

CORPORATE RESPONSIBILITY IN CROSS-BORDER BUSINESSES

A Waiweru (University of Johannesburg)

Corporate social responsibility (CSR) has over the years become an increasingly significant global issue that impacts both multinational and local companies. Companies need to address and heed to, not only shareholders but all the multiple stakeholders impacted by the company. Stake holders include: employees, customers, suppliers, government, investors and the community. CSR can be seen as a form of 'companies giving back to community' for the support they receive from the community in terms of sustained profitability and sustainability. The assignment explore the factors behind the emergence of CSR, the aspects involved, the benefits, arguments against CSR and a critical analysis drawn from research on whether corporate responsibility adds value to companies.

Key phrases: Corporate social responsibility, importance, aspects, benefits, practical examples

1 INTRODUCTION

This article undertakes an in-depth analysis of corporate social responsibility (CSR) in the multinational arena focusing on Spar supermarkets. Spar was founded in Netherlands in 1932 by Adriaan Van Well of as voluntary chain of grocers under the name 'DE SPAR' (we shall benefit from joint co-operation). His purpose was to secure cooperation between independent wholesalers and retailers in response to the emergence of grocery stores in Europe. He used the symbol of the Fir tree, spar in Dutch to identify the organisation and it became the spar logo. The spar organisation is made up of two types of members' retailers who are independent store owners and distribution centres. To facilitate the operation in South Africa The country is divided into six geographical areas, each with its own regional guild of retail. (Membership fees are paid to the guild) and distribution members, with the center of control being the local distribution center. (<http://www.spar.co.za>).

Spar international based in Amsterdam is responsible for the development and coordination of worldwide spar organisation. There are three unique store formats that have been devised to cover the local food market these being, Spar for neighbourhood shopping, Superspar for one stop bulk shopping and Kwikspar for every day convenience. (The Spar Guild Report 2005).

For the purpose of the assignment Kwikspar being the adopted business is limited in scope as a multinational and thus Spar South Africa and Spar international will be explored as they best suite the scope.

2 DEFINITION OF CORPORATE SOCIAL RESPONSIBILITY

According to Anon (2005:3) Corporate social responsibility (CSR) is about how business align their values and behaviours with the expectations and needs of stakeholders not just customers and investors, but also employees, suppliers, communities, regulators, special interest groups and society as a whole. CSR describes a company's commitment to being accountable to its stakeholders.

The King committee on corporate governance (King 11 2002:12) describes CSR as follows "A well managed company will be responsible and aware of, and respond to, social issues, placing high priority on ethical standards. A good corporate citizen is increasingly seen as one that is non-discriminatory; non exploitative and reasonable with regard to environmental and human rights issues."

3 AN OVERVIEW OF CORPORATE SOCIAL RESPONSIBILITY

Business remains the most potent force of wealth creation in a Nation and government cannot replicate this. It is critical to have business partnering with the government to minimise corruption, reduce poverty, improve standards of living and address social, economic and environmental development issues. This is the responsibility that business should strive to fulfil and the basis of discourse on CSR, which should encompass economic, social and environmental dimensions of sustainable development. Putting CSR into practice involves managing and conducting business in a responsible manner, attending to the needs concerns and expectations of stakeholders for a robust bottom line.

According to Chinyere (2005:10), the overarching component for translating CSR concept into reality is corporate strategy, because it takes cognisance of external and internal analysis of the business and provides overall direction and necessary stimulus for the activities to be embarked on. Organisations must critically analyse, identify and prioritise their stakeholders and examine the concerns of their key stakeholders as an input into the CSR strategy framework. Spar in south Africa has selected corporate social investments projects and has for many years played an active and meaningful role in socio-economic development with special focus on health, hunger, crime prevention and more specifically AIDS related projects, (Sparway 2005).

For CSR to be entrenched, it must be an extension of the company's mission. Spars mission statement is:

"To grow and develop Spar in Southern Africa through strategically placed distribution centers and to create wealth for all the members and shareholders while ensuring the development of all the people that make up the family." (<http://www.spar.cp.za/missionstatement.asp>). Spars part of "development of all people" as stated in the mission statement is carried out in ways such as sponsorships and donations, education (employees and community), self-help projects, feeding schemes, care for the aged, skills training (employees and community) and business against crime.

