

## Corporate Social Responsibility: An Illusion or Reality

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### Abstract

*Business enterprises and their policies of conducting business have always been considered as debatable, and another aspect is following social and environmental regulations of jurisdictions in which companies conduct their business—either domestic enterprises or international ones. In different scenarios, companies self-regulate themselves and, in this prospect, environmental conduct cannot be adhered to properly. On the other hand, it has been observed that MNC's increasingly self-regulate their environmental conduct. Experience shows that when the MNC's or the polluting companies faced with strong environmental regulations, they move their base of operations to another country with lower (thus cheaper) standards and it affects that country massively. The same situation when it appears with a domestic company, it tries to disguise its fallacy through lack of regulations and policy within its own jurisdiction. What can be done to stop this? Indeed, there are various examples historically such as Lubbe v Cape PLC etc., and similarly, more stringent waste regulations in Europe and other industrialized nations can also help. What about stakeholders and internal management, and how do the repercussions of not adapting to the principles of corporate social responsibility?*

**Key Words:** Regulations, Corporate Social Responsibility, Multi-National Companies, Convergence, Human Rights.

### Introduction

Environmental concerns and sociological aspects of businesses, although profit driven enterprises is a glaring example of the poor environmental management practices of MNC's and domestic enterprises, in countries with weak regulatory frameworks. It is pertinent to mention here that it is not only insufficiencies of the home states laws, but also institutional capacity discrepancies that give rise to poor enforcement of extant laws. Over the years, various mechanisms have been suggested to avoid this "race to the bottom". These include international minimum standards, the extraterritorial reach of home state laws, and transnational enforcement of host state laws. Unfortunately, so far, we still rely solely on soft law instruments at the international level. There is currently quite a lot of momentum around the United Nations Framework in accordance with the Ruggie's recommendations. However, even within this framework, perhaps one of the most effective tools for effectively holding corporations accountable is still extraterritorial regulation of MNCs by home state. This article will highlight the economically driven aspirations, the element of

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corporate governance and the concerns of the proponents of environmental protection and social values attached to the business.

The Ruggie's recommendations again show promise, and if states, collectively start to impose a strict set of regulations, the enterprises will simply reincorporate itself somewhere else. Essentially, international law dictates that (EyalBenvenisti 2017), the state has an obligation to establish and impose national regulations to protect the human rights of its citizens against corporate abuses. It sounds impressive, but we need to remember that states are hesitant to strategize or synthesize laws and policies dealing with enforcement of laws because unfortunately, economic interests are always a priority other than human rights of their citizens, then efforts to regulate MNCs and make them comply with national laws, including environmental protection ones, is not possible to achieve. Recently south American countries and some African countries proposed a strategy to deal with this alarming situation, but in vain, as major economic giants refused to even consider the proposal or to review it. Presumably, proposals like the above will continue to be overshadowed by their economic interests.

The definition of Corporate Social responsibility (hereinafter CSR), by the European Commission, is the obligation of enterprises for their influences on society; however, the American perspective of CSR is a principle-based approach (Torres, Olup:2012). As far as the concept of CSR in Pakistan is concerned, then it focuses more on areas where the economic contributions of the MNC's are statistically monitored. It will not be incorrect to state that the majority of the industrialized countries are not oriented regarding the sociological aspects of CSR. It all began in the early 1990s when CSR was presented as a multi-layered concept that is based on four connected characteristics (Carroll 1991) economic, legal, philanthropic and ethical. Suppose prospects and characteristics are concerned that it is a known fact that companies are generally created to provide a variety of things connected with economic responsibilities, at times, goods and at times services. In the early 2000s, a movement (Lambooy 2010) started through which MNC's were scrutinized by various segments of the society and environmental and social conflicts were surfaced. A company is expected to be impartial and right. CSR has progressed (Torres, Olup:2012) into a convoluted theory like many multi-nationals consider it a significant element of corporate decision making. The management of companies are making efforts to integrate elements of CSR into their policies and business conduct, but there is the price which the frontrunners (which initiated this drive) had paid. Operations and public outrages from environmental pollution to scandals pertaining to child abuse and labor, also discrimination about remuneration or wages and no job security, were a few issues which gathered a lot of media notice. For a prudent mind, a question may arise that whether, enterprises which are adopting CSR principles, are serious about this paradigm or they are trying to avoid controversies.

