

# 1 Towards a New Theory of Corporate Social Responsibility in 2 Developing Countries

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5 *Received: 13 December 2013 Accepted: 2 January 2014 Published: 15 January 2014*

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## 7 **Abstract**

8 There have long been conflicting expectations of the nature of companies? responsibilities to  
9 society. Some businesses have been practising what might be termed ?Corporate Social  
10 Responsibility? (CSR) focusing on corporate image management or other activities aimed  
11 predominantly at business benefits. This paper discusses why corporate social responsibility is  
12 no longer an option for business organisations nor is still about programmes to produce  
13 socially and environmentally friendly products. A new paradigm in corporate social  
14 responsibility for corporations in developing countries is presented in which they need to  
15 create a strategic partnership with supply chain members, support their strategic partners and  
16 understand the effect of their bought-in products on the society as a whole.

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18 *Index terms*— corporate social responsibility, bottom of the pyramid, democratisation of commerce.

## 19 **1 Introduction** **the term Corporate Social**

20 Responsibility (hereinafter CSR) has been variably used across companies, industries and even countries. For  
21 some corporations, it is synonymous with corporate image management, reputation building or just doing good  
22 business practice, (Carroll, 1999;Stark, 2009;Weyzig, 2009) while it is environmental management for others. As  
23 such, CSR has been approached from different perspectives such as 'good corporate citizenship', ??Waddock,  
24 2000); 'stakeholder relations', (Hess et al, 2002), and 'economic contribution to the economy', (Carroll, 1999) to  
25 the post-independence Africa, it means Black Economic Empowerment (BEE), (<http://www.aiccafrica.org/>).

26 The former UN Secretary General Kofi Annan once told the UN General Assembly that world economies were  
27 transforming, ??Mike and Slocum, 2003). This is true as winds of change are blowing through the corporate  
28 world today because of the rapidly changing and increasingly complex ("raplex") environment in which they are  
29 operating. In a different forum, while addressing business leaders, Annan also said, "You do not need to wait  
30 for governments to pass new laws you can and should now act in your own interest, (Ruggie, 2002). He was  
31 hinting on the proactive roles corporations need to play to improve their relations with stakeholders. What is  
32 now needed are sustainable strategies by corporations and not the cosmetic activities.

33 Author: Department Graduate School of Business Leadership, Midlands State University. e-mail: mu-  
34 pemhis@gmail.com Therefore, this paper discusses how large firms can create wealth for themselves and for  
35 the greatest majority through a new model of CSR. A new CSR model is proposed based on the concepts of the  
36 'bottom of the pyramid' (BOP) and democratization of commerce (DOC).

## 37 **2 II.**

## 38 **3 Concept of csr Revisited**

39 According to Wheeler (1996), the concept of CSR proposes that a private corporation has responsibilities to society  
40 that extend beyond making a profit. Carroll (1979) identifies these as economic, legal, ethical and discretionary  
41 responsibilities. The firm's economic responsibilities entail the production of goods and services of value to society

42 so that the firm is able to repay its creditors and shareholders. The legal responsibilities focus on the need of  
43 the business organization to obey laws as defined by the government. Ethical responsibilities entail following  
44 the generally held beliefs about behavior of society. For example, society expects the business organization  
45 to improve the welfare of its employees. Then, the discretionary responsibilities, in Carroll's own words, "are  
46 purely voluntary obligations" a business organization assumes. Few business organizations give attention to the  
47 discretionary responsibilities but may prioritise and fulfill economic, legal and ethical responsibilities in that  
48 order due to the fear of loss of confidence by creditors and shareholders and also fear of eminent government  
49 prosecution and social activism.

### 50 4 III.

### 51 5 Theories of csr

52 Since the publication of the firm's responsibilities by Carroll, there has been a lot of debate on the role of  
53 CSR. These debates generated theories on which various views were grounded. Key among these theories are the  
54 instrumental theories, (Jenseen, 2000; Windsor, 2001 and Garriga and Mele', 2004); political theories, (Donaldson,  
55 1982, Dion, 2001 ??nd Wood and Lodgeson, 2002), integrative theories, (Preston and ??ost, 1980 and Brewer,  
56 1992) and ethical theories (Freeman, 1994; Donaldson and Preston, 1995 and Freeman and Philips, 2002).

57 Instrumental theories 'focus on achieving economic objectives through social activities', ??Garriga and Mele',  
58 2004:63). Examples of economic theories include social investments, cause-related marketing, focusing on the  
59 bottom of the pyramid. Political theories focus on how corporations can responsibly use their power to influence  
60 decisions. This includes strategies such as corporate citizenship. Integrative theories focus on the integration  
61 of social demands, (Garriga and Mele', 2004) through public responsibility and stakeholder management and,  
62 ethical theories focus on doing the right thing to achieve a better society.

63 IV.

### 64 6 Benefits of the Traditional csr Paradigm

65 Those business organizations that have religiously adopted the traditional CSR paradigm have been able to benefit  
66 from the massive capital infusions by satisfied and confident investors; have been able to attract outstanding  
67 employees at less than the market rate and have also been able to charge premium prices because of good will.  
68 However, they have not been able to exploit a great number of the markets. A greater number of markets  
69 still remain unserved or underserved because they are looked down upon by big corporations. Prahalad (2010)  
70 described such markets as 'the bottom of the pyramid'.