4 THE NEED FOR CORPORATE SOCIAL RESPONSIBILITY

Van Dene (2004:1) States that, up to and throughout the 1930's the business world was regarded as a valuable social institution, because it helped to realise society's aim regarding material welfare and a rising standard of living. Since then most western communities have come to believe that a high standard of living in the midst of a deteriorating physical environment and inadequate social progress does not make sense. For this reason the business world has been under pressure to reconsider its role in society, especially with regards to the following factors: social responsibility, business ethics, affirmative action, environmental damage and consumerism.

A variety of terms are used interchangeably to talk about CSR such as corporate citizenship, business ethics, and corporate sustainability. The crux of social responsibility is however the insistence of the community that business should in every respect be 'a good citizen' that produces profit for its owners and investors whilst simultaneously markets safe products, combats pollution, respects the rights of employees and consumers and assists the disadvantaged. In a nutshell organisations are expected to promote the interests of society.

Freemantle and Rockey (2004:56) report that Since the 2002 world summit on sustainable development in Johannesburg, the quest for sustainability has captures South Africa's corporate imagination, pointing to a plethora of social and environmental considerations that had previously been overlooked. In the same year the king 11 corporate governance recommendations grabbed local business headlines and have since altered the country's chief executives to wider encompass of corporate responsibility than in previous customs.

CSR minister fro spar international Stephen Timms launched an academy dedicated to help CSR take a leap forward. The academy established through close

government, industry and key stakeholders co-operation would be a new resource to develop their CSR skills.

(<http://www.Spar international.com/socialresponsibility/concept.php>)

Multinational companies that want to be reputable global citizens need to manage divergent and often conflicting societal expectations. Some do this by using a universally set of policies, approaches, rights and responsibilities. Some of the global benchmarks against which companies CSR performance is being measured includes: the United Nations Declaration of Human Rights, International Labour Organisation, United Nations Global Compact and Global Reporting Initiative (GRI). (Fraser 2005:42).

5 ASPECTS OF SOCIAL CORPORATE RESPONSIBILITY

5.1 Sustainability Development

The term sustainable development refers to economic development that meets “the needs of the present without compromising the ability of the future generation to meet their own needs.” (Freemantle & Rockey 2004:7). It contends that an organisations social, ethical and environmental management practise provide strong indication of its intent and ability to develop sustainability.

5.2 The Triple Bottom Line (TBL)

The TBL was coined in response to businesses tendency to focus on financial (single) bottom line. The TBL considers the social and environmental contributions an organisation makes to society alongside its traditional economic contribution. This refers to achieving a balance and integrated economic, social and environmental performance. (Bickham 2002:34)

5.3 Corporate Citizenship

This considers the rights and responsibilities of organisations within a broader context and is therefore concerned with the contribution a company makes through it's social and environmental impacts as well as economic contribution (giving back to community) (Freemantle and Rockey 2004:8) . For example Spar in India participates in various fund raisings, charitable activities and grants for local hero's award scheme.

5.4 Corporate Social Investment (CSI)

According to Rochlin (2003:10) CSI refers to organisational contributions to society and community that are extraneous to its regular business activities whether in monetary or corporate resource or time. CSI maybe via charitable philanthropic giving, it serves to support business development objectives as such it is an important subset of corporate citizenship or CSR but should never be interpreted as synonymous with those terms. For example Spar South Africa's CSI includes: Hillcrest AIDS center, Gozololo home and Reboakeng childcare among others.

6 BENEFITS OF CORPORATE SOCIAL RESPONSIBILITY

6.1 Improved Financial Performance

Financial performance of socially responsible corporations are significantly better than those of companies that do not practise CSR. There is a connection between social responsibility practises and performance. The theory behind CSR is that companies can be profitable at the same time minimizing their negative impacts on stakeholders.

6.2 Enhanced Brand Image and Reputation

Customers are often drawn to brands and organisations with good reputations in CSR related areas. Multinationals such as coca-cola, Nike and Royal Dutch/Shell group have take hits to their reputation for failing to stay ahead of their stakeholders expectations.

6.3 Increased Productivity and Quality

Company efforts to improve working conditions, lessen environmental impacts or increase employee involvement in decision making often lead to increased productivity and reduced error rate.

