profiles. 12/12/09 [http://www.ilo.org/dyn/natlex/country\\_profiles.byCountry?p\\_lang=en](http://www.ilo.org/dyn/natlex/country_profiles.byCountry?p_lang=en) [access: 11/20/09]

## 2.7 MOTIVATION FOR CSR

### 2.7.1 THE BUSINESS CASE FOR CSR

“In business practitioner terms, a ‘business case’ is a pitch for investment in a project or initiative that promises to yield a suitable significant return to justify the expenditure. In what has become known as the ‘business case for Corporate Social Responsibility (CSR)’ the pitch is that a company can ‘do well by doing good’: that is, can perform better financially by attending not only to its core business operations, but also to its responsibilities toward creating a better society.”<sup>152</sup> Proof that CSR behavior creates benefits for shareholder value is essential as it much likely could convince management and the shareholders and opponents of the CSR concept of its benefits. Milton Friedman relates the practice of social responsible behavior to a reduction of profits but to what extent this actually is correct has been matter of numerous empirical and theoretical studies in order to get to the bottom of the question but a clear answer is not provided so far. Yet there has not been detected a general evidential connection between CSR practice and financial gains. The outcomes are so diverse that a general assessment cannot be made, even though some studies show that correlations exist. Some companies performed better by acting socially responsible, some did worse and there even was no difference noticeable at all at some of the other companies examined. So it can be foreclosed that there is not the one general ‘business case’ for CSR, because a direct link between profitability and socially responsible behavior is missing. There is the further question of whether there is any real market motivation for companies to act socially responsible. Kurucz et al as well as Cowe and Hopkins argue that there are several ways in which implementing CSR behavior can create company value. Due to Burchell, any company willing to be successful will create shareholder value and act socially responsible and most of the companies respond to social needs simply by doing business. There are several types of business cases that apply corporate social behavior which also can be referred to as motivation for engaging in CSR.<sup>153</sup> Now the question remains what more reasons are there that motivate companies for engaging in CSR?

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<sup>152</sup> Kurucz/Colbert/Wheeler 2008: The Business Case for Corporate Social Responsibility. In: Crane, A. et al. (eds.): The Oxford Handbook of Corporate Social Responsibility. New York: Oxford University Press. 84.

<sup>153</sup> Cf. Cowe/Hopkins 2008: Corporate Social Responsibility. Is there a business case? In: Burchell J. (ed.): The corporate social responsibility Reader. New York: Routledge. 101 et seq. and Burchell 2008a: 81. and Kurucz/Colbert/Wheeler 2008: 84 et seqq. and Burchell 2008b: World Business Council for Sustainable Development. Why now? In: Burchell J. (ed.): The corporate social responsibility Reader. New York: Routledge. 99.

## 2.7.2 RISK REDUCTION AND COMPETITIVE ADVANTAGE GAIN

One of the most obvious is that companies, by implementing, Corporate Social Responsibility practice, try to reduce the companies' costs or risks to it. It is a way to create value by trading interests among the three pillars of the triple-bottom line of social, environmental and economic concerns. Through better analysis of company – challenges to stakeholder relations and risks due to changing social and environmental surrounding of the company can be detected and by improving standards those kinds of risks can be minimized. Socially responsible behavior could also increase the access to finance. More investors are paying attention to companies' environmental and social performance. This would fall under the notion of 'Social Responsible Investing' (SRI).

Socially responsible behavior also means a firm's transparency and so potential shareholders also have benefits thereof and that costs of provision of capital will decrease due to good reputation of and reliance in a company.<sup>154</sup>

The practice of CSR can further lead to competitive advantage. This is also a rather obvious business case for CSR, which means that companies, by increasing social responsible behavior, gain value by competitive advantage over competing companies. The problem is that this could lead to a socially responsible behavior on just the necessary level with the main focus on profit maximization.

On the other side, it could lead to a focus of gaining some long-term competitive advantage. For example, through CSR, companies can promote human welfare and build up intellectual capital and a special skilled workforce that can be a factor for future profitability. CSR could be also a factor of attracting highly qualified people and motivating employees. High recruitment costs and retention could be eliminated thereby and it is a matter of fact that the quality of the employees work environment can highly influence the quality of the products and services offered. Acting responsible and in favor of society can lead to an advantage when it comes to secure society acceptance for companies projects. By not doing so they could fear of losing the company's reputation and market value.<sup>155</sup>

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<sup>154</sup> Cf. Kurucz/Colbert/Wheeler 2008: 87. and Cowe/Hopkins 2008: 102 et seq. and Mayerhofer/Grusch/Mertzbach 2008: 28 et seqq.

<sup>155</sup> Cf. Kurucz/Colbert/Wheeler 2008: 88 et seq. and Burchell 2008b: 100. and Cowe/Hopkins 2008: 102 et seq. and Mayerhofer/Grusch/Mertzbach 2008: 28 et seqq.

### 2.7.3 INCREASING REPUTATION AND LEGITIMACY

A company could also create value by using CSR activities to improve reputation and legitimacy. Reputation and legitimacy are mainly built on trust, reliability, transparency and investment in social and environmental issues. The way to achieve gain in reputation and legitimacy is to respond to stakeholders interests. At this point, one should refer to the ‘Iron Law of Responsibility’ by Davis, which has been mentioned earlier.

There is a difference in actions that follow the call for ethical business behavior. There are companies going with the mainstream and there are others which try to find some kind of ‘ethical niche’ to act on. This could bring some more competitive advantage, publicity, further helps to stand out before the consumer compared to other brands and products and on top of it all, earning of public goodwill.<sup>156</sup> Much is involved in the creation of an ‘ethical image’ or a ‘good reputation’ like Crane points out. It is not guaranteed how trustworthy those reputations are as it could be that companies using their ‘good reputation’ just to enhance brand value.<sup>157</sup> Nevertheless keeping and building consumers trust is essential in order to maximize profits. To fail stakeholders interests can cause tremendous impact on a company’s reputation and the costs of CSR actions could be much less than the actual benefits that would come with it. Multinationals are much more on the radar of media and for this account misbehavior can lead to great public aftermath. On the other hand companies use the media in their favor, following the motto ‘do good and talk about it’. That does not mean, that small and medium-sized businesses (SMEs) are not urged to practice CSR. Due to closer employee and consumer relationships local companies are facing a high potential of dissatisfaction. But bad behavior of one of the business partners can also back flash on a bad reputation of the company itself.<sup>158</sup>

### 2.7.4 CULTURAL AND SOCIAL BACKGROUND

The question to what actually motivates companies to deal with CSR has not been answered fully yet. General speaking there is no definitive proof for a business case of CSR and in countries with high social standards the concept of CSR also passes on the impression of

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<sup>156</sup> Cf. Crane 2008: Meeting the ethical Gaze: Challenges for orienting to the ethical Market. In: Crane A. et al. (eds.): Corporate Social Responsibility. Readings and cases in a global context. London, New York: Routledge. 221-223. and Lantos 2001: 17. and Kurucz/Colbert/Wheeler 2008: 90 et seq. and Burchell 2008b: 99. and Cowe/Hopkins 2008: 102-105. and Mayerhofer/Grusch/Mertzbach 2008: 28 et seqq.

<sup>157</sup> Cf. Crane 2008: 221-223. and Lantos 2001: 17.

<sup>158</sup> Cf. Kurucz/Colbert/Wheeler 2008: 90 et seq. and Burchell 2008b: 99. and Cowe/Hopkins 2008: 102-105. and Mayerhofer/Grusch/Mertzbach 2008: 28 et seqq.

being an assembly-line work. In countries with low social standards like for example the US it seems as highly reasonable to expect more from companies than just orientation towards profits. CSR operates within the context of a specific society. There is no wonder that different societies demand different CSR practices. There are big differences on the demand for CSR in different cultural backgrounds even within one society – as can be seen further on - and different development standards. In poor countries, the focus towards social well-being lies in satisfaction of basic needs. In advanced societies, companies are confronted with a change in expectations. For example there was the need for transportation possibilities in a poor society, in a wealthy society this changes into a demand for less pollution and more safety of transportation. As society advances further the former demanded behavior is turning into a legal requirement.<sup>159</sup>

### 2.7.5 INTERNAL AND EXTERNAL PRESSURE OF WORKFORCE AND SOCIETY

For sure companies all have different reasons for implementing CSR. It already has been discussed that some of the reasons could be improving the company's reputation or eliminate risks and downsize costs. Rahbek Pedersen and Neergaard argue that there are further motives for CSR practice, which concern the relationship with the internal stakeholders and external stakeholders. Motivations and the results generated could be overlapping between internal and external stakeholder demand.<sup>160</sup> Intern pressure would be from employees who demand the obedience of their rights in the work force, supply for health and safety, nondiscrimination, adequate payment and family friendly working hours. Consumers for example demand steady prices, safe products, transparency and access to information. Also external motivation would come from community and environment. As can be noticed the pressure that companies are exposed to is multisided, not to forget the whole demand for profit.<sup>161</sup> The destruction of environment by business causes increasingly concern. Companies are seen as the cause of environmental problems and at the same as a part of resolution to it. More Non-Governmental Organizations (NGOs) question the capitalistic system and battle against globalization and gaining power of companies and the resultant destruction of society and environment. With

<sup>159</sup> Cf. Bartenstein 2004: Verantwortung braucht Wirtschaft. Über die Chance der Corporate-Social-Responsibility-Diskussion für Unternehmen und Wirtschaftspolitik. In: Köppl P. et al. (eds.): Corporate Social Responsibility. Leitlinien und Konzepte im Management der gesellschaftlichen Verantwortung von Unternehmen. Wien: Linde Verlag 77. and Werther/Chandler 2006: 12 et seqq.

<sup>160</sup> Cf. Rahbek Pedersen/Neergaard 2007: The Bottom Line of CSR: A different view. In: Hond den, F. et al. (eds.): Managing Corporate social Responsibility in Action. Talking, Doing and Measuring. Hampshire, Burlington: Ashgate Publishing. 81 et seq.

<sup>161</sup> Cf. Lantos 2001: 9.

media coverage they try to assist the growing environmental and social awareness of consumers.

Additionally media and modern communication like the Internet add more transparency to the business behavior. But Mayerhofer et al point out it takes a long time before people change their consumer behavior, even longer before companies start to notice and react according to the change in demand for responsible behavior and then it is most likely that people don't stick to what they demanded in the first place. So these are definitely factors that make a company change ways of business towards CSR practice and go with the requirements of the stakeholders.<sup>162</sup>

Still, Rahbek Pedersen and Neergard base themselves in research and point out that companies in the first place orient themselves towards the external motives, which intend to gain corporate advantage, satisfy the consumers as well as just comply with legal requirements. The focus on the external wants can be explained by the pressure from that side and the possibility of negative impacts that follow if not meeting the public's demands.<sup>163</sup>

## **2.7.6 MORAL ORIENTATION IN TIMES OF BUSINESS GLOBALIZATION**

There are a multiplicity of factors that are crucial for the focus towards socially responsible behavior of companies like the new prospects of citizens, consumers, administration and investors in context of globalization and in times of industrial change. The argument has been made that in times of globalization and change due to fusions or business development, business crush or restructuring and redevelopment, companies are seeking for some kind of moral orientation that they hope to find in CSR. With globalization, an improvement of the power of international companies goes along and the influence of companies on the life circumstances of people and their surrounding advances. Family owned companies are in steady contact with their stakeholders, which automatically leads them to socially responsible behavior, but international operating companies are dealing on a more distant and anonymous way with their vested interests.<sup>164</sup>

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<sup>162</sup> Cf. Neureiter 2004: Die europäische Dimension von CSR: das Grünbuch der EU-Kommission und die Stellungnahme des europäischen Parlaments. In: Köppl P. et al. (eds.): Corporate Social Responsibility. Leitlinien und Konzepte im Management der gesellschaftlichen Verantwortung von Unternehmen. Wien: Linde Verlag. 44. and Brink/Tiberius 2005: 13. and Mayerhofer/Gusch/Mertzbach 2008: 16-23.

<sup>163</sup> Cf. Rahbek Pedersen/Neergaard 2007: 82.

<sup>164</sup> Cf. Neureiter 2004: 44. and Brink/Tiberius 2005: 13. and Mayerhofer/Gusch/Mertzbach 2008: 16-23.



## **2.8 CRITICAL OVERVIEW OF POSITIVE AND NEGATIVE SIDES OF THE CSR CONCEPT**

With a highly diverse theme like this, that does not even have one proper definition that one can relate to but several, an outline of the ‘battle for and against CSR’ is absolutely necessary. There are several aspects that need to be considered on a discussion of CSR that either put a positive or negative light on CSR.

### **2.8.1 ASPECT OF LEGITIMACY OF PRACTICING CSR**

By now CSR has been incorporated in business studies just like accounting or finance even though there are still voices arguing whether it is appropriate to include CSR in business studies or not. Those voices are also against the consideration of CSR as a legitimate activity within companies. As already mentioned however CSR was already practiced even before the term of CSR came up. The main difference now lays in the changes of corporations. While back in time companies were of paternalistic nature and the person in charge of decisions was the owner and he was the one in charge of ‘CSR’, now companies are run by managers who should carry out their work on behalf of hundreds of shareholders with consideration of CSR. That’s the point where most critics cry out, led by Milton Friedman. The question is whether a company should solely seek profit or if they are responsible to the society’s interests as well. This has already been mentioned briefly but we will outline that huge controversy around that question a bit more.<sup>165</sup>

Due to Werther and Chandler CSR is a very critical concept. That is because the ‘for-profit sector’ forms the basis for social progress. The relationship between companies and society is marked by mutual benefits. They note that “[c]ompanies create most of the jobs, wealth, and innovations that enable the larger society to prosper. They are the primary delivery system for food, housing, medicines, medical care and other necessities of life. Without modern day corporations, the jobs, taxes, donations, and other resources that support governments and nonprofits would dramatically decline, significantly affecting the wealth and well-being of

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<sup>165</sup> Cf. Crane/Matten/Spence 2008b: The case for and against CSR. In: Crane A. et al. (eds.): Corporate Social Responsibility. Readings and cases in a global context. London, New York: Routledge. 21 et seq.

society as a whole. Businesses are the engines of society that propel us toward a better future.”<sup>166</sup>

Friedman argues that under the conditions of a free society a company can't be held responsible for more than that profit maximization. If it is the case that the owner wants to dedicate money to social causes he can certainly do so but out of his share of the company, the same with the manager, consumer and employee. To be clear, in Friedmans opinion socially responsible behavior only consists of philanthropic giving. Managers can certainly contribute to social projects but need to finance it out of their salary and can bring in their own time and energy. He further points out that what if the company would like to contribute to social causes who's to decide what kind of cause and contribution that would be and whose money should be taken – the stockholders, consumers or employees? Leaving the decision to the manager would be to Friedman undemocratic as only society can decide. Therefore society has to elect representatives to government which is in charge of the welfare of society and not a corporation. He further argues that only a human being can be responsible for actions within society.<sup>167</sup>

Burchell counters and brings forward the argument that it is questionable if there is a case “for questioning whether or not it is right that companies should seek to gain respectability through, in many cases, helping to provide resources to solve problems to which they have been one of the primary causes.”<sup>168</sup> Burchell argues that it is just fair to demand responsibility for corporations as they add through inconsiderate business behavior to the increasing environmental and social problems. So for the future it may be as well not important what motivation corporations actually follow as long as they change their ways of business. Environmental pressure will especially deliver a reason.<sup>169</sup>

Clive Crook, who is on the same page as Milton Friedman when it comes to CSR, points out that “Capitalism does not need the fundamental reform that many CSR advocates wish for. If CSR really were altering the bones behind the face of capitalism – sawing its jaws, removing

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<sup>166</sup> Werther/Chandler 2006: 5. and Cf. Ibidem: 5.

<sup>167</sup> Cf. Friedman 2008: 84-89. and Crane/Matten/Spence 2008b: 23 et seqq. and Salazar/Husted 2008: Principals and Agents. Further Thoughts on the Friedmanite critique of corporate social responsibility. In: Crane A. et al (eds.): *The Oxford Handbook of Corporate Social Responsibility*. New York: Oxford University Press. 140, 142 et seq. and Burchell 2008d: The future of CSR. What next for the responsible company? In: Burchell J. (ed.): *The corporate social responsibility Reader*. New York: Routledge. 251-253.

<sup>168</sup> Burchell 2008d: 252.

<sup>169</sup> Cf. Friedman 2008: 84-89. and Crane/Matten/Spence 2008b: 23 et seqq. and Salazar/Husted 2008: 140, 142 et seq. and Burchell 2008d: 251-253.

its teeth and reducing its bite – that would be bad: not just for the owner of capital, who collect the company's profits, but, as this survey will argue, also for society at large. Better that CSR be undertaken as a cosmetic exercise than as serious surgery to fix what doesn't need fixing."<sup>170</sup> This automatically leads to another point of critics, because Crook's and Friedman's arguments could not be so strong if there would be any definitive knowledge of the interactions of CSR actions and company performance.<sup>171</sup>

### **2.8.2 ASPECT OF WHO'S VALUES AND INTERESTS ARE REPRESENTED BY CSR PRACTICE**

Besides Milton Friedman and Clive Crook there are other voices doubting whether CSR promotes social and community interests and if this is not just another way of one dominant group deciding and acting on behalf of the dependent group of stakeholders. Timothy Kuhn and Stanley Deetz make the notion that it is less a question of whether CSR is practiced – as it is already an expected part in business practice and they believe that economic objectives and social objectives are not competing interests, but more synergetic ones, in their opinion – but more a question of whose values and interests are represented by CSR and how the company incorporates those values in business decisions. According to the critics, actions in the environmental area of that kind are not made out of deep belief in the necessity of reducing resource exploitation, pollution and greenhouse emission but are only made to meet requirements by law and regulations or to increase good image and core competitive advantage. Kuhn and Deetz call that kind of action as 'greenwashing' and the demanded contributions to economic sustainability as 'irrational' and 'naïve'.<sup>172</sup>

Another criticism of CSR is whether a company really acts on behalf of what they claim to in terms of CSR? There are several international guidelines and frameworks for CSR as already mentioned but in the end they can't guarantee a certain outcome or an effect on the practice of CSR. Critics argue that with no involvement of the state and no proper monitoring CSR initiatives lack precision and with no sanctions that follow a non CSR behavior, CSR is not seen as much as a further business concept with questionable outcomes. Even if companies intend to incorporate CSR in their business decisions, this can only work if CSR behavior is incorporated in every single step of business decision and action. Crook points out that "[i]t is

<sup>170</sup> Crook 2008: The good company. In: Burchell J. (ed.): The corporate social responsibility Reader. New York: Routledge. 266.

<sup>171</sup> Cf. Kuhn/Deetz 2008: Critical Theory and Corporate Social Responsibility. Can/Should we get beyond cynical reasoning? In: Crane A. et al. (eds.): The Oxford Handbook of Corporate Social Responsibility. New York: Oxford University Press. 173-181, 183. and Kuhlen 2005: 11.

<sup>172</sup> Cf. Kuhn/Deetz 2008: 173-181, 183. and Kuhlen 2005: 11.

hazardous to generalise because CSR takes many different forms and is driven by many different motives. But the short answer must be yes: for most companies, CSR does not go very deep.”<sup>173</sup> Further the critics point out that the understanding of what ‘doing good’ in the sense of CSR really means is anything but clear.<sup>174</sup>

Probably the greatest problem that CSR is facing is, that due to the missing specific definition CSR has become something like an umbrella term to which people can integrate all kinds of different purposes. Blowfield and Frynas write that “[t]his vagueness restricts CSR’s usefulness both as an analytical tool and as a guide for decision-makers.”<sup>175</sup> The fact that CSR is no inflexible concept gives corporations the chance to practice social responsible behavior according to their business, which makes the concept of CSR so increasingly popular. Crook further sees the danger in CSR as the popularity of the concept may lead to distractions of business. It could lead managers to ‘forget’ about basic problems of business and simple business ethics.<sup>176</sup> Another problematic point is that companies have to introduce CSR politics all by themselves without any standardized concept as guidance. This is because due to the size of the company, the field of action, the unique situations that vary from country to country, different cultural situations and regulations by law, every company has to introduce a unique concept of CSR that considers all those different influences.<sup>177</sup>

### **2.8.3 ASPECT OF ASSUMED POSITIVE IMPACT OF CSR ON BUSINESS**

For the matter of finding interconnection between corporate social performance and impacts on the company’s financial performance critics say the research therein is pointless. It cannot be possible that any social responsibility-related management action is going to lead to a positive outcome, concerning the multiple different conditions that business all over the world are facing. It can also be the case that the benefits of CSR practice are not the same for every form of company.<sup>178</sup>

A further problem that CSR brings up is that it is seen as an additional social responsibility to the basic business responsibility. But in real business the distinction between those two can’t be made that easily and therefore doing research to find out whether there is a business case

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<sup>173</sup> Crook 2008: 265.

<sup>174</sup> Cf. Kuhn/Deetz 2008: 181-183. and Blowfield/Frynas 2008: 282.

<sup>175</sup> Blowfield/Frynas 2008: 280.

<sup>176</sup> Cf. Crook 2008: 266. and Morbitzer 2006: 42.

<sup>177</sup> Cf. Kuhlen 2005: 11.

<sup>178</sup> Cf. Kurucz/Colbert/Wheeler 2008: 97-100. and Cowe/Hopkins 2008: 105 et seqq. and Burchell 2008a: 81.

for CSR or not is complicated. It is questionable anyway why only financial performance is seen as proper justification for CSR activities.<sup>179</sup>

Certainly if a clear positive effect of CSR on profits could be noticeable the concept of CSR would have expanded massively by now. As Stefanie Hiß points out, CSR activities can also have a negative impact on profits depending on the reactions from the public. Especially time pattern plays a key role in defining a correlation between CSR and profit. Whereas CSR can have positive effects on profit in the long run, high cost and therefore profit minimization in the short run can occur. This is also one of the critical points to CSR. Proponents of CSR claim that the costs of implementing CSR are little compared to the multifold output gain that CSR brings in the long run. There is the problem however of the ‘time lag’ between the implementation of CSR activities and the actual impact on profit. This ‘time lag’ makes it difficult to determine whether CSR has an effect on profits. CSR is expected to lead to image gain and better reputation of a company but according to consumer questioning by Utting there are 30 percent of consumer who say they would pay higher prices for socially responsible produced goods but in the end only 5 percent really buy those products. Also in studies by Elliott and Freeman no real sales-promotional effect could be detected. Then again non-socially responsible performance can lead to massive sales reduction. So if there is no exceedingly positive effect in sales through CSR, at least sales reduction caused by misbehavior can be prevented. This way CSR can be part of companies’ risk prevention and voluntary CSR can have a preventative character.<sup>180</sup>

#### **2.8.4 ASPECT OF USING CSR AS AN INSTRUMENT FOR DEVELOPMENT**

Porter brings on some contrary arguments to Friedmans’ position concerning Social and economic goals are inseparable connected. For the long run competitive advantage can only be guaranteed through usage of high quality work. Capital and natural resources are necessary for production of high quality products and services. Good educated workers lead to higher productivity. Environmental protection not only leads to the production of environmental friendly products but also to a more efficient use of natural resources. In developing countries social responsible acting companies can initiate the building of infrastructure or even the

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<sup>179</sup> Cf. Kurucz/Colbert/Wheeler 2008: 97-100. and Cowe/Hopkins 2008: 105 et seqq. and Burchell 2008a: 81.

