

Global Perspectives on Corporate Governance and CSR

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Foreword

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At the current time it is quite noticeable how much more prominent the concepts of corporate governance (CG) and corporate social responsibility (CSR) have become – not just in the academic world or in the business world but also in everyday life. Many people have highlighted a lot of factors which have led to this interest – such things as poor business behaviour towards customers, employees and the environment. Particularly, of course, the corporate scandals of the last decade have led to a great deal of interest in governance procedures. Since then other things have also featured prominently in popular consciousness. One of these which has become more pronounced is the issue of climate change and this has affected concern about CSR through a concern with the emission of greenhouse gases and particularly carbon dioxide. Nowadays it is quite common for people to know and discuss the size of their carbon footprint whereas even three years ago people in general did not even know what a carbon footprint was.

Another thing which has become prominent is a concern with the supply chain of business; in particular people are concerned with the exploitation of people in developing countries, especially the question of child labour and also such things as sweat shops and slave labour, as well as generally exploitative management. So no longer is it acceptable for a company to say that the conditions under which their suppliers operate is outside of their control and they are not responsible. Customers have said that this is not acceptable and have called companies to account. And there have recently been a number of high profile retail companies which have held their hands up to say *mea culpa*¹ and taken very public steps to change this. Interestingly the popularity of companies increases after they have admitted problems and taken steps to correct these, thereby showing both that honesty is the best practice and also

1 'I am responsible.'

that customers are reasonable. The evidence suggests that individual customers are understanding and that they do not expect perfection but do expect honesty and transparency. Moreover, they also expect companies to make efforts to change their behaviour and to try to solve their CSR problems. This too has raised the profile of corporate governance, particularly within organisations, as the prime mechanism for managing these problems is through a strong governance system.

Companies themselves have also changed. No longer are they concerned with greenwashing – the pretence of socially responsible behaviour through artful reporting. Now companies are taking CSR much more seriously (Crowther, 2008) not just because they understand that it is a key to business success and can give them a strategic advantage, but also because people in those organisations care about social responsibility. So it would be reasonable to claim that the growing importance of CSR is being driven by individuals who care – but those individual are not just customers, they are also employees, managers, owners and investors of a company. So companies are partly reacting to external pressures and partly leading the development of responsible behaviour and reporting. So accountability – one of the central principles of CSR – has become much more recognised and is being responded to by increasing transparency – another of the principles of CSR. It is not coincidental of course that these are also central principles of corporate governance and attention is being paid also in the development of governance systems and procedures.

The third principle of CSR is that of sustainability and this is a term which has suddenly become so common as to be ubiquitous for business and for society. Every organisation mentions sustainability and most claim to have developed sustainable practices. A lot of this is just rhetoric from people who, we would claim, do not want to face the difficult issues involved in addressing sustainability. There is a danger therefore that sustainability has taken over from CSR itself as a target for greenwashing. Nevertheless, although the relationship between organisations and society has been subject to much debate, often of a critical nature, evidence continues to mount that the best companies make a positive impact upon their environment. Furthermore, the evidence continues to mount that such socially responsible behaviour is good for business, not just in ethical terms but also in financial terms – in other words that corporate social responsibility is good for business as well as all its stakeholders. Thus ethical behaviour and a concern for people and for the environment have been shown to have a positive correlation with corporate performance. Indeed, evidence continues to mount concerning the benefit to business from socially

responsible behaviour and, in the main, this benefit is no longer questioned by business managers. The nature of corporate social responsibility is therefore a topical one for business and academics. The evidence for corporate governance being actually good for business – and therefore an essential platform for sustainability – is even more overwhelming. Strong governance procedures are generally accepted to be worth a premium in the market because of the benefits which will flow therefrom.

Most people initially think that they know what CSR is and how to behave responsibly – and everyone claims to be able to recognise socially responsible or irresponsible behaviour without necessarily being able to define it. So there is general agreement that CSR is about a company's concern for such things as community involvement, socially responsible products and processes, concern for the environment and socially responsible employee relations (Ortiz-Martinez and Crowther, 2006). Issues of socially responsible behaviour are not of course new and examples can be found from throughout the world and at least from the earliest days of the Industrial Revolution and the concomitant founding of large business entities (Crowther, 2002) and the divorce between ownership and management – or the divorcing of risk from rewards (Crowther, 2004). According to the European Commission CSR is about undertaking voluntary activity which demonstrates a concern for stakeholders. But it is here that a firm runs into problems – how to balance up the conflicting needs and expectations of various stakeholder groups while still being concerned with shareholders; how to practice sustainability; how to report this activity to those interested; how to decide if one activity is more socially responsible than another. The situation is complex and conflicting.

Many would say that the situation for corporate governance is more simple because it is more straightforward, being merely concerned with how a corporation conducts itself while undertaking its business. This is overly simplistic and we have sought to show that corporate governance and corporate social responsibility and interrelated and overlapping concepts – hence we treat them together in this book, although some authors focus more on one and some more on the other. This is personal preference rather than any serious attempt at differentiation: we are concerned equally with both concepts in this book. This is one of the distinguishing features of the book. There have been many books which consider different governance systems and even make international comparisons. Equally there have been many books which investigate corporate social responsibility from one of a variety of different perspectives. Such books have a tendency to make comparisons through dichotomisation – dwelling

upon differences to make distinctions. Our book is different as we focus upon similarities; moreover we do not give superordinacy to the Anglo-Saxon approach. In an increasingly global business environment it does not seem to us to be apposite to adopt this approach. Consequently the contributors are from a wide range of locations and a wide range of perspectives, and consider a wide range of different issues of local and/or global significance. Our purpose in this volume is to show that there are issues which are global in nature, which is unsurprising in an increasingly globalised world, but that also there is a richness of cultural diversity (see Aras and Crowther, 2008a, 2008b) which prevents homogenisation. Some would see this as desirable while others would see this as undesirable, many would view it as transient. We do not take any position on this – it is for each of us to decide our views – but we do finish the book by considering the prognosis and whether or not harmonisation can be expected to occur in the future.

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