### **The Dearth of Public Regulations Regarding Corporate Best Practices**

Companies and especially MNC's do not have a set of regulations to be at the best of their practices in many countries, and due to their own structures and practices, sustainability reporting became a routine. Many MNC's voluntarily prepare a sustainability report which is not a standard to gauge the authenticity, and these reports do not provide any aspect of accountability. Many giant companies have been involved in conflicts related to CSR, such as Apple, Coca-Cola, Canon and Walmart. A research was conducted in which it was observed that the companies (R. Tulder& A. Zwart, 2006) which are on thin ice i-e, in a precarious or risky situation, generally tend to be the frontrunners in the propagation of CSR principles., and the processes in avoiding issues. The same research recorded that, a case was reported in India against Coca-Cola, as the latter was embargoed in the former because local communities suffered due to drought, and it was alleged that coca-cola was consuming an excessive amount of water, which is important for drought-ridden areas. Same nature of an issue was reported in 1992, whereby the company Walmart was caught red-handedly while employing children under the age of 14 in its factories established in Bangladesh. Another issue which made a lot of headlines in May 2010 was suicided at Apple's manufacturer for iPads

and iPhones. However very unlikely, the company Canon managed to clear the CSR standard because it was keeping up with the international standards.

### **Dressing up of CSR as a Business Discipline**

Presently there is a lot of pressure for MNC's to adopt CSR as a business discipline and a demand also prevails that it must every initiative adopted while dressing up deliver effective and lucrative business results. Many MNC's might think that by doing the above-stated means that too much is asked from them, and some might consider it not doable. A company is required to be aligned regarding environmental and social activities with its business conduct and if companies agree to do, so risks with many segments of the society perceive, can be mitigated. Many companies already practice a multidimensional adaptation of CSR that covers environmental sustainability and social adaptability. Ruggie believed that to maximize the impact of their efforts, companies much ensure various areas of unification for CSR to be practised. Curtailing and affiliating programs within the CSR discipline is the first approach or an initiative which companies tend to adopt. Through this, a proper examination, of already piloted programs can be conducted, and while keeping with the company's business purpose and business value, reduction, or elimination (K.Rangan 2015) of important social and environmental issues can be achieved. Secondly, companies can develop a system of measurement for evaluating MNC's performances based on CSR standards, which can address several problems while mutually underlining the initiatives in line with sustainability standards. The third prospect is coordination between several (K.Rangan 2015),

### **Business Activities of Pakistan and the Amplification of CSR.**

Given the fact that Pakistan is experiencing the flow of huge capital and for a proper understanding, and evaluation to the extent of CSR is indispensable. An important question which arises at this point is that whether the international enterprises which are working in Pakistan follow the standards encapsulated in the principle of CSR or not? It is observed that, when the drive of CSR began, many enterprises used to project themselves as entities which have immunity, while self-asserting themselves as bringers of human rights including labor and obligations pertaining to international environmental laws and obligations (Shuhong Yu 2019). Now, as CSR had held its ground globally, therefore any veil cannot be used (Bantekas 2004). Like other states of the world, MNC's setting up their enterprises in Pakistan also tend to adhere to the notion of CSR as being a supervisory mechanism, because Pakistan has not developed any standards whatsoever, to protect themselves from any backlash as several organizations are working relentlessly to make corporations work for sustainable development and for monitoring the conduct of the same.