<sup>180</sup> Cf. Hiß 2005: 95-101.

improvement of the lawful state and therefore even improve the state's position in world economy.<sup>181</sup>

### **2.8.5 ASPECT OF OVEREMPHASIZING CSR**

Cowe and Hopkins pronounce the warning that an overemphasizing of CSR could be counterproductive. It is always necessary to keep the limitations of the concept in mind. It is a matter of fact that CSR activities which do not lead to financial value would not be sustainable, as can be seen in the pyramid of CSR by Archie B. Carroll.<sup>182</sup>

Mintzberger advises against the overemphasis on CSR and clearly notes that “[i]t is nonsense to believe that business can solve the ills of society. (...) And social responsibility can never be relied upon alone.”<sup>183</sup> Mintzberger also confirms that not standing out from the crowd, meaning not doing more than what's expected, would bring the most rewarding benefits for the company but it is questionable whether that is really CSR. Finding the right balance is essential because the argument of rising costs for the short run, which is meant to lead to decreasing costs for the long run, through CSR initiatives is working against the enthusiasm of getting involved with CSR. Again CSR can only be referred to as such as long as the basic requirement of economic responsibility can be fulfilled and CSR does not lead to profit loss. The factor of increasing costs makes a huge restraint to CSR and therefore in addition overemphasizing might not come across as too good and backfire on the corporation.<sup>184</sup>

### **2.8.6 ASPECT OF MORAL AND RATIONAL NEED FOR CSR**

Besides those economic arguments for CSR as outlined above and also in the discussion about the business case of CSR there are moral and rational arguments that speak for CSR. It has to be mentioned that those arguments can't be strictly separated. Werther and Chandler especially focus on a moral argument for CSR. They point out that even though profits are the grounds for the survival of business those 'for-profit organizations' could not generate profits without the society they operate in. Following they question how businesses could pay back

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<sup>181</sup> Cf. Kuhlen 2005: 43 et seqq.

<sup>182</sup> Cf. Kurucz/Colbert/Wheeler 2008: 97-100. and Cowe/Hopkins 2008: 105 et seqq. and Burchell 2008a: 81.

<sup>183</sup> Mintzberg 2008: The Case for Corporate Social Responsibility. In: Crane A. et al. (eds.): Corporate Social Responsibility. Readings and cases in a global context. London, New York: Routledge. 47.

<sup>184</sup> Cf. Mintzberg 2008: 38, 39, 47. and Crane/Matten/Spence 2008b: 24 et seq. and Morbitzer 2006: 47 et seq.

what they owe to society and come to the resolution that out of that interaction of society and for-profit organizations CSR was developed. Nevertheless they further question to what extent business already meets those obligations by generating profits, providing jobs and paying taxes which all contribute to the welfare of society.<sup>185</sup> Even by that critical input they make clear that

“[s]ociety makes business possible and provides it directly or indirectly with what for-profits need to succeed, ranging from education and health workers to a safe and stable physical and legal infrastructure, not to mention a consumer market for their products. Because society’s contributions make businesses possible, those businesses have an obligation to society to operate in ways that are deemed socially responsible and beneficial. And, because businesses operate within the larger context of society, society has the right and the power to define expectations for those who operate within its boundaries.”<sup>186</sup>

There is also a rational argument that speaks for CSR which is basically built on the ‘Iron Law of Social Responsibility’. The rational argument is more the avoidance of possible sanctions in case of inappropriate business behavior. It says that in a free society misbehavior can lead to the loss of power and reputation which logically can take on fatal outcomes for companies.<sup>187</sup>

In Corkin’s opinion, even after considering most of the pro and contra arguments for CSR the outcome is more or less that without any kind of advantage that a company is expecting to get through CSR behavior, it would not be much likely they especially address CSR practice by that meaning the actions that go beyond obedience of law and regulations and corporate giving.<sup>188</sup>

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<sup>185</sup> Cf. Werther/Chandler 2006: 17 et seq.

<sup>186</sup> Ibidem 2006: 16. and Cf. Ibidem 2006: 15 et seq.

<sup>187</sup> Cf. Werther/Chandler 2006: 17 et seq.

<sup>188</sup> Cf. Corkin 2008: Misappropriating citizenship: the limits of corporate social responsibility. In: Boeger N. et al. (eds.): Perspectives on Corporate Social Responsibility. No City. No Publisher. 41.

## 2.9 INTERMEDIATE RESULTS

In order to pass into the practical part of studying what significance CSR has for Western European and East Asian countries (in this case for detailed analysis in Germany, France, Japan and South Korea), as well as what actions and initiatives they emphasize, it is necessary to summarize the characteristic elements of CSR outlined above to use them as the framework for further research. It will be possible to base the research for the practical part on the main features. The next chapter is about detecting what the given situation for CSR in the four countries representing the two regions of research is. I look at what extent CSR is relevant and what actions and initiatives they put most emphasis on and compare that with the main characteristics of CSR summarized in this chapter. This way it will be possible to see what differences and similarities are given among the four countries in terms of CSR and what they miss out on.

To be clear the following are not just core characteristics that in some, more or less extent come across in CSR definitions, but characteristic features that allude to the whole concept of CSR. So the following features signify the concept of Corporate Social Responsibility. It further has to be mentioned that the following characteristics of CSR are not universally valid. By that meaning that as CSR is a broad concept, characteristics of CSR vary. In some concepts some characteristics are left out and in others some more are added. Not all characteristics are noticeable CSR practice in all countries.

CSR as an ‘umbrella term’. The fact remains that there is no such thing as ‘one size fits all’ with CSR. In order to be a concept that can be applied to every business and industry it needs to be a flexible concept, which gives every corporation the chance to address the fields of their main interest, compatible with their business.<sup>189</sup>

History of CSR. As it has been pointed out in the beginning there is no ‘date of birth’ of CSR. CSR has been practiced for decades under different terms, in variable occurrences, before the term of CSR originated. Whereas the discussion of CSR mainly increased in the 1970s, it was not before the 1990s that it became a more popular concept.<sup>190</sup>

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<sup>189</sup> See chapter 2.2 ‘Definition of CSR’

<sup>190</sup> See chapter 2.1 ‘The origins of CSR’



Context of CSR. For the definition and practice of CSR, the context of CSR is essential. Culture, society, government regulations and different attitudes shape the practice of CSR and the understanding of the concept.<sup>191</sup>

Problematic aspects of CSR.

- Influence of language and religion. As illustrated earlier culture and society shape the national CSR concept but there can also a problematic side to it. For example, religion and language influence the understanding of and the engagement in the concept of CSR. Therein rests the problem of miscomprehension and wrong interpretation of the concept of CSR.<sup>192</sup>
- Mixing of CSR-inherent and -related terms.
  - *CSR (Corporate Social Responsibility)* provides concepts and frameworks with initiatives and actions that should be taken by all market participants.
  - *Corporate Social Responsiveness* contributes the dimension of ‘how to do it’, to the whole concept of CSR.
  - *CSP (Corporate Social Performance)* describes the outcome of CSR actions and CSR behavior. It is the dimension of the actual observable performance.
  - *CG (Corporate Governance)* is about confidence building between business management and investors.
  - *Business Ethics* forms the basis for any CSR engagement. Business Ethics is an ‘umbrella term’ which addresses the rights and wrongs of business. While Business Ethics focuses more on specific issues; in general, CSR focuses more on business behavior towards addressing those issues.
  - *CC (Corporate Citizenship)* can be seen as a part of CSR. Within the CSR Pyramid by Archie B. Carroll, CC would address corporate volunteering and corporate giving also known as the philanthropic responsibility. CC means behaving as a ‘good citizen’.
  - *Sustainability* is mostly referred to as synonymous of CSR, especially in the European Union which is not entirely wrong. Sustainability focuses more on the environment but with increasing incorporation of the whole triple-bottom line upon which CSR is focusing. Generally CSR is a contribution of corporations towards

<sup>191</sup> See chapter 2 ‘Method‘ in particular 2.5 ‘CSR-inherent concepts’

<sup>192</sup> See chapter 2 ‘Method’

general sustainable development. On this account, in order to look for national strategies and practice of CSR, a look at the national strategy for sustainable development is essential.<sup>193</sup>

Definition of CSR. It has been outlined clearly that there is no such thing as one clear definition of CSR upon which all countries, organizations and corporations relate their actions. This rests on the fact that CSR is an ‘umbrella term’ and the concept needs to be specifically applied to every corporation in consideration of national background for CSR.<sup>194</sup>

Basic prerequisite of economic and legal responsibility. As Archie B. Carroll points out in the ‘Pyramid of CSR’ economic success is a basic necessity for corporations and the obedience of law is not negotiable. According to Carroll, the law represents ‘uniform minimum standards’ whereas ethical responsibility, the ‘real’ CSR relies on voluntariness.<sup>195</sup>

Stakeholder orientation. CSR goes off the idea of business being solely responsible for their shareholders’ benefits and interests, but business is furthermore responsible for the benefits and interests of all stakeholders (consumer, employees, local community, supplier and so on). Summarized, the orientation towards stakeholders is the ethical approach towards shareholder value maximization, under consideration of stakeholders interests that go beyond legal requirements.<sup>196</sup>

Beyond philanthropy. CSR actions and initiatives go beyond philanthropic giving and donations. As has been pointed out, philanthropic responsibility is the topping of the Pyramid of CSR but not enough to already be presumed to be CSR behavior. ‘Real’ CSR includes responsible behavior in all three areas of the triple bottom line. CSR can only work if it is incorporated in every single step of business decision-making and action.<sup>197</sup>

Voluntariness. Corporations are meant to take on CSR behavior on a voluntary base. This is because it goes with the ‘umbrella term’ of the concept, which basically gives corporations the flexibility of implementing CSR in whatever extent possible. On the other hand it also

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<sup>193</sup> See chapter 2.5 ‘CSR-inherent concepts’

<sup>194</sup> See chapter 2.2 ‘Definition of CSR’

<sup>195</sup> See chapter 2.2.1 ‘Pyramid of CSR’

<sup>196</sup> See chapter 2.4 ‘Stakeholder orientation’

<sup>197</sup> See chapter 2.2.1.4 ‘Philanthropic responsibility’

opens the gate for corporations to not introduce self-regulatory CSR initiatives in addition to the legal demand of responsible behavior at all.<sup>198</sup>

Transparency. Stakeholder information and therefore transparency are essential within CSR practice and behavior.<sup>199</sup>

Code of Conduct. Codes of Conduct are written obligations by companies. There is no uniform Code of Conduct as corporations have to assign to a Code of Conduct or create a set of values that they do business by in behalf of CSR, that's based on their business background, like specific cultural and legal situation and business setting. A Code of Conduct is not an unchangeable concept but rather provides a framework for business action which can be adjusted according to changing backgrounds and demands. National CSR strategies and global initiatives serve as a framework or guideline for the establishment of corporate specific Codes of Conduct. Even though frameworks and guidelines seem to especially address international operating corporations they are supposed to address all business entities, meaning also small-and medium enterprises and industries as well.<sup>200</sup>

Triple Bottom Line. Actions, initiatives and reporting take place within the borders of the triple bottom line. This term is used to capture the whole set of values, issues and processes that corporations, in order to be considered to be acting socially responsible, should address. All areas of CSR practice include the three areas of the triple-bottom line, namely economic responsibility, environmental responsibility and social responsibility. The TBL is usable as a management and reporting tool. Actions and initiatives addressed by CSR are assignable to one of the three pillars of the TBL, namely the economic, environmental or social area which coincide many times. CSR reporting, also called triple bottom line reporting, is an integral part of CSR on voluntary bases.<sup>201</sup>

As mentioned above, corporations should at least include the following 20 activities and initiatives within the triple-bottom line in order to practice CSR behavior, which does not mean that Carroll has the ultimate concept for CSR behavior. This more summarizes issues of most importance according to Carroll:

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<sup>198</sup> See chapter 2.3 'Voluntariness'

<sup>199</sup> See chapter 2 'Method' in particular 2.5.1 'Corporate Governance'

<sup>200</sup> See chapter 2.6 'Code of Conduct'

<sup>201</sup> See chapter 2.5.6.1 'Triple Bottom Line'

- Economic Responsibility:*
- ensure safety of goods and services
  - law obedience in all areas of business
  - not to use delusive advertising
  - quick respond to customer interests
  - constant attempt for quality improvement of products
  - not engage in illegal, non fair business practice in the past and future

- Environmental Responsibility:*
- non air and water pollution
  - use environmentally friendly wrapping
  - carry out company recycling
  - use waste reduction program
  - carry an energy-conservation program
  - use recycling materials in production

- Social Responsibility:*
- promote ethical workforce behavior
  - provide for safe workplace
  - adhere non discrimination policies
  - prevent sexual harassment at the workplace
  - make an allowance for medical costs and treatment
  - help find placement for displaced workers
  - engages in philanthropic giving to education and donate to charity
  - employ polite and obliging workforce<sup>202</sup>

Motivation for CSR. Besides the basic element of voluntariness there are numerous reasons that motivate corporations to engage in CSR business practice, like the prospect of long term value gain, gain of reputation, increasing legitimacy and trust, pressure from stakeholders, risk reduction, competitive advantage, business development or ‘simply’ doing what’s right.<sup>203</sup>

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<sup>202</sup> Cf. Carroll 1996: 59. and see chapter 2.5.6.1 ‘Triple-bottom line’

<sup>203</sup> See chapter 2.7 ‘Motivation for CSR’

Critics: 'concern for profit' vs. 'concern for society' There is also the need to once more mention that all the features above have been causing plenty of critics. CSR is a very controversy concept that has many voices on both sides of proponents and opponents. The most questioned point is whether corporations can be held responsible for anything but profit maximization, job creation and tax payment, that within the borders of the law. Another questioned aspect is the approach that corporations do well by doing good which can't be confirmed hundred percent.<sup>204</sup>

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<sup>204</sup> See chapter 2.8 'Critical overview of positive and negative sides of the CSR concept'

### **3 CSR IN WESTERN EUROPEAN AND EAST ASIAN COUNTRIES**

The following practical part will concern with the actual situation of CSR in the four nations of Germany, France, Japan and South Korea, starting off with a outline of CSR in Western European and East Asian region. On the basis of the main characteristics of CSR, summarized in the chapter of ‘Intermediate results’ the particular national situation of CSR will be outlined. As there are no national strategies for CSR for now, as can be seen later on, it is about finding out what else is leading in providing guidelines and demanding in national CSR such as for example national Strategies for Sustainable Development. In one further step the actions and initiatives demanded by governmental and non-governmental institutions through guidelines and frameworks for CSR concerning will be also outlined. It is an abstract outline with no conclusions what actions corporations are really engaged in. In the next chapter of Comparison with the use of the listing of the main characteristics of CSR, their implementation and meaning in the four countries will be compared separately for each characteristic feature of CSR.

#### **3.1 CSR IN WESTERN EUROPEAN COUNTRIES**

##### **3.1.1 CLASSIFICATION OF WESTERN EUROPEAN COUNTRIES**

The definition of which countries Western-Europe contains is different according to the context. It has changed in history several times mostly alongside political and ideological lines of differences. As history continued after the fall of the iron curtain in 1989 Western European countries defined the member countries of the European Union and still do, even though this seems not to make much sense geographically. The definition of Western-Europe is a complicated one and it is not the reason for this paper to go to the bottom of it. As for now, to simplify matters, we take over the definition with a more political and economic background, which states that Western-Europe includes all member countries of the European Union. This further makes sense as in examining the following characteristics and strategies

by country's CSR the initiatives set by the European Union are quite essential to Western European countries – in our case to Germany and France.<sup>205</sup>

### 3.1.2 OVERVIEW: CSR IN WESTERN EUROPEAN COUNTRIES

In the beginning era of CSR in Western Europe that sort of actions and initiatives were addressed under the theme of sustainable development. In the last decade Europe has become one of the most dynamic regions in establishing CSR concepts for business. Generally in Europe CSR is not just understood as a management concept of corporations, but has also become a field of influence of national governments and European agencies. As a result many aspects of social responsible actions are already specified by law and institutional frameworks in Europe. European governments exert much influence in health care systems, pension systems and educational systems, which gives companies little space for self dependent actions in these areas. In addition regulations of the labor market and a main role of trade unions and trade associations deliver inputs for the companies CSR strategies.

So many issues of CSR are already implemented in the wide range of institutional fabric of European countries policies. The generally high level of taxation within Western European countries leads to less philanthropic engagement and the more or less high influence of government in CSR related actions leaves the aspect of voluntariness in question.<sup>206</sup>

The high diversity of Western European countries, different starting positions, cultures and histories play an essential role in the European CSR discussion. Crane et al. point out that in numerous countries, not only in Western Europe the part 'social' is simply excluded and they just go with the notion of 'corporate responsibility'. This way the concept becomes more inclusive and opens the concept to the not obvious part of environmental responsibility. Especially in Eastern-Europe this also derives from the fact that 'social' still very much brings back the memories of the history with 'socialism', which business intends to avoid. As a result it shows that the context of initiating CSR has a huge impact of its outcome.<sup>207</sup>

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<sup>205</sup> Cf. Wallace 1990: The Transformation of Western Europe. Great Britain: Royal Institute of International Affairs. 7-34. and EUROPA (n.d.): Mitgliedstaaten. [http://europa.eu/abc/european\\_countries/eu\\_members/index\\_de.htm](http://europa.eu/abc/european_countries/eu_members/index_de.htm) [access: 11/17/09]

<sup>206</sup> Cf. Schmidpeter/Palz 2008: Corporate Social Responsibility in Europa. In: Habisch A. et al. (eds.): Handbuch Corporate Citizenship. Corporate Social Responsibility für Manager. Berling, Heidelberg: Springer-Verlag. 493 et seq. and Matten/Moon 2005: A Conceptual Framework for Understanding CSR. In: Habisch A. et al. (eds.): Corporate Social Responsibility Across Europe. Berlin, Heidelberg: Springer. 339-347. and Schranz 2007: 19.

<sup>207</sup> Cf. Schmidpeter/Palz 2008: 494-499. and Crane/Matten/Spence 2008c: 55 et seq.

Generally surveys have been made which argue that the European countries, which are geographically located in the north are distinctive welfare states. Because of this CSR as a main theme for corporate action has not been known for long but companies in Finland and Denmark are very involved with the subject on voluntary bases by now. Main focus lies on environmental protection, human rights and anti-corruption especially in Norway, because of their international activities in petroleum industries.<sup>208</sup>

European countries which are geographically located in the west show high interest in CSR. Herein the perhaps most active national agent is the Netherlands. Problems of unemployment, demographic development, social exclusion, migration, ecological devastation and human rights are subject to CSR engagement. Comprehensive arrangements towards corporate socially responsible behavior have been made in the United Kingdom. CSR is part and parcel of Britain's competition policy with a long tradition of trade unions and high pressure of civil campaigns for CSR policies. Contrary in France companies can hardly be motivated to implement coherent CSR strategies in order to solve extreme social problems. In France socially responsible actions are expected from government. This may be the reason why France settles for a legal CSR approach.<sup>209</sup>

European countries, which are geographically located in the center of Europe, their latitude for CSR actions is low, because social requests are generally a government affair. High regulations for environmental protection as well as an established system of social partnership already cover CSR themes like equity, family-friendly working environment or eco-efficiency for example in Austria. Noticeably there are no special efforts towards CSR implementation in countries like Hungary, Poland or Czech Republic.<sup>210</sup>

Leaving the European countries geographically located in the south, for example Spain, Portugal and Italy, where religious orientation and strong family orientation can be noticed. Key issues for CSR actions are environmental protection as well as security, health in the workplace, better labor conditions, compatibility of work and family, anti-discrimination and anti-corruption initiatives as well as consumer protection.<sup>211</sup>

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<sup>208</sup> Cf. Schmidpeter/Palz 2008: 494-499.

<sup>209</sup> Cf. Ibidem: 494-499.

<sup>210</sup> Cf. Ibidem: 494-499.

<sup>211</sup> Cf. Ibidem: 494-499.



