

# Chapter 16

## Recommendations: Addressing the Imbalances of Corporate Social Responsibility in Developed and Developing Countries

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### ABSTRACT

*As well as contributing to a deeper insight of why focus of Corporate Social Responsibility varies between developed and developing countries, this chapter is aimed at contributing to knowledge and providing a better understanding of institutional and corporate structures operating in developed and developing countries. Such institutional and corporate structures constituting some of the factors which may impact a firm's responsibilities to much wider stakeholders, and particularly its commitment to ensuring that its activities do not adversely impact the ecosystem in which it operates. By incorporating the role of corporate governance, importance and significance of innovation and entrepreneurship, the chapter not only aims to recommend means whereby Corporate Social Responsibility can serve as a more effective tool for promoting worthy causes, and ensuring that obligations to the ecosystem and wider stakeholders are facilitated, but also highlight why a redress in the focus of Corporate Social Responsibility, as regards developing countries particularly, needs to be re-evaluated.*

### INTRODUCTION

Whilst Corporate Social Responsibility is considered to be generally used as “an umbrella term to describe the complex and multifaceted relationships between business and society and to account for the economic, social and environmental impacts of business activity”, another definition which incorporates the role of corporate governance, regards corporate social responsibility as:

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*a model of extended corporate governance whereby those in control of the firm have responsibilities that range from the fulfillment of their fiduciary duties owed towards the owners (principal), to the fulfillment of analogous fiduciary duties owed towards all the firm's stakeholders (Sacconi, 2004:6).*

In this sense, a distinction is drawn between the traditional principal agent theory which involves a narrower range of stakeholders and the stakeholder theory which embraces, not just those stakeholders with direct stakes, but also those whose lives are likely to be impacted by the firm's activities - particularly with respect to social, economic and environmental consequences. Given the uncertainty and unpredictability of such consequences, the topic of incomplete contracts and their role in the stakeholder theory model becomes apparent. It is precisely because of the uncertainties concerning who is likely to be affected as a result of the firm or enterprise's actions, particularly in unforeseen circumstances based on longer term future occurrences that contingencies need to be provided for in such contracts.

Even though it may not be obvious or initially apparent, the most unlikely of all locals residing within the locality of the operation of a firm's activities, may eventually be entitled to a stake of the firm's revenues, in the form of compensation, where such an individual is affected in any adverse way, as a result of activities - and particularly environmentally damaging activities, which not only impact the social or financial means of livelihood of such an individual, but which could also have life threatening or health related repercussions.

In line with the requirements and demand for a comparative based research on the topic, as well as one that investigates the roots, distinguishing features, and institutional structures that may impact Corporate Social Responsibility (hereinafter referred to as CSR), at varying degrees, this chapter will focus on investigations and objectives which are aimed at providing explanations or justifications for differences in the way CSR is perceived in developed and developing countries. It will also seek to justify the jurisdictional focus attributed to CSR in developing and developed countries.

## **AIMS AND OBJECTIVES OF THE CHAPTER**

In line with the main objective of this chapter, namely highlighting differences in the way CSR is portrayed in developing and developed countries, as well as variables which are in operation, the first objective of the chapter will be to:

1. Investigate the reasons for differences in the way CSR is regarded and approached between developed and developing countries, as well as justifying or providing grounds for non justification of such differences.
  - a. As well as analyzing and investigating whether and why CSR focuses on attributes such as ethical, legal responsibilities and corporate governance mechanisms - with respect to developed countries, the causes attributed to a focus on variables and factors such as economic, political, social and environmental considerations - with respect to developing countries, will also be investigated.
2. To investigate whether CSR does indeed play a more pivotal role or focus as regards philanthropic or charitable projects in developing countries and whether this applies to certain countries than others.

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