A lot has been written about philanthropic, ethical, legal, and economic responsibilities of MNC's, but the crucial motivation of CSR like, firmness of corporations, responsible behavior, public pressure, social media, climate change and globalization are not understood in detail. With companies becoming more and more affluent, (S. Yu, X. Ban 2019), having stability and development, there is a tendency to involve CSR in their business conduct regularly, especially those aspects and fronts which are generally ignored. Why do enterprises ignore, can be a valid question, and its answer can be excruciating because of the needs of companies such as profits are being fulfilled then what else is required to act voluntarily. Secondly, if responsible behavior is adopted, it will help to raise the goodwill of the company in the eyes of society. Many countries have developed the legislation dealing with businesses. and have codified the activities including CSR (S.YU, X.Ban 2019), for example, England introduced new companies act 2006, and a provision in it required directors to be aware of community impacts and environmental impacts of their businesses. (Veronica, 2017). Whereas although Pakistan has amended its companies' ordinance, 1984 and the companies Act 2017, got introduced but it does not address anything dealing with CSR. Social media, especially through this pandemic, has become a strong influencer and companies cannot camouflage their activities under any other aspect of the business, e.g, in Mainland China alone, there are more than 90

million social media influencers and bloggers, which are engaging the growing community of internet users related to discussions of present-day issues (Chielecki 2014).

In Pakistan, a survey was conducted in the 1980s in which it was uncovered that 90 percent of the corporate bodies were involved in charity work, and most of them have trusts or foundations in their ownership. However, many companies have started incorporating CSR in their project strategies and are avoiding charitable contributions (S.YU, X.Ban 2019). The security exchange commission of Pakistan (SECP) prepared a set of guidelines about CSR, companies are asked to provide details about their business conducts and SECP keeps on revisit the policies already made. Interestingly these standards are equally applicable to MNC's and domestic enterprises. Sajjad and Eweie in 2014 brought certain eye-opening findings in which it was found out that many enterprises do not find any link between philanthropy and CSR, but exceptions are there also in the shape of many enterprises which follow CSR principles and have also incorporated them in their procedures and activities (S.YU, X.Ban 2019). If we try to trace the sources of CSR, it can be seen that in Pakistan, the principles of CSR are mostly related to or considered to be dealing with labor laws, corporate laws, environmental laws and consumer protection laws. Additionally, guidelines of SECP are also centered with the above stated, and its approval is essential for any company to function (S.YU, X.Ban 2019); however, it is relevant to mention here that significant part in the establishment of CSR in business avenues is largely due to judicial precedents and case laws.

Case laws are in equal footing as law in Pakistan's legal system, and as law, it can be a source to enforce CSR policies in general. Secondly, precedents are unchallengeable because they provide a bedrock for the application of certain concepts which cannot be found in legislation. In a landmark case PLD 2014 SC 350, Supreme court of Pakistan directed the concerned company to fulfil the responsibilities according to the contracts signed and also by raising the authority of courts under the article 184(3) (which provides power to the supreme court of Pakistan to order if there is a matter of public policy). Before this case, it was quite palpable that there was no law dealing with CSR in Pakistan however through its judgment, all companies were directed to adhere to the standards set under the principle of CSR internationally. The decision under this case proved to be a foothold for the development of CSR as a means of doing business in Pakistan as all companies were considered liable and responsible for their business activity within Pakistan. Another enlightened aspect was the creation of a job as the honourable court made it clear that people in the locality where an enterprise operates, will be given employment on a preferential basis. Lastly, the court emphasized the requirement of incorporation of CSR and its socio-economic values while pinpointing the deliberate exploitation of resources by the companies, each year, to escape obligations worth billions of dollars. getaway. (S.YU, X.Ban, 2019).

### **Affective Organizational Commitment and CSR.**

Varied research and observations content that the workers or the labor force of an enterprise are susceptible to make use of their best of abilities to achieve best results if they are provided with a commitment by the management pertaining to job security and benefits in general. All across the world employees who create exceptional results, they become exceedingly valuable, and this exhibits unremitting organizational commitment (Allen & Meyer, 2000) Additionally stakeholders are often not considered as important when the principle of CSR is discussed, in this context (Hansen. 2011), argued the assessments of stakeholders (employees and those who have invested money), may be considered beneficial for enterprises, rather than the concept of CSR itself, but the perceptions on which the above stated interested parties base their decisions and attitudes is highly debatable.

It is pertinent to mention here that there exists a strong relationship between CSR and employees toward their commitment in an enterprise but a few related both, as the CSR related material is available in public, however, there can be a difference of opinion amongst the employees themselves, some might see CSR useful and others might find it insufficient (Hameed. 2016). A significant element in terms of organizational commitment deals with the affective commitment of employees, and as CSR can be

measured through reports and indices, but employee's perception towards business development and social and nonsocial stakeholders (Zaman, Umer 2019) is considered a fitting approach.