### 3.1.2.1 Definition of CSR by the European Commission

"A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis."<sup>212</sup>

“Amongst other things, this definition helps to emphasize that:

- CSR covers social *and* environmental issues, in spite of the English term corporate *social* responsibility;
- CSR is not or should not be separate from business strategy and operations: it is about integrating social and environmental concerns into business strategy and operations;
- CSR is a voluntary concept;
- an important aspect of CSR is how enterprises interact with their internal and external stakeholders (employees, customers, neighbours, non-governmental organisations, public authorities, etc.)<sup>213</sup>

In spite of the high diversity within West European countries and the different implementations of CSR, the European Union managed to find one definition to describe CSR and to give that concept a certain framework within Europe. Ever since the 1990s the European Union has been promoting its special emphasis on core labor standards, like the protection of collective bargaining, abolition of compulsory labor and child labor as well as discrimination in labor, which are basically derived from the ILO conventions, around the world. In 2000 building up on that emphasis the European Council appealed for companies to take on their social responsibility in the field of lifelong education, labor organization, equality, social inclusion and sustainable development.<sup>214</sup>

2001 the European Green Paper ‘Promoting a European framework for CSR’ for a joint European CSR-strategy with main focus on transparency was published. In this Green Paper the European Union avows itself to the superior principles of Sustainable Development. A

<sup>212</sup> European Commission (2009): Corporate Social Responsibility (CSR) 10/22/09 [http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/index\\_en.htm](http://ec.europa.eu/enterprise/policies/sustainable-business/corporate-social-responsibility/index_en.htm) [access: 11/05/09]

<sup>213</sup> EU Business (2006): Corporate Social Responsibility in the EU. 08/25/06 <http://www.eubusiness.com/topics/social/corporate-social-responsibility-in-the-eu/?searchterm=> [access: 11/05/09]

<sup>214</sup> Cf. Schmidpeter/Palz 2008: 499. and Széll 2006: EU-Japan – Corporate Social Responsibility and Changing Wage Systems – The Role of Trade Unions. In: Széll G. (ed.): Labour, Education & Society. Corporate Social Responsibility in the EU & Japan. Frankfurt a. M.: Peter Lang. 27. and Orbie/Tortell/Kissack et al. 2009: JESP Symposium: The European Union’s global social role. In: Journal of European Social Policy, Vol. 19, No. 2. 100, 110 et seq. <http://esp.sagepub.com/cgi/content/abstract/19/2/99> [access: 06/12/09] and Perrini/Pogutz/Tencati 2006: Developing Corporate Social Responsibility. A European perspective. Cheltenham, Northampton: Edward Elgar Publishing. 12 et seq; 20 et seq. and Bach 2008<sup>2</sup>: Corporate Social Responsibility in der Europäischen Union – eine Frage von Sein oder Nichtsein. In: Schmidt M. et al. (eds.): Corporate Social Responsibility und Corporate Citizenship. München, Mering: Rainer Hampp Verlag. 121.

lasting development strategy for future generations by equal prosperity share, social peace for future generations and environmental protection are the goals of economic actions. The Green Paper characterizes a discussion paper which is revised ongoing and not a position paper. After serious criticism, because of apparently over emphasis of growth and labor, the European CSR policy is now first and foremost one of promotion and raising awareness of CSR behavior. As the Green Paper frames the European Concept of CSR the Commission Communication ‘CSR: a business contribution to sustainable development’ from 2002 forms the European CSR strategy. According to European Commission CSR is not some additional factor that needs to be considered by corporations but is unavoidable in order to create value sustainable and social responsible behavior.<sup>215</sup> In 2002 the European Commission set up the European Multi-Stakeholder Forum on CSR (EMS Forum) which basically supports information sharing on CSR between representatives of experts, industry associations, trade unions, NGOs and organizations for consumer protection.<sup>216</sup>

The main issues which need to be addressed by companies according to the European Green Paper include the internal dimensions of human resource management (which concerns for example lifelong learning, equity, non discrimination), health and safety at work (mostly highly regulated by law), socially acceptable change adaption, natural resource management and management of environmental impacts as well as external dimensions, like local community (which includes for example paying taxes, donations and sponsoring, job creation) business suppliers, consumers and business partnership, human rights as well as environmental concerns on global dimension. It is mentioned that this initiatives should be addressed by corporations on a voluntary base and not through simple observation of legal duties. The European Commission points out that in times where continual improvement of quality and knowledge of technology are essential for a company’s success, it is essential to find and retain qualified staff. Therefore contributions towards lifelong education, equality, equity and non-discrimination are within the focus of internal European Union CSR activities. In addition the European Union avows itself to the superior principles of sustainable development to assure the preservation of natural resources for future generations.<sup>217</sup>

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<sup>215</sup> Cf. Schmidpeter/Palz 2008: 499. and Széll 2006: 27. and Orbie/Tortell/Kissack et al. 2009: 100, 110 et seq. and Perrini/Pogutz/Tencati 2006: 12 et seq; 20 et seq. and Bach 2008<sup>2</sup>: 121.

<sup>216</sup> Cf. Loew/Ankele/Braun/Clausen 2004: Bedeutung der CSR-Diskussion für Nachhaltigkeit und die sich daraus ergebenden Anforderungen an Unternehmen mit Fokus Berichterstattung. 9 et seq. [http://www.bmu.bund.de/files/wirtschaft\\_und\\_umwelt/unternehmensverantwortung\\_csr/nachhaltigkeitsmanagement/application/pdf/csr-studie\\_langfassung\\_bmu.pdf](http://www.bmu.bund.de/files/wirtschaft_und_umwelt/unternehmensverantwortung_csr/nachhaltigkeitsmanagement/application/pdf/csr-studie_langfassung_bmu.pdf) [access: 11/30/09]

<sup>217</sup> Cf. Széll 2006: 29. and Bach 2008<sup>2</sup>: 119 et seqq. and Loew/Ankele/Braun/Clausen 2004: 27. and Kuhlen 2005: 7.

### 3.1.3 CSR IN GERMANY

#### 3.1.3.1 History and Context of CSR

When it comes to CSR actions in Germany it must be mentioned that most themes were initiated without any connection to CSR in the first place, but were simply a concept of the social market economy. ‘Social market economy’ is the concept, which the German economy is based on, signaling high government intervention in labor and social affairs. In Germany numerous government setting towards health-care, pension, accident insurance, unemployment insurance, and education as well as labor laws and high level of workers participation through good developed corporate structure, trade unions and powerful interest groups, give rise to the argument that there may not be a need for CSR in Germany as through paying of taxes by corporations to the government which should take care of social issues.<sup>218</sup>

The Federal Ministry states that "Corporate Social Responsibility is an important issue for the German Federal Government. It should, however, be noted when considering the social commitments of business above and beyond the obligations imposed by law that Germany already has a relatively large number of regulations in force (for example in respect of environmental standards) and that there is accordingly less scope for additional activities"<sup>219</sup>. So to be clear there is no legal demand to engage in CSR or reporting on it in Germany but considering the legal situation which already covers lot's of CSR relevant areas, corporations need to engage in CSR in those areas anyway, not voluntarily though.<sup>220</sup>

Germany started already in 1970s to engage in environmental protection. Especially projects for ‘Green Finance’ or ‘Labeling’ were fostered and environmental management in companies is highly expected. So is the consideration of environmental aspect in product engineering which also partly belongs to the chapter of economic initiatives. Environmentally friendly behavior of companies in the areas of air pollution control, noise reduction, waste recycling,

<sup>218</sup> Cf. Habisch/Wegner 2005: Overcoming the Heritage of Corporatism. In: Habisch A. et al. (eds.): Corporate Social Responsibility Across Europe. Berlin, Heidelberg: Springer. 112,113,117,121. and Wieland/Büchner/Eberbach/Winckler 2003: CSR in Germany. In: Segal J.-P. et al. (eds.): Corporate social responsibility and working conditions. 29 et seq. <http://www.eurofound.europa.eu/pubdocs/2003/28/en/1/ef0328en.pdf> [access: 06/12/09] and Hilz 2007: Corporate Social Responsibility in Deutschland und Frankreich. Ein Vergleich. Diplomarbeit Universität Passau. 40. and BMAS 2008: Die gesellschaftliche Verantwortung von Unternehmen (CSR) zwischen Markt und Politik. 22. [http://www.csr-in-deutschland.de/portal/generator/6000/property=data/2008\\_12\\_17\\_studie\\_gesellschaftliche\\_verantwortung\\_unternahmen.pdf](http://www.csr-in-deutschland.de/portal/generator/6000/property=data/2008_12_17_studie_gesellschaftliche_verantwortung_unternahmen.pdf) [access: 11/02/09]

<sup>219</sup> Loew/Ankele/Braun/Clausen 2004: 10.

<sup>220</sup> Cf. BMAS 2009: Zwischenbericht zur Entwicklung einer nationalen CSR Strategie. „Aktionsplan CSR in Deutschland.“ 6. [http://www.csr-in-deutschland.de/portal/generator/9800/property=data/2009\\_07\\_15\\_Zwischenbericht\\_CSR\\_Strategie.pdf](http://www.csr-in-deutschland.de/portal/generator/9800/property=data/2009_07_15_Zwischenbericht_CSR_Strategie.pdf) [access: 11/02/09] and Hilz 2007: 41.

energy saving and renewable energy is supported by access to credits at reduced rates of interest and as well as by grants.<sup>221</sup>

In any event, the first real efforts in CSR in Germany set in with the adoption of the ‘Action Plan 2015 CSR in Germany’, after the UN Millennium Summit in 2000, with the overall goal of decreasing poverty. As the CSR process is a rather new one in Germany and there is no national strategy of CSR announced so far but the ‘Action Plan CSR in Germany’ which outlines the German national CSR strategy, it is in the making. The national CSR strategy is meant to support, activate and complete existing CSR players and structures which base on voluntariness. Actions of the ‘Federal Ministry of Labor and Social Affairs’ in CSR go under that understanding. The ‘Action Plan CSR in Germany’ gives special attention to ensure transparency. In the context of the ‘Action Plan CSR in Germany’, which should be passed and promulgate in 2010, Federal Government takes the economic structure of Germany into consideration and points out that it is absolutely necessary to increase CSR competences in the area of SMEs. By setting up a national CSR strategy, the goal is to include all stakeholders in its development and to allow for the setting of collective goals. Noticeable in Germany is that the area of Social Responsible Investing is not very well established nor emphasized.<sup>222</sup>

Activities promoted by the German Federal Government include worldwide poverty reduction and human rights protection as part of its ‘Action Plan’ as well as the Millennium development goals. Further there is the involvement of mirroring the ISO 14000 series by a multi-stakeholder German Standardization Committee called DIN-NAGUS<sup>223</sup>. In addition Germany follows the instruments of the United National Global Compact, the OECD Guidelines for Multinational Enterprises, the ILO’s Multinational Enterprise Declaration as well as the Guidelines of the Global Reporting Initiatives.<sup>224</sup>

There are multiple CSR initiatives, alliances, federations and public private partnerships in Germany which all contribute to specific economic, ecological or social issues, provide consumer information on CSR, or serve as CSR network. The high diversity makes it impossible to mention them all in this paper and not to miss some. Furthermore, these

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<sup>221</sup> Cf. Habisch/Wegner 2005: 118.

<sup>222</sup> Cf. BMAS 2009: 2-6, 10. and BMAS 2008: 4. and Bade 2003: Gesellschaftliches Engagement von Unternehmen in Deutschland. In: Bundesarbeitsblatt 10-2003. 11,14. [http://www.bmas.de/portal/1580/property=pdf/bundesarbeitsblatt\\_10\\_2003.pdf](http://www.bmas.de/portal/1580/property=pdf/bundesarbeitsblatt_10_2003.pdf) [access: 11/02/09]

<sup>223</sup> For further information visit Website of: DIN-NAGUS (NA 172 Normenausschuss Grundlagen des Umweltschutzes). [http://www.nagus.din.de/cmd?workflowname=InitCommittee&search\\_committee=nagus&contextid=nagus](http://www.nagus.din.de/cmd?workflowname=InitCommittee&search_committee=nagus&contextid=nagus) [access: 12/12/09]

<sup>224</sup> Cf. Loew/Ankele/Braun/Clausen 2004: 10 et seq. and BMAS (n.d.): Corporate Social Responsibility in Deutschland. <http://www.csr-in-deutschland.de> [access: 11/03/09]

initiatives overlap and so the following demonstrations of initiatives in the three fields of action need to be considered as an abstract.<sup>225</sup>

In Germany, many large and well established trade unions exist such as the ‘Deutscher Gewerkschaftsbund’ (German Trade Union Federation) with 8 unions such as the ‘IG Metall’ (industrial trade union medal). Apart from the German Trade Union Federation, there are several other union organizations for all economic sectors. Furthermore there are also employers’ associations like the ‘Bundesvereinigung der Deutschen Arbeitgeberverbände’ (Confederation of German Employers’ Associations) and several further associations for each industry. Aspects of CSR like wage/salary and working conditions (working hours, holiday, and labor conditions) are negotiated by trade unions and employers association in Germany and as long as they are within the national and social framework they are defined by negotiations of collective agreements without government interference.<sup>226</sup>

Worker participation in Germany is already an integral part in German economy through representations of trade unions and employers’ associations.

As pointed out in the Bundesarbeitsblatt 10/03 of the ‘Federal Ministry for Economy and Labour’ CSR activities towards employment of people ‘difficult to place’ and equal rights initiatives are fostered by incentives which are co-financed by the European Social Fund. The integration of long-term unemployed, the employment of job starters as well as women, elderly people and handicapped and the engagement of companies towards training are an essential goal.<sup>227</sup>

To ensure better inclusion of handicapped people, the federal government passed a ‘bill for equalization of handicapped people’ in 2002. Initiatives to ensure barrier-free working environments, either of technical, constructional or communicational cause, are a primary concern. In 2001, the German government launched the initiative “New Quality for Labor” which promotes decrease of labor related stress through of lifelong learning.<sup>228</sup> Initiatives like “Allianz für Familie” (alliance for family) and “Audit berufundfamilie” (audit labor and family) should deliver concepts for family-friendly personnel policy and enhance the possibility to arrange labor and work.<sup>229</sup>

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<sup>225</sup> Cf. Habisch/Wegner 2005: 112,113,117,121. and Wieland/Büchner/Eberbach/Winckler 2003: 29 et seq. and Hilz 2007: 17, 40.

<sup>226</sup> Cf. Wieland/Büchner/Eberbach/Winckler 2003: 27 et seqq.

<sup>227</sup> Cf. Habisch/Wegner 2005: 118. and Bade 2003: 9-13.

<sup>228</sup> Cf. Habisch/Wegner 2005: 118. and Bade 2003: 9-13.

<sup>229</sup> Cf. Hilz 2007: 57.

Nevertheless there are no explicit laws for or against taking on CSR actions. Compared to other European countries, Germany lags behind in the promotion of CSR strategies. Surveys show that the motivation for German companies to engage in CSR activities lie in the wish for better relationships with communities and business associates but not in ethical reasons.

The ‘Bundesarbeitsblatt 10/03’ gives notice to all the incentives for specific CSR activities in Germany which does not lead to overwhelming engagement in CSR activities though. It is rather obvious in Germany that company contributions towards the ‘UN Millennium Development Goals’, the ‘Agenda 21’ and the ‘Green Paper’ of the European Union of CSR are pushed by government incentives.

The most important political player which functions as contact for CSR in Germany is the ‘Federal Ministry of Labor and Social Affairs’<sup>230</sup> which highly recommends compliance with the German IÖW (Institute for ecological economic research) catalog of requirement of sustainable reporting. Concerning the development of a national sustainable strategy the Federal Chancellery is in charge in Germany.<sup>231</sup>

### **3.1.3.2 National strategy for Sustainable Development**

When it comes to Germany’s national sustainable development strategy of 2002, which happens to be one of the longest most and detailed one in Europe, the reference to CSR gets a raw deal. The report focuses on five thematic priorities namely ‘achieving justice between generations’, ‘quality of life’, ‘social coherence’, ‘international responsibility’ and ‘management regulation for sustainability’. Companies are recommended to take on responsibility for sustainable development and they are one of seven priorities within the German sustainable development strategy but little of the outlines issues and goals concretely speak to corporations. Provisions for companies are mentioned every now and then. The few concrete requirements for corporations which are widespread in the whole report will be listed below. Innovation is one of the key elements in Germany’s sustainable strategy which leads to positive effects like economic compatibility, social security and environmental protection. As the sustainable development report is not referring to CSR, at least the enhancement that corporations need to take on responsibility for sustainable development is made.<sup>232</sup>

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<sup>230</sup> For further information visit: BMAS (n.d.).

<sup>231</sup> Cf. Habisch/Wegner 2005: 112 et seq. 117 et seq. 121. and Hilz 2007: 40 et seq; 57, 84. and Wieland/Büchner/Eberbach/Winckler 2003: 29 et seq. and BMAS 2008. 22.

<sup>232</sup> Cf. Hilz 2007: 49-52. and Bundesregierung (n.d.): Perspektiven für Deutschland. Unsere Strategie für nachhaltige Entwicklung. 276-287. [http://www.bmu.de/files/pdfs/allgemein/application/pdf/nachhaltigkeit\\_strategie.pdf](http://www.bmu.de/files/pdfs/allgemein/application/pdf/nachhaltigkeit_strategie.pdf) [access 11/05/09]

### 3.1.3.3 German CSR definition

The ‘Federal Ministry of Labour and Social Affairs’, in the interim report of the ‘Action Plan CSR in Germany’, which gives first insights in CSR initiatives as well as a definition for CSR, gives the following definition:

“Corporate Social Responsibility (CSR) bezeichnet die Wahrnehmung gesellschaftlicher Verantwortung durch Unternehmen über gesetzliche Anforderungen hinaus. CSR steht für eine nachhaltige Unternehmensführung im Kerngeschäft, die in der Geschäftsstrategie des Unternehmens verankert ist. CSR ist freiwillig, aber nicht beliebig.”<sup>233</sup> According to the definition CSR is about corporations’ taking on socially responsible behavior beyond legal requirements through sustainable business management. CSR is voluntary but not optional.<sup>234</sup>

### 3.1.3.4 Problematic aspects of CSR in Germany

One reason that Germany’s CSR contribution is still in its infancy may be the fact of the economic structure in Germany, consists of mostly small- and medium-sized businesses (SMEs). According to the Federal Ministry of Labor and Social Affairs 99,7 percent of German companies belong to this economic group which employ about 70 percent of employees and of which 85 percent are individual companies. Whereas CSR engagement is highly demanded by multinationals and big corporations with multiple stakeholders, incentives to foster CSR engagement of SMEs in Germany get a raw deal. For companies that act on a certain regional level, the engagement in international standards matters less. On the other hand, SMEs depend on their surroundings which also leads to CSR engagement (mostly unknowingly) in their regional surrounding but their CSR context cannot be compared as directly with global acting companies. In the case of Germany, a specific focus on possible CSR initiatives for SMEs could lead to an increase in CSR engagement.<sup>235</sup>

In Germany, the scope for voluntary corporate CSR initiatives is less than in other countries which may result from a definition problem. In Germany, mostly the English term of ‘Corporate Social Responsibility’ is used without translation, which causes difficulties in understanding. As for now all social contributions of corporations under the similarly-named

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<sup>233</sup> BMAS 2009: 9.

<sup>234</sup> Cf. Ibidem: 9.

<sup>235</sup> Cf. BMAS 2008: 26 et seq.

terms of ‘Corporate Citizenship’ or ‘Sustainable development’ are generally considered as CSR actions. In Germany there is still a noticeable problem with the confusion of ideas.<sup>236</sup>

### 3.1.4 CSR IN FRANCE

#### 3.1.4.1 History and Context of CSR

France, one of the world’s biggest economies, actually has a long tradition of companies acting socially responsible. So called ‘pioneer enterprises’ started the CSR process but actually only on issues concerning labor. ‘Real’ French CSR developed about six years ago, around the same time as it did in Germany, which is rather late compared to the United Kingdom, for example. Until now little is known about French CSR due to the fact that there are few English language publications addressing the French participation in CSR.<sup>237</sup>

Between the 1970s and 1980s, the state played a major role in CSR initiatives in France, and still does but to a decreasing extent. In 1977, France turned out to be the first country to introduce Corporate Social Responsibility reporting by law. The so called ‘bilan social’ (Law on Social Reporting, Article L. 438-1)<sup>238</sup> indeed only covers employment-related matters, which more or less all belong to the social pillar in terms of triple-bottom line. The items and indicators are outlined in the Decree No. 77-1354<sup>239</sup> from 1977. Corporations with more than 300 employees are still obligated to adhere to the ‘bilan social’, to social reporting. Currently, the state still plays an important role in CSR matters but the understanding of CSR now goes further than employment-related matters to address safety standards, working conditions, educational possibility, to name a few. The main interests for French government to foster CSR is rather new because ‘real’ engagement in CSR did not start until 2001.<sup>240</sup>

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<sup>236</sup> Cf. Habisch/Wegner 2005: 112 et seq; 117,121. and Wieland/Büchner/Eberbach/Winckler 2003: 29 et seq. and Hilz 2007: 17, 40.

<sup>237</sup> Cf. Berthoin Antal/Sobczak 2007: Corporate Social Responsibility in France: A Mix of national Traditions and International Influences. In: Business & Society, Vol. 46, No. 1. 10 et seq. <http://bas.sagepub.com/cgi/content/abstract/46/1/9> [access: 10/30/09] and Hilz 2007: 76 et seq.

<sup>238</sup> For further information visit: Legifrance 1977 : Décret n° 77-1354 du 8 décembre 1977 fixant, par application de l'article L. 438-4 du code du travail, la liste des informations figurant dans le bilan social d'entreprise et dans le bilan social d'établissement, annexe. 12/10/77 [http://www.legifrance.org/jopdf/common/jo\\_pdf.jsp?numJO=0&dateJO=19771210&numTexte=05751&pageDebut=05751&pageFin=](http://www.legifrance.org/jopdf/common/jo_pdf.jsp?numJO=0&dateJO=19771210&numTexte=05751&pageDebut=05751&pageFin=) [access: 11/05/09]

<sup>239</sup> For further information visit: Ibidem.

<sup>240</sup> Cf. Berthoin Antal/Sobczak 2007: 15 et seq; 23. and Hilz 2007: 38 et seq.



In 2001 the French Assemblée National adopted ‘Le Loi sur les Nouvelles Régulations Économique’ (NRE) (Article 116) (legislation on New Economic Regulations).<sup>241</sup> This law is a supplementation on the ‘bilan social’. By the law all French companies which are listed in the stock market are required to publish an annual report not only about employment-related matters, but also about social and environmental matters, starting in December 2002. In 2002, there was an implemented government’s decree to NRE was introduced with a listing of the necessary social and environmental points, on which reporting should be outlined. France became the first country to demand reporting on all areas of CSR.<sup>242</sup> “Of course, the mere fact of imposing a common framework on reporting by defining a precise list of social and environmental criteria to report on is still a mark of the role the French State intends to play in the field, whereas the governments of most other countries remain quite reluctant to intervene”<sup>243</sup> as Berthoin Antal et al. point out.

