What Drives the Business Case for CSR?

By Wayne Visser

One of the ways the business case is determined is that each region, country or community has a different combination of CSR drivers. I will start with the five typical CSR drivers that are local (or internal) drivers, namely pressures from within the country or community.

1. Cultural tradition

In many countries and regions, CSR draws strongly on deep-rooted indigenous cultural traditions of philanthropy, business ethics and community embeddedness. For example, in a survey of over 1,300 small and medium-sized enterprises in Latin America, Antonio Vives found that the region's religious beliefs are one of the major motivations for CSR. In Asia, a study by scholars Wendy Chapple and Jeremy Moon reached a similar conclusion, namely that 'CSR does vary considerably among Asian countries but that this variation is not explained by [levels of] development but by factors in the respective national business systems'. And in Africa, I have found that the values-based traditional philosophy of African humanism (*ubuntu*) is what underpins much of the modern, inclusive approaches to CSR on the continent.

2. Political reform

CSR cannot be divorced from socio-political reform processes, which often drive business behaviour towards integrating social and ethical issues. For example, the political and associated social and economic changes in Latin America since the 1980s, including democratization, liberalization, and privatization, have shifted the role of business towards taking greater responsibility for social and environmental issues. Likewise, more recently, the goal of accession to EU membership has acted as an incentive for many Central and Eastern European countries to focus on CSR, since the latter is acknowledged to represent good practice in the EU.

3. Socio-economic priorities

CSR is typically shaped by local socio-economic priorities. For instance, while poverty alleviation, health-care provision, infrastructure development and education may be high on many developing country agendas, this stands in stark contrast to many Western CSR priorities such as consumer protection, fair trade, green marketing, climate change concerns, or socially responsible investments. Stephen Schmidheiny questions the appropriateness of imported CSR approaches, citing examples from Latin America where pressing issues like poverty and tax avoidance are central to CSR, but often remain left off of international CSR agendas.

4. Governance gaps

CSR is frequently seen as a way to plug the 'governance gaps' left by weak, corrupt, or under-resourced governments that fail to adequately provide various social services (housing, roads, electricity, health care, education, etc.). Academics Dirk Matten and Jeremy Moon see this as part of a wider trend in developing countries with weak institutions and poor governance, in which responsibility is often delegated to private actors, be they family, tribe, religion, or increasingly, business. A survey by WBCSD illustrates this: when asked how CSR should be defined, Ghanaians stressed 'building local capacity' and 'filling in when government falls short'.

5. Crisis response

Crises often have the effect of catalyzing CSR responses, albeit mostly of the philanthropic kind. For example, the economic crisis in Argentina in 2001 marked a significant turning point in CSR, prompting debates about the role of business in poverty alleviation. Similarly, Hurricane Katrina in the USA and HIV/AIDS in South Africa had the effect of galvanizing CSR. The examples are endless, be they the industrial accidents of the 1970s and 1980s (Seveso, Bhopal, Exxon Valdez), the environmental and human rights fiascos of the 1990s (Shell, Nike, McDonald's) or the corporate governance and natural disasters of the 2000s (Enron, Katrina, Sichuan).

The rest of the CSR drivers are more global (or external) and tend to have an international origin.

6. Market Access

The flipside of the socio-economic priorities driver is to see these unfulfilled human needs as an untapped market. This notion underlies the now burgeoning field of 'bottom of the pyramid' (BOP) strategies already discussed. CSR may also be seen as an enabler for companies in developing countries trying to access markets in the developed world. For example, a survey of CSR reporting among the top 250 companies in Latin America found that businesses with an international sales orientation were almost five times more likely to report than companies that sold products regionally or locally.

7. International Standardisation

Codes are frequently a CSR response, especially in sectors where social and environmental issues are deemed critical, such as textiles, agriculture or mining. Often, CSR is driven by standardisation imposed by multinationals striving to achieve global consistency among its subsidiaries and operations in developing countries. For example, a study by Wendy Chapple and Jeremy Moon in Asia found that 'multinational companies are more likely to adopt CSR than those operating solely in their home country, but that the profile of their CSR tends to reflect the profile of the country of operation rather than the country of origin'.

8. Investment Incentives

The belief that multinational investment is inextricably linked with the social welfare of developing countries is not a new phenomenon. However, increasingly these investments are being screened for CSR performance. Hence, socially responsible investment (SRI) is becoming another driver for CSR in many countries. Often, this is as a result of global SRI funds and indexes, like the Dow Jones Sustainability Index and FTSE4Good, but the influence of regional and national SRI instruments is also on the rise, with Brazil and South Africa among the first to go glocal in this respect. In addition, there are sector-based indexes emerging, like the ICT Sustainability Index launched in 2008.

9. Stakeholder activism

In the absence of strong governmental controls over the social, ethical and environmental performance of companies in some countries, activism by stakeholder groups has become another critical driver for CSR. In developing countries, four stakeholder groups emerge as the most powerful activists for CSR, namely development agencies, trade unions, international NGOs and business associations. These four groups provide a platform of support for local NGOs, which are not always well developed or adequately resourced to provide strong advocacy for CSR. The media is also emerging as a key stakeholder for promoting CSR.

10. Supply chain integrity

Another significant driver for CSR, especially among small and medium-sized companies, is the requirements that are being imposed by multinationals on their supply chains. This trend began with various ethical trading initiatives, which led to the growth of fair trade auditing and labelling schemes for agricultural products. Later, poor labour conditions and human rights abuses resulted in

the development of certifiable standards like SA 8000. Major change has also been achieved through sector-based initiatives such as the Forest Stewardship Council and more recently, through the 'Wal-Mart effect', involving choice editing to source only from sustainable and responsible suppliers.
To conclude, the art of finding a 'glocal' business case is to determine which of these 10 incentives and pressures are the strongest and most applicable to the local context.

Part 10 of 13 in Wayne Visser's Age of Responsibility Blog Series for 3BL Media.

Article reference

Visser, W. (2012) What Drives the Business Case for CSR? *Wayne Visser Blog Briefing*, 10 April 2012.

Source

Extracted and adapted from Visser, W. (2011) *The Age of Responsibility: CSR 2.0 and the New DNA of Business*. London: Wiley.

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Part of the WAYNE VISSER BLOG BRIEFING Series