In the context of Pakistan, it is believed fundamentally, that the concept of CSR is not fully developed among local companies and the assertion that the involvement of stakeholders is a half-cooked notion (Zaman, 2019). In a relevant study, it was pointed out that there exist many deficiencies for the propagation of the principle of CSR. Therefore, it is essential to involve stakeholders (Paryani 2011), because through their involvement companies, locally functioning or subsidiaries of MNC's can develop a corporate culture. In Pakistan, Islamic teaching of the Holy Quran and Sunnah are predominant, and as per the constitution of Pakistan 1973, no law shall be made against the injunctions of Islam. Interestingly, the concept of CSR and Islamic perspective of doing business have a lot of similarities because the concept of philanthropic CSR (one of the foremost elements of CSR) and Islamic perspectives have a lot of similarities. (Umer, 2019). For example, philanthropy is the basis of Zakat i-e, a particular form of annual tax under Islam., a primary duty of every Muslim, keeping the income level in mind distribution is mandatory for Muslims (Bremer, 2004). In a related argument (Bremer and Dusuki 2004), is discussed that this mindset of people who work in different public and private firms also become the source of inculcating the philanthropic CSR culture. Dusuki further explains that Islamic CSR does not encourage a materialistic approach; however, it encourages ethical concerns. (Williams and Zinkin,2010) have argued that a responsible Islamic business does not encourage only profit; however, it speaks about human welfare, societal development, ethical behavior, and environmental protection (Zaman, Umer 2019).

The UN Global Compact, (UNGC), provided ten principles, an internationally accepted set of values extracted from the international law corpus. These principles (Waddock 2013) can be made more effective, and its objectives are achieved with the help of leadership commitment and dialogue between various stakeholders including business, governments, civil societies, communities, UN, and others. Now, based on a corresponding study of Islamic tenets and UN Global Compact, it has been identified that the Islamic teachings appear to be in close proximity with the UNGC (Zaman, Umer 2019).

### **MNC's and their Inclination in Convergence Rather than Divergence**

Many international enterprises are more inclined to convert their policies and regulations in line with CSR, and the majority of them are not thinking to diverge from the set principles. Many services, which CSR tends to provide to employees, consumers, and people in the locality, are non-existent locally. The representatives of civil society and government functionaries have been seen avoiding playing a reactive role in this context. (Jamali., 2008). As discussed above a self-regulatory framework, instituting internal codes of conduct, which is a positive sign because only then mechanisms or networks between like-minded policy and decision-makers would be developed. Therefore, in the course of the adoption of CSR principles, "cross-vergence," i-e amalgamation of global convergence trends meets with local divergence forces, to create a middle course (Ralston, 2008).

### **Social Visibility and CSR Disclosure, a Road Less Travelled in Pakistan**

Developing countries, especially Pakistan, support a diverse socio-political and economic factor, which is not prevalent in industrialized and developed countries (Mahadeo,2011). Proponents of environmental sustainability and social reform in Pakistan have shown concerns about the aspects of CSR and its link with public and environmental issues. Moreover, many factions of society have demanded the intervention of the legislatures and government functionaries to deal with the already stated notion. (Waris,2018). Strangely enough the capitalist economies, or to be precise, the developed countries are more concerned about developing a proper structure, which is in line with CSR in corporations, while enterprises in these countries are more inclined towards human resources and community affecting matters. As for contrast, corporations in the countries like Pakistan (Frynas, J.G.2017), recognize the pressure of international stakeholders rather

than the concerns of domestic stakeholders; also, different sources of media put more pressure on them, which is a matter of reputation in the eyes of foreign investors and international consumers.