As can be seen in the following chapter, some of the elements of the NRE are not very clear and companies are allowed to change the reporting pattern if considered necessary, which probably leads to different understanding and outcome of companies’ reports. Hilz Barbara points out (by referring to an observation of the Ministère de l’Écologie, de l’Énergie, du Développement durable et de la Mer) that the legislation of New Economic Regulations is not observed properly by companies. Due to their studies, only 20 percent of companies observe the guidelines of the NRE law. Thirty-six percent show ‘a certain commitment’ and 22 percent observe the law inadequately and another 22 percent do not observe the law at all and rather pay for their non observation.<sup>244</sup>

More than legal enforcement of CSR reporting and basic laws, the creation of ‘framework agreements’ between French multinationals and international sectoral unions, shows the important role of the social dialog of workers’ representatives in the CSR area. One of those ‘framework agreements’ would be the ‘Plan for Economic and Social Information’ from 1989 between Danone and the International Union of Food Workers (IUF). Agreements like this should guarantee the commitment of the company towards respecting fundamental social rights not only in their company but also in their whole supply chain. However, the focus

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<sup>241</sup> For further Information on Article 116 visit page 47 of: Legifrance 2005: LOI no 2001-420 du 15 mai 2001 relative aux nouvelles régulations économiques. 08/18/05 [http://www.ecologie.gouv.fr/IMG/pdf/loiNRE\\_n2001\\_420\\_du-15\\_05\\_2001.pdf](http://www.ecologie.gouv.fr/IMG/pdf/loiNRE_n2001_420_du-15_05_2001.pdf) [access: 11/05/09] and Ministère de l’Écologie, de l’Énergie, du Développement durable et de la Mer 2005: Article 116 de la loi sur la nouvelles regulations économiques (NRE). [http://www.ecologie.gouv.fr/article.php3?id\\_article=4030](http://www.ecologie.gouv.fr/article.php3?id_article=4030) [access: 11/05/09]

<sup>242</sup> Cf. Berthoin Antal/Sobczak 2007: 15 et seq; 23. and Hilz 2007: 38 et seq.

<sup>243</sup> Berthoin Antal/Sobczak 2007: 16.

<sup>244</sup> Cf. Hilz 2007: 38 et seq. 56. and Berthoin Antal/Sobczak 2007: 16.

remains on the one main focus of French CSR, the labor relations, what makes the weakness of those ‘framework agreements’ obvious. Nevertheless French companies were the first to introduce such kind of ‘framework agreements’ but nowadays this concept is also used by other companies though mainly in Europe.<sup>245</sup>

The French state tried to get companies to intensify their philanthropic activities by passing several laws. However, French corporate philanthropy is rather low, which may be based in the fact that the primary role of the state to provide for the general social interests is still given and the laws are an attempt of engaging companies on top of that. 2002 the Law of Social Modernization was passed which is reliant on the “philanthropy of competence”<sup>246</sup> and is implemented with the aim of getting employers to not only mind an applicant’s diplomas and degrees but to look beyond that and focus on possible skills, motivation, knowledge and experience people bring if they’ve worked in different contexts before. Further companies should encourage voluntary social work.<sup>247</sup>

Ever since the beginning of CSR in France the focus has been on employees’ rights and so there is little surprise that actions and initiatives still focus on that employer-labor matter at first. Even though the focus on France’s CSR is more expanded and also includes environmental and societal aspects now. The active involvement of French employees in the elaboration of the environmental and social impact the companies action have shows the fact that “the French labor law requires companies to inform and consult with the workers’ representatives. In fact, a French court recently ruled that a corporate code of conduct must be submitted to the French works council for consultation, even if the code has been imposed by the American headquarter of a French subsidiary and if thus the consultation with the French employees will, in fact, have no impact on the text.”<sup>248</sup>

Even though the workers play an important role within French companies, the French trade unions have always been suffering from low membership and weak positions. The legitimacy, as well as the trade unions’ power depends very much on their relationship to the government but less on any achievements within the company. Nowadays trade unions create alliances with popular NGOs, and by publishing “the Manifesto for the social responsibility of managers” in 2004, two of the biggest trade unions ‘Confédération général du travail’ (CGT)

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<sup>245</sup> Cf. Berthoin Antal/Sobczak 2007: 20 et seq; 27.

<sup>246</sup> Ibidem: 18.

<sup>247</sup> Cf. Berthoin Antal/Sobczak 2007: 17-20.

<sup>248</sup> Ibidem: 20.

and ‘Confédération française démocratique du travail’ (CFDT) in corporation with the ‘Centre des Jeunes Dirigeant (CJD) an employer association and NGOs like the ‘Ingenieurs sans Frontières’, they promote the importance of CSR.<sup>249</sup>

The ‘Ministère de l’Écologie, de l’Énergie, du Développement durable et de la Mer’<sup>250</sup> in France is the central contact for anything concerning CSR. Other than that, the main responsibility for coordinating and formulation of a national sustainable strategy rests with the prime minister. Furthermore, there are several facilities dealing with the subject of CSR and sustainable development.<sup>251</sup>

The French State also uses the dedication towards the UN Global Compact as additional form to promote CSR. France is one of the most represented countries within the Global Compact and the companies which signed up for the Global Compact rose from 8 in 2003 to 620 by December 2009.<sup>252</sup> In addition France does not only observe the ten principles of the Global Compact but also argues peremptorily for the implementation of the ILO labor regulations and the OECD Guidelines for Multinationals.<sup>253</sup>

### 3.1.4.2 National strategy for Sustainable Development

In 2003, the detailed report on sustainable development was published. The French national strategy for sustainable development directly refers to CSR and the observance of the NRE, indeed not until the progress report but still it is a rare case among European countries. Other than that, mention was made on the theme of Corporate Social Investing, which is becoming more and more important in France.<sup>254</sup> The report accentuates also the need of the influence of French government in promoting sustainable development and the adoption of incentive systems and promotion should help companies to increase their activities in sustainable development. The necessity of promoting responsible behavior among SMEs is mentioned as well. The report also points out that voluntary activities are the key to sustainable development. The national French sustainable development strategy contains one chapter

<sup>249</sup> Cf. Berthoin Antal/Sobczak 2007: 13, 20, 22 et seq.

<sup>250</sup> For further information visit Website of: Ministère de l’Écologie, de l’Énergie, du Développement durable et de la Mer. <http://www.ecologie.gouv.fr> [access: 11/05/09]

<sup>251</sup> Cf. Hilz 2007: 38 et seq; 56. and Berthoin Antal/Sobczak 2007: 16.

<sup>252</sup> For detailed list visit: United Nations (n.d.) a: UN Global Compact Participants & Stakeholders. [http://www.unglobalcompact.org/ParticipantsAndStakeholders/search\\_participant.html](http://www.unglobalcompact.org/ParticipantsAndStakeholders/search_participant.html) [access: 11/06/09]

<sup>253</sup> Cf. Hilz 2007: 39 et seq. and Berthoin Antal/Sobczak 2007: 19.

<sup>254</sup> For further information visit page 32 et seq. of: Interministerielles Komitee für nachhaltige Entwicklung 2003: Nationale Strategie für nachhaltige Entwicklung Frankreich. <http://www.ecologie.gouv.fr/IMG/pdf/SNDDdeutsch.pdf> [access: 11/05/09]

called ‘economic activity, corporation and consumer’ which states that sustainable development draws upon these two players. Activities and issues which directly address CSR are rare but there are at least some as the following chapter shows.<sup>255</sup>

### 3.1.4.3 French CSR Definition

French Corporate Social Responsibility is defined by the ‘Ministère de l’Écologie, de l’Énergie, du Développement durable et de la Mer’ (Ministry of ecology, energy, sustainable development and seas):

“La responsabilité sociale des entreprises (RSE) est la déclinaison des principes du développement durable à l’échelle de l’entreprise. Elle signifie essentiellement que les entreprises, de leur propre initiative, contribuent à améliorer la société et à protéger l’environnement, en liaison avec les parties prenantes. De plus en plus d’entreprises reconnaissent leur responsabilité sociale en mettant en œuvre des dispositifs au sein de leur structure et avec leurs parties prenantes. (...)”<sup>256</sup> According to the French CSR definition this is a concept wherein corporations contribute to sustainable development. It is further about initiatives which contribute to society and protect the environment in cooperation of all parties involved.<sup>257</sup>

### 3.1.4.4 Problematic aspects of CSR in France

In France, the influence of history and tradition, as well as religion play a slightly bigger role in the discussion of CSR than in other European countries. That causes some problems for proper CSR engagement because the principles addressed by CSR differ with the traditional French business-society concept. Additionally there is a problem of comprehension, because the words Corporate Social Responsibility have slightly different meaning in French translation.<sup>258</sup> In the French language, most English terms and definitions are translated into French. In the case of translating Corporate Social Responsibility the meaning changes slightly by using the French term of ‘responsabilité sociale des entreprises (RSE)’. First of all

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<sup>255</sup> Cf. Hilz 2007: 37 et seqq; 45, 48, 54 et seq. and Interministerielles Komitee für nachhaltige Entwicklung 2003: 29-33.

<sup>256</sup> Ministère de l’Écologie, de l’Énergie, du Développement durable et de la Mer (n.d.): responsabilité sociale des entreprises (RSE). <http://www.ecologie.gouv.fr/-Responsabilite-sociale-des-.html> [access: 11/05/09]

<sup>257</sup> Cf. Ministère de l’Écologie, de l’Énergie, du Développement durable et de la Mer (n.d.). and Hilz 2007: 36 et seq.

<sup>258</sup> Cf. Berthoin Antal/Sobczak 2007: 10 et seq. and Hilz 2007: 76 et seq.

the term ‘entreprise’ does not mean the same as ‘corporate or corporations’. The English term names mainly big listed companies, whereas the French term numerous forms of companies. The linguistic differences lead to misunderstanding and confusion when it comes to CSR. Thus in French there is no differentiation between ‘responsibility’ and the French legal concept of ‘liability’. Out of that reason there is a constant discussion about the voluntary character of CSR in France, more than this is the case in other countries. Thus there is also a difference between the meaning of the English term of ‘social’ in French. In English the term ‘social’ also means the inclusiveness of society whereas in French, the focus only lies on labor-related issues. The external stakeholders are not included in the French understanding of ‘social’.<sup>259</sup>

Aside from the linguistic difficulties, there is one more challenge for CSR in France. CSR one of the elementary principles of CSR is the one of ensuring transparency. This is a rather unusual concept in French understanding. In French Catholic culture, openly reporting about corporate social activities and performance is against the French belief of showing discretion about good doings.<sup>260</sup>

Elizabeth Laville points out that “France is not necessarily an easy country in which to implement these CSR-related topics, and this for two reasons: first of all because our Catholic culture inclines us towards skepticism, even cynicisms, when confronted with those who claim to be doing good and making money at the same time; and second (...) we have more confidence in public institutions for resolving problems than in the private sector and businesses”.<sup>261</sup>

As already noted, the French state still remains the main tool for stimulating CSR in companies. Most of the time international influence is noticeable in several legislations like, for example the strong and rising demand for transparency.<sup>262</sup>

<sup>259</sup> Cf. Berthoin Antal/Sobczak 2007: 12. and Hilz 2007: 17. and Beaujolin/Capron 2005: Balancing Between Constructive Harassment and Virtuous Intentions. In: Habisch A. et al. (eds.): Corporate Social Responsibility Across Europe. Berlin, Heidelberg: Springer. 100. and Ministère de l’Écologie, de l’Énergie, du Développement durable et de la Mer 2006: responsabilité societal des entreprises (RSE). <http://www.ecologie.gouv.fr/Responsabilite-societale-des.html> [access:11/05/09]

<sup>260</sup> Cf. Beaujolin/Capron 2005: 99 et seq. Berthoin Antal/Sobczak 2007: 13 et seq.

<sup>261</sup> Harribey 2009: France. In: Idowu S. et al. (eds.): Global Practices of Corporate Social Responsibility. Berlin, Heidelberg: Springer-Verlag. 39. (cited after Laville 2004.)

<sup>262</sup> Cf. Berthoin Antal/Sobczak 2007: 18 et seq; 26 et seq.

### **3.1.5 RESPONSIBILITIES IN TRIPLE-BOTTOM LINE AREAS**

#### **3.1.5.1 Economic responsibilities**

##### **3.1.5.1.1 Germany**

According to the Action Plan CSR in Germany German companies should

- engage in fair competition
- boost arrangements for prevention of corruption
- ensure transparency regarding corporate management
- produce social and ecological responsible within their value chain
- mind consumer rights and consumer interests<sup>263</sup>

Among the four main fields of action demanded by the Federal Ministry of Labor and Social Affairs, promoted on their homepage, belongs ‘Consumer Information’ by its requirement of transparency and ‘Globalization’ by its requirement of fair trade.<sup>264</sup>

The German IÖW’s (Institute for ecological economic research) Catalog of Requirements of sustainable reporting, which is highly recommended by the Federal Ministry of Labor and Social Affairs, gives insight in the demanded CSR actions of the following issues:

- activities concerning external stakeholders; consumer orientation and protection
- responsible employer behavior; taxes and subsidies
- donations, sponsoring and mutual aid
- anti corruption
- fair trade
- survey of environmentalism and labor conditions in the supply chain (which also includes aspects of social and ecological initiatives)
- consideration of environmental and social aspects of product life cycle (also includes social and environmental initiatives)
- contributions to politics and security<sup>265</sup>

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<sup>263</sup> Cf. BMAS 2009: 9.

<sup>264</sup> Cf. BMAS (n.d.).

<sup>265</sup> Cf. Loew/Ankele/Braun/Clausen 2004: 15 et seq.

As mentioned above, the detailed German report on the ‘National Sustainable Development Strategy’ does not provide the reader with much detailed information regarding the companies’ responsibilities. There are some concrete initiatives addressed that refer to the economic responsibility like:

- transparency, consumer information and communication with employees (p. 50/285)
- taking responsibility and ensuring safe sustainable products and production (p. 13 et seq.)
- assuring economic efficiency with the integration of ecological and social quality (p.74)
- investment in new technology and innovations which are social and environmental friendly (p. 276)<sup>266</sup>

#### 3.1.5.1.2 France

The NRE is not addressing specific economic responsibilities so no obligations are provided therefore.

In the French ‘National Sustainable Development Strategy’ report corporations are mentioned to be one of the major players in achieving the outlined goals. Corporations’ responsibilities are mentioned in several chapters and actions, but the following directly address the companies’ responsibility in the economic pillar:

- assuring transparency, public and consumer information and communication (p.53/74)
- addressing food industry: guarantee safe organic rubbish, which can be used in agriculture as fertilizer (p.64)
- including sustainable aspects in production and service of goods (p.74)
- enhancing technology and activities in sustainable development. (p.75)
- developing a code of conduct (p.77)
- promoting Social Responsible Investment (SRI) (p.78)<sup>267</sup>

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<sup>266</sup> Cf. Bundesregierung (n.d.).

<sup>267</sup> Cf. Interministerielles Komitee für nachhaltige Entwicklung 2003.

### 3.1.5.2 Environmental responsibility

#### 3.1.5.2.1 Germany

The suggestion within Germany's national CSR concept for economic responsibilities of corporations seems very weak, because according to the 'Action Plan CSR in Germany,' corporations are highly recommended to gently deal with natural resources but that's it.<sup>268</sup>

The Federal Ministry of Labor and Social Affairs demands sustainable business conduct as well as environmental management among its four fields of action.<sup>269</sup>

The demand for CSR reporting as listed in the German IÖW's Catalog of Requirements of sustainable reporting also includes ecological issues like:

- energy management and climate protection
- ecological consideration in product development
- use of natural resources
- waste and water management
- air pollution through logistics and transportation
- environmental protection, protection of biodiversity and land consumption<sup>270</sup>

The German report for sustainable development provides us with few suggestions that refer to the ecological pillar of corporate responsible behavior like:

- Resources management and energy efficiency (through modern power management) (p. 10, 283)
- Environmental management (p.14)
- Climate protection (p.162) and environmentally friendly transportation; cooperation with and use of public transportation like the railway (p. 180-204)
- Sustainable waste management (p. 283 et seq.)<sup>271</sup>

*Note:*

The reason why there seem to be few ecological CSR initiatives on the way is probably the result of a very detailed ecological legal situation in Germany, which also includes the notion of animal protection and biodiversity especially since 2002. CSR actions are mostly interlaced

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<sup>268</sup> Cf. BMAS 2009. 9.

<sup>269</sup> Cf. BMAS (n.d.).

<sup>270</sup> Cf. .Loew/Ankele/Braun/Clausen 2004: 15 et seq.

<sup>271</sup> Cf. Bundesregierung (n.d.).



in the environmental behavior demanded by law and regulations. Besides a general environmental protection law, there are also specific regulations dealing with waste management. With the establishment of laws and regulations of waste management in 1970 Germany and Japan were pioneers on that area. Renewable energies are favored by law and there are further laws and regulations for climate protection and minimizing greenhouse emission. Prevention of water pollution is one of the oldest environment innovations in Europe and includes sewerage and with a specific water balance law Germany is besides the USA and Switzerland one of the first countries worldwide to show commitment in that environmental area.<sup>272</sup>

#### 3.1.5.2.2 France

According to the NRE from 2001 (Article 116), French companies are ordered to deliver yearly a full report on their activities concerning the following environmental issues:

- raw material, natural resources, water, soil and energy consumption, energy efficiency measures and the use of renewable energies,
- emissions to air, water, ground, odor, noise, wastes
- impact on biodiversity; programs to reduce impacts and to promote fauna and flora
- environmental management
- use of environmental evaluation and certification
- compliance with environmental regulation and legislation
- provisions from environmental risks
- integration of foreign subsidiary in environmental management system
- penalties or some kind of compensation payments awarded relating to environmental issues<sup>273</sup>

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<sup>272</sup> Cf. InfoNetz Umwelt und Nachhaltigkeit (n.d.): Umweltgesetze <http://www.infonetz-owl.de/index.php?id=249> [access: 11/02/09] and BMU (n.d.): Alle Gesetze und Verordnungen aus dem Geschäftsbereich des Bundesumweltministeriums. [http://www.bmu.de/gesetze\\_verordnungen/alle\\_gesetze\\_verordnungen\\_bmu/doc/35501.php](http://www.bmu.de/gesetze_verordnungen/alle_gesetze_verordnungen_bmu/doc/35501.php) [access: 11/02/09]

<sup>273</sup> Cf. ORSE 2001: Reglementation NRE. Loi n° 2001-420 du 15 mai 2001. relative aux nouvelles régulations économiques. 05/15/01 [http://www.orse.org/fr/members/download/loi\\_et\\_decret\\_NRE\\_du\\_20\\_fevrier\\_2002.pdf](http://www.orse.org/fr/members/download/loi_et_decret_NRE_du_20_fevrier_2002.pdf) [access: 11/05/09] and Hoffmann 2003: Environmental reporting and sustainable reporting in Europe. An overview of mandatory reporting schemes in Netherlands and France. 21, 32. [http://enviroscope.iges.or.jp/modules/envirolib/upload/118/attach/BE2\\_3025.pdf](http://enviroscope.iges.or.jp/modules/envirolib/upload/118/attach/BE2_3025.pdf) [access: 11/05/09] and Harribey 2009: 40.

The French Strategy for Sustainable Development also points out that companies need to take responsibility for sustainable development. This chapter mostly includes ecological issues but has some overlap with the economic and social pillar can be noticed. The need for corporations actions are detected in:

- clean and energy saving transportation (p.31)
- waste policies, which protects natural resources and borders damage (p.75)
- eco-labeling (p.30)
- energy efficiency in industries (p.85)
- stem electric power consumption (p.86)
- increasing use of renewable energy (p.87)<sup>274</sup>

### **3.1.5.3 Social responsibilities**

#### **3.1.5.3.1 Germany**

Due to the ‘Action Plan CSR in Germany,’ the recommendations for social initiatives for corporations to get engaged with are numerous and include:

- respect human rights and preserve and contribute to ILO labor standards
- make positive contribution to the community
- increase educational investing
- enhance cultural diversity and tolerance within the company
- deal with employees in a respectfully way, assist and involve them.<sup>275</sup>

The fourth field of action demanded by the Federal Ministry of Labour and Social Affairs is ‘Good Work’. CSR initiatives include responsible treatment of employees, reconciling family and work, giving young, old and women an opportunity and promoting diversity.<sup>276</sup>

The Federal Ministry of Labour and Social Affairs recommends that companies follow the German IÖW’s (Institute for ecological economic research) Catalog of Requirements of sustainable reporting, which highlights responsibilities to the following social issues:

- working time schemes
- payment and incentive systems

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<sup>274</sup> Cf. Interministerielles Komitee für nachhaltige Entwicklung 2003.

<sup>275</sup> Cf. BMAS 2009: 9.

<sup>276</sup> Cf. BMAS (n.d.).

- education and further training
- human rights and labor rights
- equal treatment and opportunities of men and women
- safety at work and maintenance of sanitary conditions.<sup>277</sup>

As mentioned above, the German ‘National Strategy for Sustainable Development’ does not provide precise suggestions for CSR actions but some requirements for corporations could be noticed:

- lifelong education (p. 268)
- advocate against social exclusion (p.31)
- compatibility of work and family and provide possibilities for full-time child care (p. 123)
- seniority and gainful employment of senior employees creation of better employment possibilities for senior employees (p. 254-258)
- cooperation with employees (p.284) and appraisal interviews (p.286)
- creation of innovative working conditions (p. 284 et seqq.)<sup>278</sup>

#### 3.1.5.3.2 France

Starting with the ‘bilan social’, which is all about labor related issues, the French emphasis on the social pillar of CSR will be described next and in doing so crossovers with the economic pillar may occur. Because of the 134 measures and indicators of the French ‘bilan social’ the following is an abstract. According to the ‘bilan social’ the following issues need to be reported on:

- lay off and employment of men, women and disabled
- amount and hierarchy of pay
- health and safety and expenditures and expenses to ensure safety
- working conditions and expenditures for better working conditions
- vocational or advanced training in house, leave for employees education, apprenticeship
- labor relations
- further living conditions enhanced by companies (social security contributions, and so forth)<sup>279</sup>

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<sup>277</sup> Cf. Loew/Ankele/Braun/Clausen 2004: 15 et seq.

<sup>278</sup> Cf. Bundesregierung (n.d.).

According to the NRE (Article 116) French companies are demanded to report on the following issues which are referred to as social issues:

- working conditions
- equity in workforce
- employee - management relations and collective agreements
- health, hygiene and safety conditions
- employee training and education
- community and charity work<sup>280</sup>

When it comes to France's national sustainable development strategy, corporations are directly addressed and demanded voluntarily address social issues of:

- lifelong education (p.49)
- enhancing family-friendly working conditions (p.49)
- occupational integration of the disabled (p.50)
- equal treatment of men and women (p.51)<sup>281</sup>

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<sup>279</sup> Cf. Urminsky (n.d.): Public policy, reporting and disclosure of employment and labour information by multinational enterprises (MNEs). Working Paper No. 99. 9. [http://www.ilo.org/wcmsp5/groups/public/---ed\\_emp/---emp\\_ent/documents/publication/wcms\\_100990.pdf](http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/publication/wcms_100990.pdf) [access: 11/05/09] and Legifrance 1977.