6.4 Increased Sale and Customer Loyalty

A number of studies have shown that there is a large growing and market for products and services for organisations perceived to be socially responsible. While companies must first satisfy customers key buying criteria such as price, quality, safety and convenience. Studies have shown a growing desire to buy because of other value based criteria such as 'sweat-shop free' and 'child labour free' clothing,

lower environmental impact and an absence of genetically modified materials or ingredients.

6.5 Increased Ability to attract and retain employees

A company's dedication to CSR can help to attract and retain employees. People want to work for a company that is in accordance with their own values and beliefs, employees are not just worried about salaries and promotions anymore.

6.6 Keeping up with Competitors and where the Market is

This is where business is heading: the world over regardless of the regional culture the UK, Germany, China, South Africa and others are countries that are embracing CSR. For all the starting points are often different, some are driven by regulations and legislation (South Africa), others are driven by self-regulation. Governments, investors, local communities and suppliers are all putting pressure on companies to live up to the expectations of a company in society and in the environment. (Anon 2002:27; Anon 2003:23; King 11 2002:12-13)

7 ARGUMENTS AGAINST CORPORATE SOCIAL RESPONSIBILITY

- It violates the policy of profit maximisation and as a result stockholders will suffer.
- Society will be better off if it asked businesses only to maximise their efficiencies and thus lower costs.
- It will increase the price of the end item because 'cost is passed on' (businesses increase prices as a means of acquiring back some of the amount spent on CSR) and as a result purchasers of the item in the end suffer increased prices.
- Most corporate executives lack the knowledge, perception, skills and patience to deal with and solve society's problems.
- Social actions cannot be measured, so why participate in them?
- Businesses already have too much power. Increased activity in the social arena will only increase its power to remould society to their way of thinking. (Anderson 1998:11-12; Theobald 2002:25).

8 CRITIQUE ON CORPORATE SOCIAL RESPONSIBILITY

"Few trends could so thoroughly undermine the very foundation of our free society," wrote Milton Friedman 43 years ago," as the acceptance by corporate officials of a

social responsibility other than to make as much money for their stockholders as much as possible." In recent years many chief executives officers (CEO's) have flocked to support "corporate social responsibility" or "CSR," in November 2005 Business for social responsibility (an organisation that includes some of the largest organisations such as Walt Disney) attracted more than 1,000 people to it's annual meeting in Washington which was headed by World Bank Paul Wolfowitz. (Glassman 2006:45). He further says that groups like Business for social responsibility and the labour and environmental organisations that support CSR, want to yoke business into shortening working hours, fighting global warming and promoting the interest of women and minorities. The CSR agenda is left wing but it's propped up with phrases such as "sustainable development" that seem sensible. The result being that CSR gets a free ride because as the economist puts it "the opponents never turned up."

The best antidote to poverty according to Redfern (2004:52), economic growth and the best system for solving financial, social, physical ills is competitive free market capitalism. In the atmosphere of creative destruction that market competition creates, corporations have their hands full doing the one job that is required and expected of them-making profits that keep them in business. Certainly businesses must obey the law, and individual executives must act morally, guided in most cases by religion. The way to "make the world a better place" is to increase financial returns to shareholders.

9 EXCERPTS

The following are abstracts of Spar on corporate social responsibility.

9.1 Kwikspar – Buccleuch

Kwikspar being a small supermarket, is involved in CSR on its own accord, communication by Van Zly (2006), the owner gave information of its involvement in CSR in the following ways:

Charity such as: feeding scheme in Alexandra once a week, giving of 'damaged goods' (Those that are slightly faulty e.g. dented tins) to townships.

Purchasing of bibles, for the Manzibo township church to promote Christianity for people in the townships such as, Zulu, Sepedi.

Sponsoring schools during walks with cool drinks and food. For example Woodmead primary school.

Donated a computer to a school in Krugersdorp

Christmas donations to homes and support of children with cancer (recently donated 93 teddy bears to children suffering from cancer)

9.2 Spar - India

Each store plays an important role in its local community. Areas of focus include: fundraising and charitable activities, including comic relief's red nose day, food and equipment donation, support for several national charities. Store managers and colleagues play an active role formally and informally in both the business communities and broader social activities. (Contact international 2006)

9.3 Spar – South Africa

Spar South Africa has an extensive CSR programme according to the districts some of which include:

9.3.1 Gozolola

Gozolola is supported by Spar KwaZulu Natal, which provides for orphaned children. It has shown good growth and cares for 360 children. The concept has rolled out to six sites caring for over 2600 children in the Kwa-Mashu and Inanda districts.