In relation to the above stated CSR and Pakistan is an appealing case to investigate because of varied reasons. Firstly, the majority of the businesses are owned by family or are family-centred and family groups. These businesses are existing since decades in a similar ownership pattern, the majority of which are motivated by socio-cultural predilections. Companies like Qarshiindustries, Nishat Group etc., are a few which are family-centric and their majority of work is based on social welfare. Same is the situation regarding MNC's established in Pakistan as due to a particular social and business pattern, they also must mould their practices. Secondly, there is no concept of corporate reputational ratings in Pakistan (CRR) like Fortune and Kinder Lydenberg Domini (KLD), it means no incentives and no applaud for doing business promisingly, a major reason of want of CSR in business circles of Pakistan (Waris, 2018). Lastly, there is no proper procedure or scrutiny in order to gauge the adherence of SECP guidelines, and many companies blame the defect of enforcement of laws in Pakistan (Ali, W 2014). So, if the domestic industries are not abiding by the international rules of procedures in terms of CSR, then how can the same be expected from MNC's to adhere to.

### Envisioning the Future of CSR

If the entity of CSR is envisioned in the future, it comes up or presents many challenges and opportunities at the same time for companies. Companies pursue to preserve success and their goodwill, which is a highly complexed setup in which businesses must work and maintain the standards. There is a lot of apprehension about having several risks and profits when it comes to business, and it will be relevant to say that risk and profit are part and parcel in the life of enterprises. CSR emerged a few decades ago, but impressive progress has recorded the progress yet does not guarantee a risk-free future. Therefore, it is pertinent to say that the future is uncertain. Several questions can be asked in this context, one the most important question can be that in what manner the enormous reserves and unequaled inventiveness of corporations, can be exploited to benefit the stakeholders monetarily (Allen, 2005). Three elements can be considered in the above-mentioned observations, such as Scale, Transience, and disparities. Inevitably, the MNC's reach is unprecedented, and in the case of companies like shell etc., it is the scale which can address the concern that whether such magnitude can proportionate standards set by the principles of CSR. As for transience, although shareholders are familiar with the repercussions of the rapidly shifting tides (Allen, 2005), and for shareholders, creative destruction is the current indicator of transience. Lastly, disparities which are present in various parts of an enterprise's life are found in parts of capital markets and are often (Philip Augar, 2005) termed the "Heads we win, tails you lose" strategy.

(Allen 2005) highlighted three conditions which, according to him connive to overwhelm the perception of people regarding the business activities of enterprises. These conditions are scale, transience, and disparities. If we manage to answer the concerns regarding the above-stated conditions, then we can understand the future of CSR and corporations which focus on the principles of it. Also, it can be suggested that if corporations and legislatures put their understanding and determination, the coming years will corroborate the progressive approach of stakeholders welcoming the next generation CSR. Many capitalist and democratic governments, non-governmental organizations Government organizations, and representatives of socio-economic wellbeing of citizens are tremendously concerned about the future of CSR, and they require enterprises to voluntarily adopt principles of CSR (V Chang 2018). In Pakistan, it requires a revolution because businesses are profit and result-driven as far as their economic setups are concerned, but there are factions which have mixed up the philanthropist aspect of CSR into their business.

### Conclusion

In reality, an increased social inequality, intensifying economic crisis, spiralling joblessness, business and financial scams, socio-political corruption and environmental calamities are looming over our heads.

Debates have stated ([Banerjee 2008](#)), which focus on productive economic paradigms and role of business activity in the society, all this demands the quality of life and sustainability of environment along with the pursuit of profits. CSR is a progressive process in terms of cause and effect for organizations, which are aware of the issues and the demand of a changing environment.

It appears that companies working in those developing nations must revise their current CSR activities and must design a mechanism that helps them to adopt a broader CSR, in which the societal problems to some degree can be addressed. For example, becoming the signatories with the UNGC can be the best way for most of the companies working in India, Bangladesh, Lebanon, and Pakistan to renew their existing philanthropic CSR. (Zaman, Umer, 2019). It will be relevant to mention here that in the life of an organization or an enterprise, social issues were and are still part and parcel of it, however, currently, the importance has achieved a bigger prospect i-e, international diversity, global convergence onto CSR rather than divergence, dispersion of traditions and social values and advancement in technology. What is advisable here is that enterprises must not only focus on consumers, employees and all parties involved but must also bring together governments, communities and people from all walks of society.



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