<sup>280</sup> Cf. Hoffmann 2005: 20. and ORSE 2001. and Haribey 2009: 40.

<sup>281</sup> Cf. Interministerielles Komitee für nachhaltige Entwicklung 2003.

## **3.2 CSR IN EAST ASIAN COUNTRIES**

### **3.2.1 CLASSIFICATION OF EAST ASIAN COUNTRIES**

Before continuing on, a definition of the indications of East-Asia is necessary as well. What is to be understood as East Asia?

There is an argument which claims that East Asia as a region is an invention of the Europeans, which was only meant to describe the geographical region but did not pay much attention to the region as one with a specific cultural, economic and political originality. Wang Hui, one of the Chinese intellectuals who concerns himself with the problem of defining East Asia, defines East Asia as the opposite to Europe. He notes that the domination of East Asia is a rather negative one in that region itself, due to history. That is something that needed to be pointed out before using the description of East Asia as a matter of course. Clearly the most important countries of the geographical region of East Asia are Japan, China and Democratic People's Republic of Korea (North Korea) and Republic of Korea (South Korea). The definition of East Asia today is more used as a subscription for a geographical region and with specific cultural determinants. Also scientific institutes, which are engaged with the countries Japan, China (including the Hong Kong S.A.R. and Macau S.A.R., Taiwan) and North and South Korea are called 'Institutes of East Asian science'. East Asia has become the concluding description for those countries, despite all the controversy that this term incorporates.<sup>282</sup> For this paper the focus will be on Japan and South Korea as example countries for the East Asian region.

### **3.2.2 OVERVIEW: CSR IN EAST ASIAN COUNTRIES**

In the region of East Asia there has been a long history of corporate-community relations, even long before the concept of CSR appeared on the agenda. Now as this chapter alludes to East Asia, the following has to be considered with the notice that there is no information concerning this matter for North Korea available in English. In China CSR was noticed in the last five years especially after boycotts of Chinese products by consumers overseas. However, in general it can be noticed that, obeying to social and environmental standards is still little within Chinese corporations' awareness but the concept of CSR is one of slightly increasing

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<sup>282</sup> Cf. Weigelin-Schwiedrzik 2007: Ist Ostasien eine europäische Erfindung? Anmerkungen zu einem Artikel von Wang Hui. In: Linhart S. et al. (eds.): Ostasien im 20. Jahrhundert. Geschichte und Gesellschaft. Wien: Verein für Geschichte und Sozialkunde & Promedia Verlag. 9-21.

attention.<sup>283</sup> The Japanese ‘keiretsu’ (their characteristic is the cross-owned stocks among affiliate groups) and the South Korean ‘chaebol’, which are conglomerates run within family ties also have a long history of responsible business behavior with certain focuses. This long engagement in corporate-community relationships in East Asia is grounded in the teachings of Confucianism and the concept of harmony. Confucianism is supposed to have influence on ethics, the special emphasis on education, also consensus decision making, and the work ethic as well as the management style in East Asia.<sup>284</sup>

For the development and gain of importance of CSR in East Asia, the different periods of business and especially the change from the so called ‘miracle year’ (~1965-1996) to the crisis in 1997 had a grand impact on business and CSR practice. During the years of the Asian miracle, corporations only focused on CSR strategic concerning social development issues. Especially themes like human rights and workforce issues were addressed by corporations and that mostly through government enforcement. Governments and business entities had always practiced a close relationship with mutual influence, which still has not changed that tremendously to date. As far as corporations were concerned, they engaged in philanthropic giving and support to communities, of which mostly the CSR were composed of. Actions in the area of CSR were summary and the main concern for corporations was to fulfill their duty in generating profit and to press ahead with development.<sup>285</sup>

However, things changed when, in 1997, the Asian economic crisis began and along with increasing globalization, the demand for CSR increased as well especially among corporations with international business relations. The crisis not only caused the demand for companies to engage in CSR behavior but also caused legal regulations especially to get the huge problem of corruption as well as the lack of transparency under control. Andrew Crane et al. also observed that “in most developed countries we have specific domestic CSR issues that shape the debate in the respective context. For instance, many European countries see CSR specifically with regard to the protection of the natural environment, while the CSR

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<sup>283</sup> Cf. Chen 1995: *Asian Management Systems. Chinese, Japanese and Korean Styles of Business*. London, New York: Routledge. 170. and Lübcke/Ruth/Yim 2007: *Corporate Social Responsibility “Made in China”*. Eine explorative Studie zur Bedeutung arbeitspolitischer Dimensionen für die gesellschaftliche Verantwortung deutscher und koreanischer multinationaler Konzerne in China. Arbeitspapiere Nr. 60. 33-36. [http://www.csr-weltweit.de/uploads/tx\\_jdownloads/CSR-Korea\\_CHINA\\_Uni-Bremen\\_AP\\_60.pdf](http://www.csr-weltweit.de/uploads/tx_jdownloads/CSR-Korea_CHINA_Uni-Bremen_AP_60.pdf) [access: 06/12/09]

<sup>284</sup> Cf. Gonzalez 2005: *Is there room for more Social Responsibility in Asia’s business and economic turnaround?* In: *Asia Pacific Perspectives*, Vol. 5, No.2. 1-6. <http://www.pacificrim.usfca.edu/research/perspectives> [access: 06/12/09] and Crane/Matten/Dirk/Spence 2008a: 13 et seq. and APEC 2005: *Corporate Social Responsibility in the APEC Region. Current Status and Implications*. 1-4. [http://www.apec.org/apec/publications/MedialibDownload.v1.html?url=/etc/medialib/apec\\_media\\_library/downloads/workinggroups/hrdwg/pubs/2006.Par.0006.File.v1.1](http://www.apec.org/apec/publications/MedialibDownload.v1.html?url=/etc/medialib/apec_media_library/downloads/workinggroups/hrdwg/pubs/2006.Par.0006.File.v1.1) [access: 05/14/09] and Chen 1995: 25.

<sup>285</sup> Cf. Gonzalez 2005: 1-6. and Crane/Matten/Dirk/Spence 2008a: 13 et seq. and APEC 2005: 1-4.

debate in Far East prominently features issues of corporate governance and transparency in large conglomerates.”<sup>286</sup>

Now in times of the Asian economic crises and after that in East Asia state intervention through legally demanding CSR by passing bills on CSR issues increased but also the pressure on corporations increased, as the fast development did not benefit the whole society but only a minimal segment of society. Through the crisis, a more intensive cooperation of government, corporations and society was necessary in order to deal with misbehavior in business. In order to get back on the glory path of development, it became necessary for companies to start doing more than just philanthropic giving and paying taxes to governments as part of their supposed CSR actions.<sup>287</sup>

### 3.2.2.1 Definition of CSR by the Aisa-Pacific Economic Corporation

“Corporate Social Responsibility (CSR) is a concept whereby organisations voluntarily adopt interests of the communities in which they operate. It is a commitment by businesses to contribute to sustainable economic development by working with employers, their families, the local community and society at large to improve lives in ways that are good for business and development. Priorities adopted by corporations are determined through ethical reasoning, rather than legal requirements and CSR initiatives might include social development, corporate governance and environmental protection.”<sup>288</sup>

As for the Western European countries, the initiatives of the European Commission in terms of CSR are very important and have a huge impact on the understanding demanding and practice of CSR in member countries, a closer look at the Asia-Pacific Economic Corporation (APEC) is necessary to see if there are any guidelines provided for countries and corporations in that region. APEC and the European Union differ from each other in the institutional sense but APEC is still the relevant organization because all East Asian countries, with the exception of North Korea, are members. “Corporate social responsibility (CSR) strikes a resonant chord in APEC”<sup>289</sup> claims APEC on the first page of their paper of ‘current status and implication of CSR. In APEC, CSR is more referred to as a way of risk management which got especially important and popular since the economic crises in 1997. With

<sup>286</sup> Crane/Matten/Dirk/Spence 2008a: 14.

<sup>287</sup> Cf. Gonzalez 2005: 1-6. and Crane/Matten/Spence 2008a: 13 et seq. and APEC 2005: 1-4.

<sup>288</sup> APEC (2009). Fact Sheet CSR. [http://www.apec.org/apec/news\\_media/fact\\_sheets/csr.html](http://www.apec.org/apec/news_media/fact_sheets/csr.html) [access: 11/17/09]

<sup>289</sup> APEC 2005: 1.

stakeholder interests in consideration, risk management became mostly linked with CSR behavior of globally acting companies. APEC also claims that emphasis on CSR at all and special emphasis on certain areas of CSR practice, differ widely among APEC member countries which also is the reason that the outcome asks for ‘open-mindedness’.<sup>290</sup>

However unlike the Green Paper provided by the European Union on CSR, APEC notes that “there are no commonly agreed guidelines, standards or benchmarks for CSR (in the APEC region or beyond) and this results in variable, often ad hoc behavior by companies attempting to introduce CSR.”<sup>291</sup> The ISO certification and the Global Reporting Initiative guidelines will soon become more and more important as a replacement for missing APEC guidelines in East Asian region. Nevertheless, APEC clearly points out that CSR needs to be about more than philanthropic activities and the obedience of the law and even if there are no guidelines, they provide six themes that CSR should focus on, namely Corporate Governance, human resource management, regulatory compliance, environmental stewardship, community outreach and investment and human rights.

CSR has been introduced to East Asia as a kind of “cure-all” and has been gaining tremendously in importance specific guidelines for that region remain more or less missing. In addition especially international operating corporations seem to take CSR very serious but there is still a lot of improvement necessary. For detailed examination and in order to be able to compare Western European countries and East Asian countries with each other the two countries that have been picked out for further examination on behalf of East Asia are South Korea and Japan.<sup>292</sup>

### **3.2.3 CSR IN JAPAN**

#### **3.2.3.1 History and Context of CSR in Japan**

In Japan’s economic culture, the goal of all embracing harmony between corporations, environment and society is significant. Corporate decisions usually are an output of lengthy consulting processes with employees and also stakeholder from outside the company. Teamwork has always been important in Japan and corporate responsible behavior had existed in Japan in a different way already before the concept of CSR entered Japan. In order

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<sup>290</sup> Cf. APEC 2005: 1.

<sup>291</sup> Ibidem: 2.

<sup>292</sup> Cf. Ibidem: 2 et seq.



to increase positive output for the company, the integration and involving of stakeholders has been a day to day practice. Confucian teachings lead to an interpretation that companies need to behave like ‘good corporate citizens’, which lead to the early socially responsible attitudes of Korean and Japanese companies starting in 15<sup>th</sup> century. Japanese corporations realize their responsibilities to their permanent employees and therefore offer them subsidies for their apartments, take over their social security payments or provide child care and recreational activities, but they also expect their loyalty, which is shown through long hours or waiving leave, in return.<sup>293</sup>

Initiatives like life-long employment, which did not concern women, seniority promotion and the seniority pay system, and benefits programs as well as company unions, mark the cornerstones of Japanese corporation management. In Japanese society, the workplace displays the most important part in live for the individual. Even if nowadays, life-long employment is not that important, more and more employees have flexible labor regulations and wages based on performance not on sonority. Still, society expects more from a company than just the provision of goods and services. The actual activities corporations engaged in were mainly philanthropic initiatives at first.<sup>294</sup>

In 1960s, during Japans industrial take off the country suffered from severe pollution problems, and the lack of resources became an issue. In the 1980s, the demand for more corporate responsible behavior occurred regularly in Japan but increased in 1990s with the economic crisis and the following numerous bankruptcies in Japan. In 1999, the first eco-funds were implemented, and the concept of CSR had spread all over Japan. Beginning in 2003, CSR had become one major aspect of corporations’ behavior in Japan, wherein multinationals have the leading position. But more and more Corporations are involved in CSR measures.<sup>295</sup>

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<sup>293</sup> Cf. Skruzmane 2005: Globalization’s New Face – Corporate Social Responsibility. 1, 4, 7. [http://www.jftc.or.jp/english/discourse/data/second\\_1.pdf](http://www.jftc.or.jp/english/discourse/data/second_1.pdf) [access: 10/30/09] and Széll 2006: 32 et seq; 44. and CSR Weltweit 2009a: Japan. <http://www.csr-weltweit.de/laenderprofile/profil/japan/index.html> [access: 11/02/09] and Choi/Aquilera 2008: Corporate Social Responsibility Dynamics in South Korea and Japan: A Comparative Analysis. 14 et seq. [http://www.business.illinois.edu/aguilera/pdf/Choi\\_Aguilera\\_2008\\_final.doc](http://www.business.illinois.edu/aguilera/pdf/Choi_Aguilera_2008_final.doc) [access: 11/05/09]

<sup>294</sup> Cf. Skruzmane 2005: 1, 4, 7. and Széll 2006: 32 et seq; 44. and CSR Weltweit 2009a. and Choi/Aquilera 2008: 14 et seq.

<sup>295</sup> Cf. Kawamura 2003: Japanese Companies Launch New Era of CSR Management in 2003. 1. <http://www.nli-research.co.jp/english/socioeconomics/2003/li030806.pdf> [access: 10/30/09] and Skruzmane 2005: 5. and Yamada 2006: Corporate Social Responsibility in Japan – Focused on Environmental Communication. In: Széll G. (ed.): Labour, Education & Society. Corporate Social Responsibility in the EU & Japan. Frankfurt a. M.: Peter Lang. 348 et seq.

Lauma Skruzmane clarifies that “Mid-way through the first decade of the 21<sup>st</sup> century, with the increasing eminence of CSR on the corporate agendas, the Japanese companies are finding themselves confronted with systematically organizing a concept that they are familiar with but on which they had not placed an explicit label as the West has done. Instead it has been observed that Japanese companies are more prone to use cultural mechanisms such as philosophy and guiding principles to address such issues.”<sup>296</sup>

Japan’s largest companies have substantial influence in politics. Through the political dedication of some companies as well as through the Nippon Keidanren (Japan Business Federation)<sup>297</sup> and the Keizai Doyukai (Japan Association of Corporate Executives),<sup>298</sup> corporations play an essential role in politics but there has always been a division of power between state and companies.

The important role of big Japanese corporations known as keiretsu is, ground in the fact that they took on the leading role in making Japan one of the world leading economies. The state and corporations maintain their close connection but still there is little interference in corporations’ affairs. Instead of direct intervention in business affairs by law, the state follows the path of ‘administrative guidance’. In the rare case that Japanese government actually provides for initiatives and guidelines in CSR, they obtain the opinion of ‘industry first.’<sup>299</sup> “As a result, most of the state’s guidance has not exceeded the expectation and control of firms. For example, Keidanren (Japanese Business Federation) closely collaborates with METI (Ministry of Economy, Trade and Industry) and MOE (Ministry of Environment) in developing CSR schemes.”<sup>300</sup>

Japanese trade unions, which are organized on company or factory level, have not had much say in Japan’s economy in comparison with those in Europe. These ‘enterprise unions’, which maintain steady relations with companies, unite employees of only one single enterprise and not like it is the case in Germany workers of a whole industry. ‘Enterprise unions’ are an instrument of providing information about management decision for the workers. For the fact that they only operate within one enterprise they don’t have much power to engage in a round of collective bargaining like it is common in Germany.<sup>301</sup>

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<sup>296</sup> Skuzmane 2005: 8.

<sup>297</sup> For further information visit Website of: Nippon Keidanren. <http://www.keidanren.or.jp/index.html> [access: 11/12/09]

<sup>298</sup> For further information visit Website of: Keizai Doyukai. <http://www.doyukai.or.jp/en/> [access: 11/12/09]

<sup>299</sup> Cf. Choi/Aguilera 2008: 15 et seqq. and CSR Weltweit 2009a.

<sup>300</sup> Choi/Aguilera 2008: 16.

<sup>301</sup> Cf. Choi/Aguilera 2008: 21 et seq. and CSR Weltweit 2009a.

In Japan, there is no legal demand for corporations to engage in CSR activities or reporting. Even that there is no law for governing corporations CSR activities the ‘Law to Promote Specified Non-Profit Activities’<sup>302</sup> of 1988 should disburden corporations CSR commitment and push CSR behavior. Other than basic laws, there are few special laws which govern CSR issues like the ‘Law on Securing, Etc. of Equal Opportunity and Treatment between Men and Women in Employment’<sup>303</sup> of 1972 and especially mandatory environmental responsible acting.

CSR reporting is carried out on a voluntary basis and as there are no governmental guidelines the Global Reporting Initiative has more significance in Japan than in other countries. The Global Compact on the other hand plays a lesser role, as does the OECD Guidelines for Multinationals. A decisive role play international environmental standards like the ISO 14001 certifications, which Japan already joined in 1952. No other country has as many ISO 14001 certifications than Japan. The CSR Standards Committee, which was launched by the Ministry of Economy, Trade and Industry deals with the coordination of ISO standards and at the same time does research for different ways of Japanese CSR. As for now, the ISO standards are the CSR framework Japan government works with but more individualization depending on Japans specific culture is aspired.<sup>304</sup>

Japan does not follow a national strategy for CSR and there is no particular Ministry assigned to the theme of CSR in Japan but the ‘Ministry of the Environment’<sup>305</sup> is becoming increasingly involved. For that reason, the Nippon Keidanren and the Keizai Doyukai did not want to leave the field of CSR to different actors and ISO certifications, and they took it upon themselves to make CSR codes and guidelines public. Starting in 1991 the Nippon Keidanren published the “Charter of Corporate Behaviour”. This Charter was renewed in 2004 and additionally a ‘Commission of Enquiry for Social Responsible Business Management’ was created in 2003. Also, the affiliate of Nippon Keidanren, the ‘Council for Better Corporate

<sup>302</sup> For further information visit: JCIE 1998: Law to Promote Specified Nonprofit Activities of 1998. [http://www.jcie.or.jp/civilnet/monitor/npo\\_law.pdf](http://www.jcie.or.jp/civilnet/monitor/npo_law.pdf) [access: 11/12/09]

<sup>303</sup> For further information visit: The Japan Institute of Labour 2001: Law on Securing, Etc. of Equal Opportunity and Treatment between Men and Women in Employment. Law No. 113 of July 1. 1972. [http://www.jil.go.jp/english/laborinfo/library/documents/llj\\_law4.pdf](http://www.jil.go.jp/english/laborinfo/library/documents/llj_law4.pdf) [access: 11/11/09]

<sup>304</sup> Cf. CSR Weltweit 2009a. and Skruzmane 2005: 7. and Kawamura 2003: 6 et seq. and Zaman 2003: Made in Japan. Converging Trends in Corporate Responsibility and Corporate Governance. Report of Research Findings. 22. [http://se2.isn.ch/serviceengine/Files/EINIRAS/23728/ipublicationdocument\\_singledocument/C251BFBD-78C9-4BBB-A910-DEFF91B3CFD1/en/073-Made\\_in\\_Japan.pdf](http://se2.isn.ch/serviceengine/Files/EINIRAS/23728/ipublicationdocument_singledocument/C251BFBD-78C9-4BBB-A910-DEFF91B3CFD1/en/073-Made_in_Japan.pdf) [access: 10/30/09]

<sup>305</sup> For further information visit Website of: Ministry of the Environment: <http://www.env.go.jp/en/> [access: 11/12/09]

Citizenship' (CBBC)<sup>306</sup> formed a research group for CSR of multinationals. The second very active part in the field of CSR in Japan took over the Keizai Doyukai which published the "21<sup>st</sup> Century Declaration" in 2000. In the annually published 'Corporate White Paper', in which the Keizai Doyukai evaluation standards for CSR are issued, which do not only cover the three pillars of the triple-bottom line but contain four areas, namely the 'market', 'environment', 'people' and 'society'. Basically this division does not differ much from the economic – environment – social one. The 'market' area addresses the economic pillar which includes the customers and shareholders as well as suppliers and also business rivals as stakeholder. The area of the 'environment' is the same. The specific areas of 'people', whose stakeholders are the employees and human resources, and 'society', with the local as well as the global community and the civil society as stakeholders, address the social pillar of triple-bottom line. The Keizai Doyukai puts great emphasis on building Corporate Governance and diplomatic relations with U.S. and East Asia based on market economy and sound market development so that the actual issues and initiatives, which address the corporations get a raw deal. Other than that several industry associations set up their own set of values and started initiatives concerning CSR.<sup>307</sup>

Nowadays, CSR in Japan is more a matter of environmental protection, energy efficiency, work relations, labor issues and issues like food safety and prevention of corruption and human rights also become more and more important. On the other hand the philanthropic commitment of Japans corporations nowadays is marginal. The main issues CSR in Japan addresses affect Japan society directly and issues like equality and non discrimination don't attract a great deal of attention. The concept of Social Responsible Investment (SRI) does not get that much attention yet as well.<sup>308</sup> Masahiko Kawamura highlights that "[m]ost major companies in Japan have introduced environmental management systems and enhanced their environmental disclosure. However, companies have failed to address the diverse areas of

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<sup>306</sup> For further information visit Website of: CBCC: <http://www.keidanren.or.jp/CBCC/english/profile/index.html> [access: 09/12/09]

<sup>307</sup> Cf. Keizai Doyukai 2003: "Market Evolution" and CSR Management. Toward Building Trust and Creating Sustainable Stakeholder Value. The 15<sup>th</sup> Corporate White Paper. 17-20. [http://www.doyukai.or.jp/en/policyproposals/articles/pdf/030326\\_1.pdf](http://www.doyukai.or.jp/en/policyproposals/articles/pdf/030326_1.pdf) [access: 11/02/09] and Keizai Doyukai 2000: 21<sup>st</sup> Century Declaration. 12/25/00 <http://www.doyukai.or.jp/en/policyproposals/articles/001225.html#2> [access: 11/02/09] and Keizai Doyukai 2004: Corporate Social Responsibility (CSR) in Japan. Current Status and Future Challenges. CSR Survey 2003. 1 et seq. <http://www.doyukai.or.jp/en/policyproposals/articles/pdf/040116.pdf> [access: 10/30/09] and Kawamura 2003: 5 et seq. and CSR Weltweit 2009a.