9.3.2 Sparrow Ministries

Supported by Spar South Rand in Gauteng, they provide a hospice service together with a program to assist HIV/AIDS patients to become self-sufficient through self care and by using their time to help both their families and themselves.

9.4 Spar International

Spar sports sponsorship looking forward to European championships in Gothenburg 2006 and indoor championships in the United Kingdom (UK) in 2007. Members will be given all assistance to capitalise on the opportunity created by the European Championships. (The Spar Guild Report 2005).

10 CONCLUSION

Corporate social responsibility has become a global initiative. Both local and multinational companies have had to respond either as a result of policies of regulation and legislation and others driven by self regulation. Stakeholder's expectations of

businesses necessitate that business “give back to the community” by looking after the welfare of stakeholders through being committed to the contribution and management of the triple bottom line (social, economic and environmental). Failure to heed to CSR can impact a company’s reputation and image. However companies that heed to CSR enjoy the benefits of increased financial performance, loyalty from consumers and enhanced brand image. The significance of CSR to a company’s especially so multinational companies cannot be overemphasised, in today’s global environment as it plays a major role in terms of competition and where the market is.

11 RECOMMENDATIONS

Chief executives need to ensure that CSR is on the board’s agenda as part of corporate strategy. They should be aware of existing standards and global initiatives as they relate to CSR and use them as yardsticks against which to measure their organisation performance. Managers should identify best practices and determine whether their organisations core values and code of conduct still reflect the desired position of the company in today’s and tomorrow’s world. Managers should use international standards and practices designed by independent organisations or competitors as benchmarks against which they measure their company’s CSR performance.

BIBLIOGRAPHY

ANDERSON JW. 1998. Corporate Social Responsibility. Guidelines for top management. Connecticut:Greenword Press Inc.

ANON. 2005. What is CSR? (online) available <http://www.CSR> network.com (Accessed 2006-14-02).

ANON. 2003. Public wants to be socially responsible. (Online) Available <http://www.bday.co.za> (accessed 2006-20-02).

ANON. 2002. Global corporate Sullivan principles launched at UN. (Online) Available <http://www.Uasb.org>. (accessed 2006-02-13).

BICKHAM E. 2002. Corporate Responsibility. *Optima*, 48(1):32-51.

CHINYERE A. 2005. The Great CSI Debate. *Corporate Social Responsibility*, 14th March:10-12.

FREEMANTLE A. 2002. & ROCKEY N. 2004. The good corporate citizen. Pursuing sustainable business in South Africa. Parktown: Institute of directors in south Africa.

GLASSMAN SK. 2006. Corporate Social Responsibility. *Forward Observer*, 160(10):45-47

[Http://www.spar.co.za](http://www.spar.co.za).

[Http://www.sparinternational.com/socialresponsibility/concept.php](http://www.sparinternational.com/socialresponsibility/concept.php).

[Http://www.spar.co.za/missionstatement.asp](http://www.spar.co.za/missionstatement.asp).

KING COMMITTEE ON CORPORATE GOVERNANCE. 2002. King report on corporate governance for South Africa. Parktown: Institute of directors in South Africa.

REDFERN K. 2004. "An empirical investigation of the ethics in the people's republic of China". *Business Ethics*, 50(3):199-220.

ROCHLIN S. 2003. Corporate citizenship is coming- Are you ready? (online) Available <http://www.bc.edu> (Accessed 2006-12-03).

SPARWAY. 2005. Not known:"SI."

THE SPAR GUILD REPORT. 2006. Not known:"SI."

THEOBALD J. 2002. Future Wealth. *Financial Mail*, 168(11)24-26.

VAN DENE L. 2004. Corporate Social Responsibility in South Africa: Fact or Fiction? Unpublished Dsc thesis. Johannesburg. University of Johannesburg.

VAN ZYL T. 2006. Verbal communication with owner. Johannesburg (Transcript notes in possession of owner).

INDEX

AIDS- Acquired immune deficiency syndrome, 1, 8

CEO – Chief executive officer, 7

CSI – Corporate social investment, 5

CSR- corporate social responsibility, 1, 3, 4, 5, 6, 9, 10

DE SPAR – We shall benefit from joint cooperation, 1

GRI – Global reporting initiative, 4

HIV – Human immunodeficiency syndrome

TBL – triple bottom line, 4