<sup>308</sup> Cf. Skruzmane 200: 1, 8. and CSR Weltweit 2009a. and Zaman 2003: 3. and Choi/Aguilera 2008: 18 et seqq. and Ishikawa 2006: Changing Patterns of Corporate Social Responsibility in Japan. In: Széll G. (ed.): Labour, Education & Society. Corporate Social Responsibility in the EU & Japan. Frankfurt a. M.: Peter Lang. 278.

social and ethical disclosure in an integrated manner. Indeed, the very concept of social disclosure is really new to them.”<sup>309</sup>

According to a survey of the Ministry of Environment, 90% of Japanese corporations focus on environmental reporting which leaves 10% of companies focusing on social reporting. Consequently, the requirement for corporate management in Japan is to enlarge their focus on all three areas of the triple-bottom line, starting with increasing transparency and accountability. But then Japan is one of the leading countries in providing the rest of the world with energy and resource saving, as well as environmental protecting technology and know-how and as the market for environmental friendly goods is steadily growing Japan's CSR focus on the environmental area will most likely sustain. The same is true of the increasing focus on work relations and labor issues. According to Akihiro Ishikawa the majority of Japanese workers work long hours of intensive work which leads to a growing rate of workers with mental and physical illness, declining birth rates and also death and even suicide.<sup>310</sup>

### **3.2.3.2 National strategy for Sustainable Development**

It is important to forget the ‘Environmental Reporting Publication Guidelines’ of 1997 released by The Ministry of the Environment. In 2007, these guidelines were renewed and the amendment ‘Environmental Reporting Guidelines – Toward a sustainable society’ to include CSR indicators, which basically follow the OECD Guidelines for Multinationals and also reflects input from the Global Reporting Initiative. These Guidelines can be used by corporations on voluntary bases. As the title already gives away the Japanese national sustainable development strategy mostly contains of environmental issues and CSR as a whole is rarely mentioned.<sup>311</sup>

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<sup>309</sup> Kawamura 2003: 10.

<sup>310</sup> Cf. Kawamura 2003: 10 et seq. and Skruzmane 2005: 3, 7. and Zaman 2003: 17. and Ishikawa 2006: 280.

<sup>311</sup> Cf. BMAS 2008. 30 et seq.

### 3.2.3.3 Japanese definition of CSR

In 1973, the Japanese Chamber of Commerce and Industry defined CSR in the following way: “Corporate social responsibility is for industrial circles and corporations to take the initiative for voluntary action toward cleaning Japanese land by liquidating pollution and taking back clean sky and water, recovering scattered wastes for recycling, and saving energy and resources.”<sup>312</sup> Considering this very different definition of CSR it is not surprising why environmental protection has become every corporation’s main focus except for the fact that Japan is running low on resources and facing severe environmental problems.<sup>313</sup>

Even though the Ministry of the Environment is the one government department concerned with CSR, it does not provide a definition for what CSR is (at least not in English). The Nippon Keidanren and the Keizai Doyukai are indeed the two leading organizations in CSR in Japan but even they don’t provide a definition for CSR or anything that would come close.<sup>314</sup>

### 3.2.3.4 Problematic aspects for CSR in Japan

CSR in Japan is facing some problems, although not to the same extent as France does.

On one side there is the language problem. Most of the information about CSR is available in English and there is little literature on CSR in Japanese language, which automatically confines the diffusion of the concept as well as leads to fewer public knowledge of CSR.

Besides the language barrier, the Japanese culture has great influence in business behavior. There are subjects regarded as unethical that are of no further concern in western culture and the other way around. Because of different values and the strong emphasis on loyalty in Japan, the setting of priorities in CSR and the adopting and implementing of guidelines in Asia differs from those in Europe or the United States.

There is another problematic aspect, which refers to the understanding of the term ‘responsibility’. Due to history and severe environmental problems the term of ‘responsibility’ usually was understood as ‘anti-pollution’ by Japanese corporations. This started the specific engagement in environmental issues.<sup>315</sup> Nowadays, this meaning still is in effect but in a different way namely “internal management concerned with both personnel and

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<sup>312</sup> Ishikawa 2006: 277.

<sup>313</sup> Cf. Keizai Doyukai 2008: Creating a New Style of Japanese Management. 8. [http://www.doyukai.or.jp/en/policyproposals/articles/pdf/080702a\\_english.pdf](http://www.doyukai.or.jp/en/policyproposals/articles/pdf/080702a_english.pdf) [access: 11/02/09]

<sup>314</sup> Cf. Ishikawa 2006: 277.

<sup>315</sup> Cf. Tanimoto/Suzuki 2005: Corporate Social Responsibility in Japan: Analyzing the Participating Companies in Global Reporting Initiative. 5 et seq. <http://swopec.hhs.se/eijswp/papers/eijswp0208.pdf> [access: 10/30/09] and Zaman 2003: 19. and Yamada 2006: 348 et seq.

workplace safety is an indispensable precondition of pollution control and better external management.”<sup>316</sup>

### 3.2.3.5 Excursus: *kyosei*

The Harvard Business Review on Corporate Social Responsibility outlines that there is a very different approach to corporate social behavior in Japan other than CSR, which is especially promoted through Ryuzaburo Kaku, the honorary chairman of Canon (Japanese company of technology).<sup>317</sup> His suggestion is for companies to consider *kyosei*, “spirit of cooperation”,<sup>318</sup> as he defines it, as the ideal way where individuals, corporations and organizations all contribute to the ‘common good’. The approach of the common good is very close to the stakeholder approach but it is grounded in a deep philosophical basis. The basic expectation of the common good approach is, that business contributes to society not only through value creation and products but also through contributions of the social well-being and the ensuring of good relations with environment and society and all stakeholders in harmony.

There are five stages in the concept of *kyosei*. In the first stage, corporations have to assure profits and position themselves in the market. In the second stage, the teamwork of management and employees is addressed. It is important that employees are treated as a real part of the company. In only this way can a corporation’s success be guaranteed. In the third stage, the company goes beyond the company level and teams up with customers, community, suppliers and also rivals. The following fourth stage demands that the company go one step further and go beyond the national level to address some global imbalances in. In the fifth stage, companies demand that the government address global imbalances and to eliminate them. Where the fifth stage is concerned, even Kaku Ryuzaburo points out that hardly a company can or ever has achieved that goal. Of course, the concept of *kyosei* also has to face critics for being too idealistic but it still is an interesting approach towards CSR and very much represents the Japanese spirit of harmony.<sup>319</sup>

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<sup>316</sup> Yamada 2006:348 et seq.

<sup>317</sup> For further information visit: Canon 2009: Canon’s Corporate Philosophy of *Kyosei*. <http://www.canon.com/about/philosophy/> [access: 11/12/09]

<sup>318</sup> Kaku 2003: The Path of *Kyosei*. In: Harvard Business Review on Corporate Responsibility. Boston: Harvard Business School Press. 105.

<sup>319</sup> Cf. Kaku 2003: 105-129. and Garriga/Melé 2008: Corporate Social Responsibility Theories: Mapping The Territory. In: Crane A. et al. (eds.): Corporate Social Responsibility. Readings and cases in a global context. London, New York: Routledge. 93.

### 3.2.4 CSR IN REPUBLIC OF KOREA (SOUTH KOREA)

#### 3.2.4.1 History and Context of CSR in South Korea

South Korea, one of the fastest growing economies in the world has always had historic influence on corporate management behavior, like Confucianism and also influence from the side of Japan, as South Korea was a colony of Japan from 1910 until 1945. In South Korea, management aims for ‘harmony in leadership’ and paying regard to cultural values shows some similarities to Japans aim for ‘all embracing harmony.’<sup>320</sup>

It was not until after the financial crisis in 1997 which had a devastating impact on Korean business and above all on chaebol of which numerous went bankrupt, that the concept of CSR really started to spread in South Korea. Since then, the South Korean contribution toward the triple bottom line focuses more on the social area, whereas in Japan the focus clearly is on the economic and environmental area as pointed out above.

It was the crisis that led to a change in behavior of stakeholders, lifetime employment became less important and the fight against corruption was top priority. Consumers and the government started to demand CSR behavior of corporations to assure safe products in good quality and to stimulate economic development. Nowadays, according to studies by the ‘Federation of Korean Industry (FKI)’ 75% of the biggest Korean corporations were engaged in CSR-Projects of which 87% claim that CSR is a necessary part in corporations’ actions in 2006.<sup>321</sup>

After the crisis South Korean corporations had to rebuild their reputation and therefore focused on CSR, adopted Code of Conducts and became deeply involved in donating and corporate giving. As the South Korean focus on CSR lies in the social area (through donations) there is less development in other areas of CSR recognizable. Choi and Aguilera provide the reason therefore: “Usually, firms do not make follow-up efforts after donations, as they would need to with other CSR activities such as community involvement and social contribution. Large donations can easily draw the attention of media and give the public a favorable impression. (...) Many Korean companies simply think of CSR as the extension of social contribution and community involvement.”<sup>322</sup> Besides the focus on rebuilding reputation by donations, it is only the big, internationally active corporations with clear

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<sup>320</sup> Cf. Lübcke/Ruth/Yim 2007: 32 et seq. and Chen 1995: 213, 217 et seq. and Choi/Aguilera 2008: 3, 6 et seq. 10 et seq. and CSR Weltweit 2009b: Republik Korea. <http://www.csr-weltweit.de/laenderprofile/profil/republik-korea/index.html> [access: 11/02/09]

<sup>321</sup> Cf. Lübcke/Ruth/Yim 2007: 32 et seq. and Chen 1995: 213, 217 et seq. and Choi/Aguilera 2008: 3, 6 et seq; 10 et seq. and CSR Weltweit 2009b.

<sup>322</sup> Choi/Aguilera 2008: 10.



influence on environment through their business like for instance oil or electrics which voluntarily engage in CSR activities. What is questionable is to what extent SMEs are engaged in CSR activities as there is not much information available on that.<sup>323</sup>

The South Korean business environment is characterized by paternalistic control, with decisions made from the top-down, employee loyalty, flexible lifelong employment, seniority-based wages, frequent change of workplaces and the chaebol (similar to the Japanese keiretsu) – business conglomerates, with high power and influence in state and politics.<sup>324</sup>

In South Korea, the government and corporations have kept a close relationship in order to pursue development. Chaebol are the key to South Korea's fast industrialization and combined with government direction and guidance, South Korea pursued the profitable path of development. After the crisis in 1997, the blame was on the chaebol and government started to take on more regulations and intervention in business. Market reforms and reformation of chaebol was the government's goal in order to get back on the road to success. South Korean government started to focus on CSR activities and the 'Ministry of Knowledge Economy'<sup>325</sup> and the 'Ministry of Environment'<sup>326</sup> began to promote economic and environmental sustainability.<sup>327</sup>

Kim Sung-ho, a former Minister for Health and Welfare in Korea forecasted the rising importance of social enterprises in South Korea's CSR activities in the Korean Herald from March 24<sup>th</sup> 2009. In his eyes, the concept of "one business-one social enterprise"<sup>328</sup> is the only way for South Korea to overcome the crisis. Samsung Group, for instance, joined the "one business-one social enterprise"<sup>329</sup> campaign. In order to speed up the creation of 'social enterprises,' which, at the base, should provide employment and social services, they are supported by government and through tax benefits. As of now, there are about 200 social enterprises in Korea which engage in CSR out of expected value and reputation gain. Therefore, even the theme of CSR is gaining in importance and the government strongly

<sup>323</sup> Cf. Choi/Aguilera 2008: 9 et seqq.

<sup>324</sup> Cf. Lübcke/Ruth/Yim 2007: 32 et seq. and Chen 1995: 213, 217 et seq. and Choi/Aguilera 2008: 3, 6 et seq ; 10 et seq. and CSR Weltweit 2009b.

<sup>325</sup> For further information visit: MKE (n.d.): Industry policies. <http://www.mke.go.kr/language/eng/policy/Ipolicies.jsp> [access: 11/17/09]

<sup>326</sup> For further information visit Website of: MEV. <http://eng.me.go.kr/main.do> [access: 11/17/09]

<sup>327</sup> Cf. Choi/Aguilera 2008: 7 et seqq; 14. and CSR Weltweit 2009b. and Lübcke/Ruth/Yim 2007: 47 et seqq. and Chung/Hwang 2006: The Korean National Strategy for Sustainable Development. A Background Report. 3 et seqq. [http://www.pcsd.go.kr/sd/nssd/backgroundReport\\_Dec2006.pdf](http://www.pcsd.go.kr/sd/nssd/backgroundReport_Dec2006.pdf) [access: 11/17/09] and FKI 1999: Charters. 02/11/99 <http://www.fki.or.kr/en/About/Charter1.aspx> [access: 11/17/09]

<sup>328</sup> Hyo-liim 2009: Innovative welfare plan proposed. In: The Korea Herald. The Nation's No. 1 English Newspaper. 03/24/2009. [http://www.koreaherald.co.kr/NEWKHSITE/data/html\\_dir/2009/03/24/200903240039.asp](http://www.koreaherald.co.kr/NEWKHSITE/data/html_dir/2009/03/24/200903240039.asp) [access: 10/30/09]

<sup>329</sup> Ibidem.

promotes ‘social enterprises’. It seems that SMEs are left behind. In 2007, the ‘Social Enterprise Promotion Act’<sup>330</sup> was passed, which tasks enterprises with job creation and social service obligations for the socially disadvantaged beyond the overall obligation of the production and advertisement goods and services.<sup>331</sup>

Other than that, South Korean corporations have to follow a broad set of laws mostly dealing with employment issues and worker rights, which also accompanies the ILO Labor Standards and which already cover parts of CSR areas. Furthermore the “Trade Union and Labor Relations Adjustment Act”<sup>332</sup> from 1997, the “Labor Relations Commission Act”<sup>333</sup> from 1997, as well as the “Labor Standards Act”<sup>334</sup> from 1997 and the “Act on Equal Employment and support for work-family reconciliation”<sup>335</sup> from 2007 already demand corporate responsible behavior in the areas of fair labor practices, collective bargaining, access to trade union, non employment of children and equal rights for women and disabled and so on.<sup>336</sup>

The most engaged Institution in CSR in Korea is the ‘Federation of Korean Industries (FKI)’<sup>337</sup> which is eager to promote corporate social responsible behavior and reporting among its 487 members and mostly focuses on transparency, fair business practice, protection of consumer, environmentally friendly production and community development. Therefore the FKI passed ‘The Charter of Business Ethics’ in 1999, ‘The Charter of Korean Businesses’ Environment Friendly Management of Sustainable Development’ in 2000 and ‘FKI’s Vision and Mission’ in 2003 which all include guiding principles and issues that should be addressed by South Korean business and first of all by FKI member corporations. Numerous non-governmental organizations have picked up the promotion of sustainability and probably the most well known one is the ‘Korean Federation for Environmental Movement (KFEM)’ which created a ‘Sustainable Management Index’ in 2005. In this index, the guidelines of the ISO 14001, the Global Compact as well as the OECD Guidelines for Multinationals are

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<sup>330</sup> For further information visit: AsianLII 2008: ‘Social Enterprise Promotion Act’. 02/29/08  
<http://www.asianlii.org/kr/legis/laws/edotsepa509/> [access: 11/17/09]

<sup>331</sup> Cf. Park 2008: The Institutional Embeddedness of Social Enterprises in Welfare State Regime: The Case of South Korea. 1-4, 9-11. [http://www.welfareasia.org/5thconference/papers/Park%20C\\_social%20enterprises%20in%20welfare%20state%20regime.pdf](http://www.welfareasia.org/5thconference/papers/Park%20C_social%20enterprises%20in%20welfare%20state%20regime.pdf) [access: 11/17/09] and Hyo-lim 2009.

<sup>332</sup> For further information visit: AsianLII 1997b: ‘Trade Union and Labour Relations Adjustment Act’. 03/13/97  
<http://www.asianlii.org/kr/legis/laws/tualraa412/> [access: 11/17/09]

<sup>333</sup> For further information visit: AsianLII 1997a: ‘Labour Relations Commission Act’. 03/13/08  
<http://www.asianlii.org/kr/legis/laws/lrca287/> [access: 11/17/09]

<sup>334</sup> For further information visit: ILO NATLEX 1997: Republic of Korea: ‘Labour Standards Act’. 03/13/97  
<http://www.ilo.org/dyn/natlex/docs/WEBTEXT/46401/65062/E97KOR01.htm> [access: 11/17/09]

<sup>335</sup> For further information visit: AsianLII 1987: ‘Act on Equal Employment and support for work-family reconciliation. 04/12/87 <http://www.asianlii.org/kr/legis/laws/aoeeasfwr653/> [access: 11/17/09]

<sup>336</sup> Cf. Choi/Aguilera 2008: 7 et seqq; 14. and CSR Weltweit 2009b. and Lübcke/Ruth/Yim 2007: 47 et seqq. and Chung/Hwang 2006: 3 et seqq. and FKI 1999.

<sup>337</sup> For further information visit: FKI 1999.

connected with each other. KFEM uses that index to monitor and evaluate corporations CSR behavior.<sup>338</sup>

When it comes to sustainable reporting in South Korea, the Global Reporting Initiative is not followed by many corporations. In 2009, eleven corporations published a sustainability report according to the guidelines of GRI. In general, CSR is increasing rapidly in South Korea but when it comes to publishing reports on their responsible behavior in the areas of triple bottom line the outcome is rather scarce so far.<sup>339</sup>

Compared to Japan, South Korean working relations are more flexible. Layoffs are as common as job hopping even though the relationships within a corporation are based on the concept of loyalty. Loyalty in South Korea refers to a single person, mostly a senior, or reference group and does not include automatic loyalty for the whole corporation and the management. Nevertheless Korean employees feel very devoted to their workplace as in Japan. A key difference to Japan lies in South Korea's strong trade unions, one of the strongest one in the world actually according to OECD. Strikes are not an uncommon means to advocate for more family friendly work environment (child care, flexible working hours and so on), or better work conditions. The demand for CSR through trade unions like 'The Federation of Korean Trade Unions (FKTU)' and the 'Korean Confederation of Trade Unions (KCTU)'<sup>340</sup> is very strong. Furthermore, there are alliances of trade unions with political parties like the FKTU and the Domestic Labor Party (DLP) which increases pressure on corporations for CSR actions and initiatives but also rose fears of being influenced and lacking on democratic structure. That caused the creation of the KCTU, which was not legally recognized until 1999.<sup>341</sup>

#### **3.2.4.2 National Strategy for Sustainable Development**

In 2000 'The Presidential Commission on Sustainable Development of Republic Korea' (PCSD) was established, which provided a national strategy for sustainable development and is now in the center of coordinating CSR activities and dealing with CSR issues. In 2008, the commission was newly established and is now called 'Korean National Commission on

<sup>338</sup> Cf. Choi/Aguilera 2008: 7 et seqq; 14. and CSR Weltweit 2009b. and Lübcke/Ruth/Yim 2007: 47 et seqq. and Chung/Hwang 2006: 3 et seqq. and FKI 1999.

<sup>339</sup> Cf. GRI (n.d.). and Lübcke/Ruth/Yim 2007: 47.

<sup>340</sup> For further information visit Website of: KCTU. <http://kctu.org/> [access: 11/17/09]

<sup>341</sup> Cf. Chen 2005: 221 et seq. and Choi/Aguilera 2008: 12 et seq. and Lübcke/Ruth/Yim 2007: 50 et seq.

Sustainable Development (KNCSO).<sup>342</sup> The head of all sustainable development belongs in South Korea and therefore the national strategy on sustainable development is leading in CSR obligations and guideline provisions. The Korean National Strategy on Sustainable Development differs from those of the examined countries insofar as they do not directly address companies within the listing of actions but mention that<sup>343</sup> “companies should realize the importance of business ethics and corporate social responsibility (CSR).”<sup>344</sup>

### 3.2.4.3 South Korean definition of CSR

The Federation of Korean Industries provided a slightly different definition of CSR as it has been already shown in the three cases above: “Enterprises' CSR activities mean the harmony of corporate results and social contribution, rather than unlimited responsibility for society. It is because CSR activities are possible when corporate results can support them and social investment is necessary for sustainable growth.”<sup>345</sup> Other than that, there is no South Korean definition of CSR whatsoever (at least not in English) which might be explained through the fact, already mentioned above, that CSR is gaining in importance but still is not practiced under the description of CSR but as ‘ethical management’ as pointed out above.

### 3.2.4.4 Problematic aspect of CSR in South Korea

In Korean language mostly equates CSR with Corporate Giving and Volunteering and Sustainable Development with environmental management. Therefore in South Korea, the concept of CSR has been known for decades and was more or less practiced through donations and philanthropic giving. This may result from the fact that South Korea puts Corporate Social Responsibility mostly on the same level as ‘Corporate Giving’ including donations, sponsoring, volunteering. CSR actions within the triple-bottom-line are mostly summarized under ‘ethical management’ which sets the tracks for the focus on anti-corruption and transparency issues.<sup>346</sup>

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<sup>342</sup> For further information visit Website of: KNCSO. <http://pcsd.go.kr/eng/index.html> [access: 11/17/09]

<sup>343</sup> Cf. Choi/Aguilera 2008: 7 et seqq; 14. and CSR Weltweit 2009b. and Lübcke/Ruth/Yim 2007: 47 et seqq. and Chung/Hwang 2006: 3 et seqq. and FKI 1999.

<sup>344</sup> Cf. Chung/Hwang 2006: 37 et seq.

<sup>345</sup> FKI 2007: CEO message: CSR, indispensable condition of sustainable company. 09/11/07  
[http://www.fki.or.kr/en/message/View.aspx?content\\_id=dda50201-725a-43bf-8732-c499cde65325&cPage=1&search\\_type=1&search\\_keyword=csr](http://www.fki.or.kr/en/message/View.aspx?content_id=dda50201-725a-43bf-8732-c499cde65325&cPage=1&search_type=1&search_keyword=csr) [access: 11/17/09]

<sup>346</sup> Cf. Lübcke/Ruth/Yim 2007: 32 et seq. and Chen 1995: 213, 217 et seq. and Choi/Aguilera 2008: 3, 6 et seq. 10 et seq. and CSR Weltweit 2009b.

### 3.2.5 RESPONSIBILITIES IN TRIPLE-BOTTOM LINE AREAS

#### 3.2.5.1 Economic responsibilities

##### 3.2.5.1.1 Japan

Members of the Nippon Keidanren are, according to their ‘Charter of Corporate Behaviour’ (4<sup>th</sup> version of 2004) and the Outline of the Implementation Guidance (Version 5) for Charter of Corporate Behavior of 2007, asked to address the very accurate illustrated issues of the economic pillar:

- develop and procure ‘socially beneficial products’ that satisfy consumer needs
- provide information for and communicate with the stakeholder
- ensure protection of personal consumer information and data
- encourage fair, transparent and unobjectionable trade in a free competitive environment<sup>347</sup>
- pursue CSR behavior in cooperation with the local community, non-governmental and non-profit organizations and collaborate with government and state institutions
- support employee commitments for volunteer activities (which overlap with the social pillar)
- engage in collaborative work initiatives with the business community
- in overseas business activities the Code of Conduct must be preserved and local laws and regulations need to be observed; local customs and cultures need to be accepted; enforce and aid the obedience of social responsible behavior of local partners
- increase reliance by creating codes of conducts and reporting on CSR behavior and also demanding the same from business partner and the whole supply chain<sup>348</sup>

The Keizai Doyukai describes in the ‘21<sup>st</sup> Century Declaration’ of 2000 the following economic issues and challenges that need to be addressed by companies:

- intend to collaborate with non-profit and non-governmental organizations in an equal partnership
- collaborate with schools and local communities
- cooperate and communicate with other social institutions, society and community

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<sup>347</sup> Cf. Nippon Keidanren 2007: Outline of the Implementation Guidance (Version 5) for Charter of Corporate Behavior. 04/17/07 <http://www.keidanren.or.jp/english/policy/csr/outline.html> [access: 11/12/09] and Nippon Keidanren 2004: Charter of Corporate Behaviour, 4<sup>th</sup> version. 05/18/04 <http://www.keidanren.or.jp/english/policy/cgcb.html> [access: 11/12/09]

<sup>348</sup> Cf. Nippon Keidanren 2007. and Nippon Keidanren 2004.

- harmonize the corporation's objectives with society's expectations
- foster new technology, knowledge and innovation to be able to guarantee economic value creation and pay attention to the impact of new technologies on society and environment
- improve corporate management and promote and contribute to market evaluations
- assure free, fair and transparent corporate behavior by acting trustworthy, just and disciplined
- observing rules and standards of the market
- ensure security and promote social stability<sup>349</sup>

The 'Environmental Reporting Guidelines' of 2007 by the Japanese Ministry of the Environment actually does not directly address the economic pillar of CSR reporting but still there are some obligations that solely refer to it like:

- protect local culture and communities overseas
- fair trade
- cooperation with community, non-governmental and non-profit organizations
- obedience of laws and instruction
- promote fair, stable market competition
- anti-corruption
- protect private information of customers and consumer; adhere to intellectual property rights
- product safety and protection of consumer as well assure quality of products and services<sup>350</sup>

#### 3.2.5.1.2 South Korea

As access to the actual South Korean 'National Strategy on Sustainable Development' provided by the 'Korean National Commission on Sustainable Development' is not possible, the following issues and initiatives are generated from the background report of the National Strategy on Sustainable Development from 2006. Therefore, it might be possible that the activities addressed to tackle CSR issues lack on completeness but as the background report is very detailed itself it might not matter much. As already mentioned above, there are four

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<sup>349</sup> Cf. Keizai Doyukai 2000.

<sup>350</sup> Cf. Ministry of the Environment 2007: Environmental Reporting Guidelines – Towards a Sustainable Society. 110-112. <http://www.env.go.jp/en/policy/economy/erg2007.pdf> [access: 11/12/09]

strategies outlined in order to reach the goal of sustainable development and one strategy, namely ‘Sustainable economic growth’ addresses the economic area of the triple bottom line.<sup>351</sup>

The three main demands that address the economic area refer to promoting sustainable production and consumption. Besides numerous activities suggested and issues that should be addressed, which are basically in agreement with common ones already mentioned in the pillar of Japan, there are a couple that have not been mentioned before, like:

- creating ‘eco-industrial parks’
- introducing sustainable behavior to small and medium enterprises
- supporting and introducing environmental friendly agriculture and promoting certification of environmentally friendly agricultural products

The second demand is for the efficient and environmental preservation of energy in production and the third demand is for the change in economic society in order to adopt ‘resource circulation’ through for example:

- promoting price stabilization as well as market openings on agricultural products, as well as guaranteeing stable income from rice production
- doing research and education on product life cycles
- promoting recycling and promote recycling policies
- enhancing safe use and management of hazardous chemicals and hazardous waste
- promoting a so called ‘Globally Harmonized System’ which is supposed to analyze dangerous impacts on the environment<sup>352</sup>

### **3.2.5.2 Environmental responsibilities**

#### **3.2.5.2.1 Japan**

When it comes to the ecological area, the outline of the Nippon Keidanren according to the ‘Charter of Corporate Behaviour’ (4<sup>th</sup> version of 2004) and the Outline of the Implementation Guidance (Version 5) for Charter of Corporate Behavior of 2007 is much less detailed, which is surprising considering the overall focus of Japanese business on environmental aspects of corporate social behavior and the notion of Nippon Keidanren “that a positive involvement in environmental issues is a priority for all humanity and is an essential part of their activities

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<sup>351</sup> Cf. Chung/Hwang 2006: 27-33.

<sup>352</sup> Cf. Chung/Hwang 2006: 37-41.

and their very existence as a corporation, and shall therefore approach these issues more proactively.”<sup>353</sup> Nippon Keidanren pledges corporations to consider the following ecological issues and initiatives:

- to be conducive to the resolution of global warming
- foster a society based on recycling
- put efforts into energy saving and promote the innovation of environmental friendly technologies
- contribute to the enactments of environmental issues
- reduce negative impacts on environment caused though business operations
- engage in actions which lead to the preservation of environment and to protect biodiversity
- provide information about environmental activities and issues<sup>354</sup>

The ecological pillar is also addressed in the ‘21<sup>st</sup> Century Declaration’ of Keizai Doyukai. Once again, even though the most emphasis the majority of Japanese corporations puts on environment there are not many guidelines provided therefore by the Keizai Doyukai:

- “Corporations must become actively engaged in environmental action based on the principles of "reduce," "re-use," and "recycle," and must contribute to the establishment of a recycling society.”<sup>355</sup>

The ‘Environmental Reporting Guidelines’ of 2007 by the Japanese Ministry mainly concentrate on environmental issues as reflect the title of the paper. Therefore, the outline of the issues and initiatives which should be given account of is very detailed and for this reason the following equates to a short summarization:

- environmentally-friendly transportation (p.32)
- protection and conservation of biodiversity (p.32)
- measures for reducing environment pollution of air, soil and water (p.32 et seq.)
- product recycling (p.33)
- reducing greenhouse gas emission; making a contribution to the Kyoto Protocol (p.33)
- preventing pollution through chemical substances (p.33)
- decreasing waste and promotion of environmental friendly technologies (p.32 et seq.)

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<sup>353</sup> Nippon Keidanren 2007. and Nippon Keidanren 2004.

<sup>354</sup> Cf. Nippon Keidanren 2007. and Nippon Keidanren 2004.

<sup>355</sup> Keizai Doyukai 2000.



- decreasing natural resource use and energy for production (p.42)<sup>356</sup>

#### 3.2.5.2.2 South Korea

According to the background report on the ‘National Strategy on Sustainable Development’ in Korea the strategy of ‘Sustainability of natural resource management’ and ‘Coping with climate change & environmental conservation’ address the environmental pillar of sustainable development and demand for several activities which should be implemented by corporations interested in socially responsible behavior and some just plainly address government action, which in order to get the insight on obligations for corporations will be left aside for now.

The strategy of ‘sustainability and natural resource management’ requires actions to

- increase the supply and access of clean and safe drinking water
- establish a system of efficient water use and therefore integrate water resource management
- promote the establishment of a water resource network, which also includes providing necessary information
- protect the coast and ocean from pollution
- protect biological diversity and promote sustainable fishery as well as protecting diversity of resources living in water
- make sustainable use of forests and natural resources and conserve natural resources
- promote sustainable tourism
- protect the eco system in the DMZ (demilitarized zone to North Korea)
- use environmentally friendly transportation and promote public transportation<sup>357</sup>

The strategy on ‘Coping with climate change and maintenance of the global environment’ recommends actions in order to deal with the following issues:

- increase and develop renewable energy sources
- reduce greenhouse gases, protect the ozone layer, decrease use of materials that cause damage to the ozone layer
- restore tropical forests, combat desertification in order to prevent yellow dust
- provide development assistance for lesser-developed countries (this actually overlaps with all TBL pillars)<sup>358</sup>

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<sup>356</sup> Cf. Ministry of the Environment 2007. (for detailed information see pages 36-103.)

<sup>357</sup> Cf. Chung/Hwang 2006: 27-33.

The ‘Ministry of Knowledge Economy’ asks for investment in efficient use of energy in production and for promotion of energy conservation. In order to decrease coal use, prices should be gradually raising. On the other hand, natural gas use should be promoted along with the use of hybrid vehicles. Further efficiency in the use of electricity and oil needs to be increased. In order to protect the environment and the climate, the focus should be on green technologies and the increase of using renewable energy and with it the decrease of the reliance on fossil fuel.<sup>359</sup>

### **3.2.5.3 Social responsibilities**

#### **3.2.5.3.1 Japan**

The same as the issues and initiatives provided by the Nippon Keidanren according to their ‘Charter of Corporate Behaviour’ (4<sup>th</sup> version of 2004) and the Outline of the Implementation Guidance (Version 5) for Charter of Corporate Behavior of 2007 for the ecological area, the outlines for the social area is also much less detailed than the ones concerning the economic pillar and besides the demand for actively engaging in philanthropic initiatives corporations are asked to assure safe and convenient workplaces, respect equity, equality and employee diversity as well as seek mental and physical welfare<sup>360</sup>

- “Introduce personnel management and human resources development systems to foster a balance in work and life and enable any of diversified workforce to fully exercise his or her ability.
- Promote non-discrimination and equal opportunity in employment and promotion.
- Take steps to prevent industrial accidents and give assistance to employee health programs.
- Respect the individuality of its employees, and support their efforts to develop skills and careers.
- Engage in dialogue and consultation with its employees and their representatives in good faith.
- Not accept child labor nor forced labor<sup>361</sup>

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<sup>358</sup> Cf. Ibidem: 43-45.

<sup>359</sup> Cf. MKE (n.d.).

<sup>360</sup> Cf. Nippon Keidanren 2007. and Nippon Keidanren 2004.

<sup>361</sup> Nippon Keidanren 2007. and Nippon Keidanren 2004.

The following social areas are addressed by the ‘21<sup>st</sup> Century Declaration’ of Keizai Doyukai demand for corporate responsible behavior:

- “Corporations must develop employment and personnel systems conducive to maximum utilization of the diverse capabilities of their employees. For this purpose, corporations must abolish age- and gender-based discriminatory practices and systems that are not based on ability and achievement, and must also undertake to review current systems of compulsory retirement. Corporations must also achieve family-friendly employment systems that take into account the responsibilities of employees to their families for participation in child rearing, education and long-term nursing care.”<sup>362</sup> Especially education and development of human resources is focused on.<sup>363</sup>

In the ‘Environmental Reporting Guidelines’ of 2007, the Japanese Ministry of the Environment requires social reporting in the following initiatives (whereof some overlap or entirely belong with the economic area and therefore were attributed to the economic area):

- industrial health and safety
- employment health care and safety
- provision of education and training
- compliance with the ‘Equal Employment Opportunity Law for Men and Women’
- equal treatment and employment of disabled and foreigner and anti-discrimination
- family friendly workplace, provision of childcare,
- work place improvement ( for instance protection form sexual harassment, dealing with the AIDS problem)
- engagement in philanthropic giving
- initiatives concerning human rights and prevention of child labor and forced labor<sup>364</sup>

#### 3.2.5.3.2 South Korea

The background report on the ‘National Strategy on Sustainable Development’ in Korea also includes one strategy which addresses the social area of corporate social responsible behavior, namely ‘Social integration & national health’, which deals with the following issues:

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<sup>362</sup> Keizai Doyukai 2000.

<sup>363</sup> Ibidem.

<sup>364</sup> Cf. Ministry of the Environment 2007: 108-110.

- gender equity, family friendly work conditions and child care possibilities in order to attract an increasing number of women to join economic activities
- alleviating poverty, assuring better living conditions and participating in social welfare
- protecting and assuring labor rights
- providing and improving health care and social security
- assuring health and safety in production and through production and products<sup>365</sup>

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<sup>365</sup> Cf. Chung/Hwang 2006: 34-37.

## 4 COMPARISON

In order to fully answer the question that is the object of this paper, it is necessary to compare the national situations of CSR and the actions corporations are supposed to implement that have been outlined throughout this paper. For this comparison, the main characteristics of CSR, outlined in the chapter of ‘Intermediate results’, form the framework for comparison. For each specific characteristic of CSR, the comparison of the four countries Germany, France, Japan and South Korea will be made, in order to get better insight of differences and similarities.

It has to be mentioned that overlapping of some characteristics in practical use occurs frequently

### 4.1 CSR AS AN ‘UMBRELLA TERM’

Considering the outline of CSR in different countries and regions the impression of CSR as an ‘umbrella term’ becomes pretty obvious. CSR is a concept with varied influences, unequal guidelines and frameworks provided by different parties of influence (be it government, trade unions, industrial federations or non-governmental organizations) and different understanding of the concept, which leads to a different focus on actions. Not all characteristics of CSR are equally important or even find their way in ‘national CSR strategies’.<sup>366</sup>

### 4.2 HISTORY OF CSR

The one essential principle that Germany, France, Japan and South Korea have in common, when it comes to CSR, is that the concept of responsible business has been practiced for centuries in varied manners, due to contextual reasons and that CSR has been increasing in attention in the beginning of 21<sup>st</sup>. Even though in East Asian countries, the need to become involved in CSR already occurred after the economic crisis in 1997 whereas in Western-Europe ‘real’ CSR actions did not start until after the new millennium.

This perception acknowledges the results, derived from the theoretical part, saying that there is no specific date of birth of CSR as a concept and of practice in different countries.<sup>367</sup>

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<sup>366</sup> See chapter 2 ‘Method’ and 3 ‘CSR in Western European and East Asian countries’

<sup>367</sup> See chapter 2.1 ‘The origins of CSR’ and 3 ‘CSR in Western European and East Asian countries’

### 4.3 CONTEXT OF CSR

In Germany, responsible behavior has always been part of ‘social market economy’. The government’s influence regarding the provision for social security and education combined with the high level of legal regulations form the national background of CSR. In France, the government has even more influence in CSR and is expected to provide for social security and education as well. In Japan and South Korea, on the other hand, the understanding of Confucianism and harmony led to responsible business behavior even though loyalty and sacrificial work attitudes are expected in return, though to a lesser extent in South Korea. Both countries signal strong connections between the government and corporations whereas, in Japan, government interference in business and CSR is focused on ‘administrative guidance’. In the rare instance of government interference, they use the justification of ‘industry first’. As of now, there are no national strategies for CSR but Germany is the one country with an ‘Action Plan CSR in Germany’ under progress.

In all four countries, different institutions and organizations are the guiding forces for national CSR actions and reporting. In Germany, though the ‘Federal Ministry of Labor and Social Affairs’, the government is in charge of composing the ‘Action Plan CSR in Germany’. Other than that, the German government already covers numerous areas of CSR concerning environmental and social responsibilities by law, which actually provides a smaller area for actual CSR engagement of corporations. Generally, there is no law that specifically demands CSR behavior or reporting in Germany.

In France, as well, it is clearly the government, which is providing guidelines and frameworks for CSR and which also very much demands CSR actions by corporations. The ‘bilan social’ follows up the ‘Law on New Economic Regulation (NER)’ and legally demanded CSR reporting of listed French corporations. It was not until the NRE that the French government showed specific interest in CSR concept. Beforehand, only labor related issues were a matter of concern. Even now, the focus still is on workforce and labor issues. The French government also tries to motivate corporations to engage in philanthropic activities through incentives. In France, the ‘Ministère de l’Écologie, de l’Énergie, du Développement durable et de la Mer’ leads the way in CSR.

Whereas in Western Europe the government leads the way in national CSR emphasis, in East Asian countries, the government does not interfere as much in CSR issues.

In Japan, no particular Ministry is assigned to CSR at a whole. It is the Nippon Keidanren and the Keizai Doyukai which provides frameworks and guidance for corporations CSR and Code

of Conduct creation and also pushes the concept of CSR. In Japan there are not many laws that cover matters of CSR and there is also no legal demand for CSR and reporting on it.

In South Korea, it has always been the 'Federation of Korean Industries (FKI)', that exercises the most emphasis on CSR. Additionally, since 2002, the 'President Commission in Sustainable Development of South Korea' is now the leading center of coordinating CSR issues. South Korea shows rising importance of so-called 'social enterprises' as the only approach to development and, therefore, in 2007, the 'Social Enterprise Promotion Act' was passed, which basically covers economic responsibilities. Other than that there are numerous laws on work and labor related issues which cover some of CSR social areas already. Furthermore there is no law demanding CSR engagement or reporting in South Korea as well.

As there are no national strategies for CSR provided for now the 'National Strategies of Sustainable Development' act as recorded framework for CSR. It can be summarized that in Germany, CSR and provisions for actions are hardly mentioned in the 'National Strategy for Sustainable Development' and that the focus lies on innovation as it is most leads to positive effects in development. The necessity for corporations to actively contribute to sustainable development is pointed out though. This mainly applies to France as well. In Japan's national sustainable development strategy, the title already gives away the clear focus on environmental issues. Contrary to Japan, the new national sustainable development strategy in South Korea, provided by the new 'President Commission in Sustainable Development of Republic of Korea' provides a very detailed focus on all areas of CSR.

One last theme that matters within the context of CSR is the role played by trade unions. Germany and South Korea have very strong trade unions of high worker participation and membership. The rather powerful position they are in increases the possibility of collective bargaining. Especially in South Korea, they try to have their own way through strikes. In France, trade unions are suffering from low membership and the weak position of it. Japan only has enterprise unions, which do not cover a whole industry and therefore have a very weak position.<sup>368</sup>

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<sup>368</sup> See chapter 2 'Method' and 3 CSR in 'Western European and East Asian countries'

#### **4.4 PROBLEMATIC ASPECTS OF CSR**

When it comes to problems, Western European and East Asian countries are facing when it comes to CSR, it is rather pretty clear that there is the problem of varying definitions and with it comes the difference of CSR behavior under different descriptions like ‘sustainable management’ in Western European regions and ‘ethical management’, which also includes information provision for corporations wrong doing, in East Asian region.

There is also the problem of language, which is most obvious in France. French CSR is not aligned with the English term of Corporate Social Responsibility like it is in Germany, Japan and South Korea, but the French feel the need to translate it into French and by doing so, they change the meaning. Even though CSR comes from the Anglo-American language area, Germany, Japan and South Korea seem to better get along with the term of Corporate Social Responsibility. With the use of the English term of CSR and due to the fact, that most of literature provided on that matter is published in English there is fewer public knowledge of CSR.

In France and also in Japan a different understanding of the term ‘responsibility’ could be detected. In France, due to translation, the French term of ‘responsibility’ gets the same meaning as ‘legally’, which keeps the aspect of voluntariness in question. In Japan, the term of ‘responsibility’ is understood as ‘anti-pollution’, which leads to the clear one-sided focus of Japanese CSR on the environmental area. Now that understanding has changed and supplementary issues are being taken into consideration but the focus still rests upon the environment. Also in South Korea the understanding of CSR differs a bit as it is often considered as Corporate Giving and Corporate Volunteering.

Another problem arises from the different cultural backgrounds and religions. While in East Asia the concept of harmony which is derived from the Confucian is essential for the practice of CSR, the religious practices in Western European do not interfere with CSR, especially in Germany. Though in France there were difficulties with the Catholic attitude of conservativeness at first. France therefore was facing problems of providing transparency. In East Asia different values than in Western Europe are important and therefore the understanding of CSR priorities differs as well, as pointed out in Japan.

One further problematic aspect CSR is facing, which is pointed out in Germany is that the German economic structure consists mainly of small- and medium sized enterprises. It occurs



that demanding CSR mostly addresses international and listed corporations but leaves out smaller companies, which could also have tremendous impact on CSR.<sup>369</sup>

#### 4.5 DEFINITION OF CSR

The understanding of a precise definition of CSR is one essential weakness of the concept. It has been outlined in the theoretical part that there is no consensus about one proper definition of CSR. This consequently leads to versatile interpretations, which further lead to different focus on actions and issues.

It can be seen in the practical part that the Western European countries orient themselves on the definition provided by the European Union which mainly focuses on the aspect of sustainability. Due to the European Union, CSR also includes environmental and social concerns in everyday business by interacting with all stakeholders on voluntary bases.<sup>370</sup> Compared to the definition provided by the European Union, which is very comprehensive and considered the main characteristics of CSR, the German definition seems to be more superficial. In German understanding, CSR is about sustainable business management beyond legal enforcement on voluntary bases.<sup>371</sup> No stakeholders are mentioned. In France, CSR is about sustainable development, the addressing of social and environmental issues by corporations in 'liaison' with the stakeholder.<sup>372</sup>

The East Asian definitions also include the element of sustainable development but in different ways. Take for instance, the definition provided by APEC (knowingly that the definition provided not only addresses East Asian countries but all APEC members) it can be noticed that CSR is a concept wherein corporations adopt interests of communities in their business operations in order to get good business and development out of it. So the focus on development can already be noticed. They further maintain vague pronouncements concerning voluntary actions beyond legal requirement and also including the social and environmental areas as well as Corporate Governance. The clear advantage that APEC sees in CSR is that it is an instrument for risk reduction.<sup>373</sup>

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<sup>369</sup> See chapter 2 'Method' and 3 CSR in 'Western European and East Asian countries'

<sup>370</sup> Cf. European Commission (2009). and EU Business (2006).

<sup>371</sup> Cf. BMAS 2009: 9.

<sup>372</sup> Cf. Ministère de l'Écologie, de l'Énergie, du Développement durable et de la Mer (n.d.).

<sup>373</sup> Cf. APEC (2009).

In Japanese, the CSR definition clearly focuses on only the environmental responsibility. It is about actions that contribute to a 'clean Japan' in land, sky and water by decreasing pollution, recycling and saving of energy and resources.<sup>374</sup>

South Korea uses the term CSR but it is the only one to use the term of enterprise instead of corporation. In the to South Korean definition, CSR is about harmony of business outcome and social share and not about unlimited social responsibilities. They point out that economic outcome is needed for possible engagement in CSR. Stakeholders and the aspect of voluntariness are not mentioned at all.<sup>375</sup>

#### **4.6 BASIC PREREQUISITE OF ECONOMIC AND LEGAL RESPONSIBILITY**

In consideration of Archie B. Carrol's Pyramid of CSR which primarily applies to all countries and each region, the base of CSR is the 'economic responsibility' of each corporation in order to gain profit and secure their continuance. Climbing up that pyramid, each country seems to be paying specific attention to different layers. Compliance with the legal responsibility is essential in every country but it can be noticed that especially in East Asian countries, the demand for fair business and the anti-corruption aspect attracts special attention along with more attention towards economic responsibilities. When it comes to legal responsibility German corporations already cover lots of social and environmental areas by obeying the law.<sup>376</sup>

#### **4.7 STAKEHOLDER ORIENTATION**

The stakeholder orientation can be noticed in all countries, as it is essential for CSR. That does not mean that all stakeholders' interests are equally taken into consideration. Within the focus areas of CSR, France focuses more on the workforce while Germany's focus is on both the employees and the environment. Japan takes the environment more into consideration and South Korea the consumer and the community. The only definition provided by the countries that mentions 'stakeholder' is the one of France.<sup>377</sup>

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<sup>374</sup> Cf. Ishikawa 2006: 277.

<sup>375</sup> Cf. FKI 2007.

See chapter 2.2 'Definition of CSR' and 3 'CSR in Western European and East Asian countries'

<sup>376</sup> See chapter 22.1 'Pyramid of CSR' and 3 'CSR in Western European and East Asian countries'

<sup>377</sup> See chapter 24 'Stakeholder orientation' and 3 'CSR in Western European and East Asian countries'

## 4.8 BEYOND PHILANTHROPY

In the pyramid of CSR, the fourth layer is the ‘philanthropic responsibility’ and in our case mainly addresses the East Asian countries. Japan’s early stages of CSR were made up of mostly philanthropic CSR. Because of Confucianism, the demand for corporations to act as ‘good corporate citizens’ rose. Initially, this made them follow philanthropic responsibilities. Now, philanthropic giving does not matter much in Japan any more. In South Korea the necessity of improving corporations’ reputations made them focus on philanthropic giving but they miss out on following actions and further engagement in CSR.<sup>378</sup>

## 4.9 VOLUNTARINESS

It became obvious that it is hard to make a note on whether the actions and initiatives corporations implement are on a voluntary base or mandatory or completed only in expectation of advantages. Specific conclusions can’t be made on the aspect of voluntariness. In Germany the very detailed legal framework, which covers several areas of CSR gives corporations a hard time of addressing CSR issues additional to that. In the German definition of CSR, it is clearly stated that CSR goes beyond legal enforcement. Also in Japan the aspect of voluntariness is explicitly mentioned in their CSR definition. In both the South Korean and French definition of CSR, voluntariness is not addressed at all but in France ‘National Strategy of Sustainable Development’ it says that voluntariness is the key to CSR but government has an important role in it as well.<sup>379</sup>

## 4.10 TRANSPARENCY

According to Transparency International, the global coalition against corruption, in the corruption perception index of 2008, Germany is in position 14 in their country ranks with a CPI<sup>380</sup> of 8,0. Following in position 17 is Japan with a CPI of 7,7 and France in position 24 (CPI 6,9). Far behind lies South Korea in position 39 with an CPI of 5,5.<sup>381</sup> So it is not

<sup>378</sup> See chapter 2.2.1.4 ‘Philanthropic Responsibility’ 3 ‘CSR in Western European and East Asian countries’

<sup>379</sup> See chapter 2.3 ‘Voluntariness’ and 3 ‘CSR in Western European and East Asian countries’

<sup>380</sup> CPI SCORE describes the perception of the degree of corruption between 10 and 0. 10 meaning ‘highly clean’ and 0 meaning ‘highly corrupt’.

See in: Transparency International 2009: Corruption Perceptions Index. [http://www.transparency.org/policy\\_research/surveys\\_indices/cpi/2009/cpi\\_2009\\_table](http://www.transparency.org/policy_research/surveys_indices/cpi/2009/cpi_2009_table) [access: 12/01/09]

<sup>381</sup> Cf. Ibidem.

surprising that the South Korean ‘Federation of Korean Industries (FKI)’ CSR focus very much on transparency. As mentioned before, transparency was a problem for France at first but through mandatory reporting, an increase in transparency is intended. It is pointed out in the overview chapter of East Asian countries that they focus very much on Corporate Governance which basically means transparency and compliance with the law.<sup>382</sup>

#### **4.11 CODE OF CONDUCT**

It has already been mentioned who provides guidelines for creation of corporation CSR Code of Conducts in each country. It further needs to be mentioned that all four countries additionally observe the OECD Guidelines for Multinationals, the UN Global Compact and ISO 14000, ILO labor standards and the Global Reporting Initiative, which with little GRI emphasis in South Korea though. In addition the Western European countries rely very much in their creation of Code of Conducts on input of the European Union, whereas APEC, for instance, does not provide any guidelines for East Asian countries. It must be mentioned that France is one of the most represented countries in the UN Global Compact<sup>383</sup> and no other country has as many ISO 14000 series certifications as Japan.<sup>384</sup>

#### **4.12 TRIPLE-BOTTOM LINE**

The third layer in Carrol’s CSR Pyramid is the ‘ethical responsibility’. This is probably the one layer in which the most differences among the four countries and in the two regions occur. As already described in the theoretical part, within this layer falls most of the CSR practices, activities and issues, which are supposed to be voluntarily taken initiatives to tackle economic, social and environmental issues. It could be already noticed that there are different emphases placed on the three aspects among the countries and regions and these aspects will be summarized subsequently.

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<sup>382</sup> See chapter 2 ‘Method’ and 3 ‘CSR in Western European and East Asian countries’.

<sup>383</sup> France has 620 total participants (which not only includes business but also for instance universities), Korea and Germany have both a total of 162 participants and Japan 101 participants by December 2009.

See in: United Nations (n.d.)a.

<sup>384</sup> For further information visit Website of: ISO. <http://www.iso.org/iso/home.htm> [access: 12/12/09]  
See chapter 2.6 ‘Code of Conduct’ and 3 ‘CSR in Western European and East Asian countries’.

It has also been highlighted that in all regions, CSR somehow is grounded within the economic, political and cultural background of Western European as well in East Asian countries. Out of it arise different focus areas. Generally speaking, the clear focus of CSR in Germany lies on the environment derived from the very specific legal framework on environmental issues but Germany also addresses sustainable development as a whole which is not as much the case in the other countries. France's focus on CSR is still on workforce and labor issues, while Japan focuses on environmental issues and South Korea mostly on economic and social responsibility. In South Korea, increasing interest for all areas of CSR can be noticed.<sup>385</sup>

Now to be a bit more specific in order to summarize and compare the issues addressed and actions supposedly implemented by corporations, the three areas of triple-bottom line will be used once more, by comparing the demand for CSR in each area for each country with the 20 activities and initiatives that need to be included in order to practice CSR according to Archie B. Carroll. It has to be noticed right away that the practices demanded in Germany and France are not much different from those of the European Union.<sup>386</sup>

#### 4.12.1 ECONOMIC RESPONSIBILITIES

In the economic pillar, the German, French, Japanese and South Korean guidelines all demand fair business behavior, anti-corruption, assurance of transparency, obedience of consumer interests and rights, consumer safety and information as well as demanding CSR behavior and sustainable production from the supply chain as well. They all further seem to agree on the exigency of new innovations and technologies for ensuring economic and social friendly production. Now while this basically covers the six areas of corporations economic responsibilities by Carroll the area of delusive advertising is not addressed.<sup>387</sup>

Now, the main differences between the four countries can be noticed in the different emphasis on labor relations and consumer relations. While especially Western European countries put much emphasis on good labor relations, mostly demanded by law and trade unions, the East Asian countries put special emphasis on consumer and community relations. As can be seen above that does not mean that East Asian countries do not obey labor relations at all, which is

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<sup>385</sup> See chapter 2.5.6.1 'Triple-Bottom Line' and 3 CSR in 'Western European and East Asian countries'

<sup>386</sup> See chapter 2.9. 'Intermediate Results' and See chapter 3.1.2.1 'Definition of CSR by the European Commission'

<sup>387</sup> See chapter 3.1.5 and 3.2.5 'Responsibilities in Triple-Bottom Line areas'

simply not true. The same with Western European countries, which certainly advocate for the observance of consumer interests and rights but it equals the demand for pursuing good relations to the work force not like in East Asia.

In France, the increasing importance of Social Responsible Investment is noticeable. East Asian countries set a particularly high value on combating corruption.

Generally it can be noticed that in East Asian countries, there are more guidelines and obligations available for corporations to follow. Especially the Nippon Keidanren and the Keizai Doyukai in Japan provide very detailed guidelines and actions to be followed in the economic area and they are the ones, which advocate protection of intellectual property and protection of consumer information. It also can be noticed that Japan explicitly points out the allocation for shareholder information and the necessity for an increase in transparent relationships with the government and political bodies as well as the need of obeying the law.

In the Sustainability report of South Korea, special attention is paid to the support of environmentally friendly agriculture and fair trade. South Korea is also the one country which advocates for the creation of ‘eco-industrial parks’ and agricultural issues like stable income for rice production.<sup>388</sup>

#### **4.12.2 ENVIRONMENTAL RESPONSIBILITIES**

The similarities among the environmental area in the four analyzed countries in behalf of comparing Western European and East Asian countries for their special focus in CSR are clearly on the demand for protection of biodiversity, reduction of waste and decrease in pollution of air, water, and soil, decrease in use of natural resources and energy consumption as well as increase in recycling. The use of environmental friendly technologies and transport systems is highly recommended in all countries. Comparing this with Carrolls six activities for social responsibilities it needs to be mentioned that this about covers it all. To be precise, Carroll specifically mentions environmentally friendly wrapping and waste reduction programs as well.<sup>389</sup>

When it comes to differences among the regions and countries respectively, it can be noticed that South Korea seems to be following a specific path, with detailed guidelines, tailored to South Korea context while the other countries address the umbrella terms for necessary

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<sup>388</sup> See chapter 3 ‘CSR in Western European and East Asian countries’

<sup>389</sup> See chapter 3.1.5 and 3.2.5 ‘Responsibilities in Triple-Bottom Line areas’

environmental responsible behavior. In the chapters above, it has been pointed out that Germany and Japan, in particular, focus very much on the environmentally responsible behavior of corporations if not out of their international business success through providing environmental friendly technology. It further can be noticed that compared to the strong focus on the environment the guidelines provided and actions demanded are much less detailed and specific. What is essential though is that in those two countries lots of environmental friendly behavior is already legally demanded, in Germany a good deal more than in Japan. Both are the first countries to introduce laws on waste management.<sup>390</sup>

#### 4.12.3 SOCIAL RESPONSIBILITIES

In the social area of CSR, activities demanded and suggested by all four countries include the protection of labor rights and safety, providence and support for education of the workforce, and the creating of a family-friendly workplace with flexible work hours.

Also gender equity and anti-discrimination is on the agenda in every country. According to the GINI Coefficient<sup>391</sup> the four countries are about in the same ranking.<sup>392</sup> France's position behind the other three countries may be surprising if one consider the special emphasis that France places on labor-related issues in their CSR actions and the demand of reporting which originates from the 'bilan social'.

Comparing this with the eight social responsibilities suggested by Archie B. Carroll, it can be noticed that they overlap but none of the countries explicitly address the promotion of ethical workforce behavior, helping displaced workers to get placed, and employing a polite and obliging workforce. Engagement in philanthropic giving is more demanded in East Asia and making allowance for medical costs is partially mentioned.<sup>393</sup>

As can be seen in the chapters above, in terms of the social pillar of CSR, Germany, France, Japan and South Korea mainly focus on the same themes. Germany and Japan both explicitly mentions the respect for human rights, Nippon Keidanren in Japan advocates for the

<sup>390</sup> See chapter 3 'CSR in Western European and East Asian countries'

<sup>391</sup> The Gini index is a measure between 0 and 100. While the value of 0 stands for absolute equality the value of 100 represents absolute inequality.

According to the Human Development Report is Japan with an inefficiency of 24.9 followed by Germany with 28.9 and France with 32.7. Republic of Korea has an inequality of 31.6.

See in: UNDP 2009: Human development reports. Gini Index. <http://hdrstats.undp.org/en/indicators/161.html> [access: 11/20/09]

<sup>392</sup> Cf. Ibidem.

<sup>393</sup> See chapter 3.1.5 and 3.2.5 'Responsibilities in Triple-Bottom Line areas'

avoidance of child labor and forced labor. Also customer service, the prevention of customer health and safety are on the focus of CSR in Japan. On the other hand social issues, especially workplace and labor issues are getting a raw deal.<sup>394</sup>

But as it already has been lined out above in Japan, an increasing focus on social issues and activities is noticeable, especially through the Nippon Keidanren and the Keizai Doyukai. France and South Korea on the other hand both mention the enhancement of living conditions by corporations.<sup>395</sup>

### **4.13 MOTIVATION FOR CSR**

It has to be mentioned that it is hardly possible to make a clear statement of what specific reasons make corporations act responsible. But generally speaking, it is the expected improvement in the relationship with the community and business associations as well as the pushed contribution to international agreements through government incentives in Germany and the legal enforcement of CSR reporting in France. In Japan and South Korea, the collapse of the crisis in 1997 motivated corporations for CSR therefore CSR in East Asian countries is supposed to function as a ‘cure all’ concept. The unequal development during the ‘miracle years’ and environmental pollution opened space for CSR in Japan. In South Korea it is mainly the willingness to get back on the glory path of development. Corporations are the driving forces of economic development and as the crisis of 1997 is blamed on them, it is seen as their duty to contribute to CSR and rebuild a good reputation.<sup>396</sup>

### **4.14 CRITICS: ‘CONCERN FOR PROFIT’ VS. ‘CONCERN FOR SOCIETY’**

When it comes to critics of CSR, no specific notes can be made on this one, as it was not the goal of the paper. But it can be said that as CSR is such a wide concept, it is hard to prove whether the concern for profit or the concern for society is most important. The whole concept is about concern for either.<sup>397</sup>

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<sup>394</sup> Cf. Skruzmane 2005: 8.

<sup>395</sup> Cf. Skruzmane 2005: 9 et seq. and Zaman 2003: 15.

See chapter 3 ‘CSR in Western European and East Asian countries’

<sup>396</sup> See chapter 2.7 ‘Motivation for CSR’ and 3 CSR in ‘Western European and East Asian countries’

<sup>397</sup> See chapter 2 ‘Method’ and 3 ‘CSR in Western European and East Asian countries’



## 5 SUMMARY

In order to get back to the question of this paper, namely what significance Corporate Social Responsibility (CSR) has for Western European and East Asian countries and if there are any differences in the CSR initiatives of Western European countries in comparison to the CSR initiatives of East Asian countries in terms of their efforts on the three areas of the triple-bottom line recognizable, it can be said, that CSR behavior is still in its infancy with increasing interest and attention, motivated by versatile reasons since the beginning of the 21<sup>st</sup> century. But CSR is not included in every single step of business action by now and it is suggested it should in order to make it work.

CSR is a concept with many different understandings and definitions, in which it is the obligation of every corporation to form Codes of Conducts to guide business practices, within the national legal framework. CSR evokes many critics, not least because of its broadly diversified concept and the question of whether it is within corporations' interest to be responsible to social and environmental issues besides business profit.

As it could be noticed, it is hard to make general statements for Western European and East Asian countries because the meaning and significance of CSR does not just differ among regions but also among countries and even among single corporations. It became clear though, that CSR is a recognized concept by Western European and East Asian countries alike. Also demand for CSR by government, institutions, trade unions and consumers is growing and reference systems and standards are published. It is important to mention that even though consumers demand responsible business behavior, there is a difference in what they ask for and what they actually act. Generally speaking Western European countries follow in their CSR approach the framework provided by the European Union when it comes to CSR, which focuses on Sustainable development, while in East Asia countries, any country apart provides frameworks and guidelines. Generally speaking in Western European countries, governments play an important role in guiding, pushing and demanding CSR and reporting, while in East Asian countries, government leaves the field of CSR to business, even though in South Korea increasing interest of government in CSR can be noticed.

When it comes to different focus areas, hardly any declaration can be made for the Western European and East Asian region, because every country focuses, according their own understanding, motivation and definition of CSR on different areas of CSR. For example, Germany follows the goal of sustainable development and lots of CSR areas in environmental

and social responsibility are already mandatory. France has always been focusing on workforce and labor related issues and CSR reporting is demanded by law. Japan clearly has its attention on environmental responsibility, and South Korea shows more interest in economic and social responsibilities.

The essential difference that can be noticed is, that even Germany, France, Japan and South Korea, all of them demand CSR behavior, only France enforces the reporting on it by law, whereas in all the other countries CSR per se and reporting on it is done on voluntary bases. All countries have to meet the challenge to incorporate SMEs in the concept of CSR and make CSR behavior more appealing and necessary to that area of business.

Other than that the concept of voluntariness is known and also referred to when it comes to corporations CSR engagement but it seems like good corporate behavior in certain areas of focus are increasingly demanded by law, especially in Western European countries. When it comes to the implementation of CSR principles each region and within again each country follows their own plan of action and focuses on specific areas of interest of necessity.<sup>398</sup>

As for the future of CSR no specific statements can be made, except to mention that there exist also 'alternative/additional' concepts, like for example the concept of *kyosei* in Japan or the concept of 'one business-one social enterprise' in South Korea.

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<sup>398</sup> Cf. Skruzmane 2005: 6 et seq.

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## 7 APPENDIX

### 7.1 ZUSAMMENFASSUNG

Die Diplomarbeit behandelt das Thema Corporate Social Responsibility (CSR), dessen Bedeutung in West-Europa und Ost-Asien und die unterschiedliche Schwerpunktsetzung in CSR Aktivitäten in Bezug auf die drei Triple-Bottom Line Bereiche (Ökonomie, Ökologie, Soziales). Es wird dargestellt, in welchen Bereichen sich Unternehmen innerhalb des nationalen Rahmens engagieren sollen, nicht jedoch, inwieweit Unternehmen diese Vorgaben und Richtlinien tatsächlich umsetzen.

Bei CSR handelt es sich um ein Thema von unterschiedlichem Verständnis, resultierend aus einer Unzahl an Definitionen, Motivationen und geprägt vom jeweiligen Kontext, in dem CSR praktiziert wird. Trotz der großen Unterschiede, die das Konzept mit sich bringt, ist es jedoch möglich zahlreiche Merkmale festzustellen, die CSR spezifisch sind, wie zum Beispiel die Freiwilligkeit und die Ausrichtung nach Stakeholder Interessen und weitere. Dennoch ist es jedem einzelnen Unternehmen selbst überlassen einen Code of Conduct, unter Anlehnung an national relevanten Richtlinien, zu erstellen und sich in seiner Geschäftstätigkeit daran zu halten. Es ist daher auch wenig verwunderlich, dass dem Konzept von CSR zahlreiche Kritik entgegen gebracht wird. Nicht zuletzt wegen der unterschiedlichen Auslegungen des Konzeptes CSR und der Frage, ob es überhaupt in den Aufgabenbereich der Unternehmen fällt sozial und ökologisch verantwortlich zu handeln.

Zusammenfassend ist festzustellen, dass CSR mit Beginn des 21. Jahrhunderts zunehmend an Beachtung gewinnt. Es ist schwierig allgemeingültige Aussagen über CSR in West-Europa und Ost-Asien zu treffen, da die Auslegung beziehungsweise das Verständnis von CSR nicht nur zwischen Regionen unterschiedlich ist, sondern auch zwischen den einzelnen Ländern und deren Unternehmen. Diese hohe Flexibilität und Anpassungsfähigkeit des Konzeptes CSR kennzeichnet dessen Stärke und Schwachstelle zugleich.

Generell festzustellen ist jedoch, dass West-Europäische Länder dem CSR Leitbild der Europäischen Union mit dem Ziel der Nachhaltigen Entwicklung folgen, während in Ost-Asien die Länder separat ihre Prioritäten festlegen. Weiters ist festzustellen, dass während in

West-Europäischen Ländern der Staat im Bereich CSR eine entscheidende Rolle einnimmt, in Ost-Asien das Feld tonangebenden Institutionen und Organisationen überlassen wird. Auf Grund der detaillierten Untersuchung der Beispielländer Deutschland und Frankreich stellvertretend für West-Europäische Länder und Japan und Süd Korea für Ost-Asiatische Länder, ist festzustellen, dass in jedem Land der Fokus auf unterschiedlichen Schwerpunkten liegt.

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Herzlichen Dank!



## 7.3 LEBENS LAUF

### LEBENS LAUF

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#### SCHUL- UND BERUFSBILDUNG

10/2005 – 01/2010	<b>Internationale Entwicklung</b>  Hauptuniversität Wien
08/2008 – 10/2008	<b>Auslandsstudium in Vietnam</b> (Im Rahmen des Asien Study Program der Universität Innsbruck)  Hanoi University of Technology, Hanoi University of Social Sciences & Humanities, Ho Chi Minh City
02/2005 – 06/2005	<b>International Economics</b>  Harvard University Extension School, Boston, MA.
10/2004 – 11/2004	<b>Project participant on the Political System of the United States of America</b>  Salem State College, Salem, MA.
09/1999 – 06/2004	<b>Bundeshandelsakademie</b> <i>Schwerpunkt: Marketing</i>  Ried im Innkreis

**BERUFSERFAHRUNGEN**

08/2004 – 09/2005 **Au Pair in Boston USA**

07/2003 – 08./2003 **Praktikum Oberbank AG Filiale Ried**

07/2002 – 08/2002 **Praktikum Volksbank Altheim**

**SPRACH- UND  
COMPUTERKENNTNISSE**

Deutsch	Muttersprache
Englisch	Sehr gut
Französisch	Maturaniveau
Spanisch	mäßig
	Souveräner Umgang mit MsOffice Programmen