71 V.

### 72 7 The new csr Paradigm

73 The traditional paradigm assumes that the business environment is relatively stable and predictable and so  
74 corporations will continue to make huge profits.. This is challenged by an article in HBR (2003) which  
75 observed that given the economic uncertainty and loss of faith in corporate leaders, organizations are challenging  
76 assumptions about business leaders and people who make organizations work. In fact, the Intel eventually face  
77 changes in their competitive environment that will result from dramatic breakthroughs in new technologies,  
78 changes in consumer demand patterns or the rise of new competitors. The pressure is on the organization to  
79 continuously learn and adapt to the changing landscape of business in light of the "inflection points" or sudden  
80 changes in the environment that spell a major crisis for the business organization.

81 Due to the effect of globalization, increasing competitor activity, ever dwindling resources, and changing  
82 consumer needs, the competitive advantage gained today may not be still there tomorrow. Business organizations  
83 need to establish higher order abilities such as partnering, learning and innovation, (Baker, 2000) in order to  
84 create a sustainable competitive advantage. Baker (2000) goes on to say that firms that collaborate with suppliers,  
85 customers and even competitors will easily establish a competitive advantage. This brings in the new paradigm of  
86 CSR I will call 'CSR through democratization of commerce' (see fig. 1) in which priority and more resources are  
87 given to discretionary responsibilities in order to fulfill economic responsibilities in this turbulent environment.  
88 Prahalad (2010) uses the term 'democratization of commerce' (DOC) to refer to the organisation's efforts to  
89 bring the benefits of globalization to all micro-consumers, microproducers, micro-innovators, micro-investors  
90 and microentrepreneurs. This is what highly valuable figures like Annan were challenging corporations to do.  
91 Micro-firms can be indirectly exposed to global markets through intentionally established mutual linkages with  
92 large firms. A successful CSR case to demonstrate 'democratization of commerce' comes from India where Amul  
93 has become the largest processor of milk in India due to its collaborations with tens of thousands of small  
94 holder farmers in the villages (the bottom of the pyramid). The company supports the farmers to guarantee  
95 the quality of milk. Collection points were then built in the villages. Contracting small-holder farmers helped  
96 Amul increase volumes without meeting the full cost of centralized production and at the same time enhanced  
97 community participation in the supply chain management. There was a win-win situation between the large and  
98 microentrepreneurs.

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99 The more a business organization prioritises the discretionary responsibilities, the more resources it allocates to  
100 meet satisfy these responsibilities, the more adaptive and competitive it becomes, the more marketshare is gained,  
101 the more revenue and return on investment is generated and the more satisfied will be the shareholders and the  
102 higher will be their propensity to expand that business. There is manifestation of a "the Secondly, the forces of  
103 globalization have exposed local business organizations to the dictates of the global companies. Consumers are  
104 now not only able to compare the quality of locally produced products with those from foreign companies, but  
105 can also access them as they are exposed to new global communications technologies. Third, there is a shortage  
106 of locally produced basic commodities due to scarcity of resources and low production capacity which is below  
107 50% in certain sectors. Therefore, the following questions would need to be answered. Is it not the time for  
108 the bigger corporations to realign and build a watertight image with respect to stakeholders by supporting the  
109 smaller firms? Is it not the time to establish higher order abilities such as partnerships and collaborations with  
110 smaller firms, particularly suppliers to guarantee sustainable procurement of high quality inputs? A greater part  
111 of the economy is in the hands of SMEs. These employ over 70% of the workforce in a wide spectrum of the  
112 economy ranging from horticulture to steel production. These SMEs face various constraints such as limited  
113 financial, technical and human resources as well as inadequate infrastructure. Most of these SMEs can be more  
114 active players if they are supported by the bigger business organizations.

115 The strategic responses of bigger business organizations could include supporting linkages through partnerships  
116 and stronger supply chain, sharing technology, joint product development and provision of finance (from seed  
117 investment to equity stakes). These are the discretionary responsibilities of business organizations.

118 Suppose each bigger business organization identified key SMEs in its supply chain and directed its discretionary  
119 responsibilities to them and established strategic alliances with them, what will happen to the Microfirms and  
120 micro-entrepreneurs.

## 121 **8 Wealth of large firms and MNCs**

## 122 **9 Wealth at bottom of pyramid**

## 123 **10 Wealth of large firms and MNCs**

124 Wealth at bottom of pyramid These are the assets both financial and nonfinancial available to these large firms  
125 which they can use to fulfill their short and long-term goals. In order to create wealth at the bottom, these  
126 resources are used to establish sustainable supply chain synergies with the micro-firms and entrepreneurs. This  
127 can be in the form of technology and knowledge transfer, direct financial support, joint NPD and product launches,  
128 and other activities that can expose the micro-firms to the global market and increase their participation and  
129 involvement. b) Micro-firms and micro-entrepreneurs:

130 These are market participants with limited resources to compete with MNCs particularly in the face of  
131 globalization. As a defensive strategy, they resort to underserved or unserved markets by the MNCs, and  
132 ironically, this is the larger market. Through democratization of commerce these micro-firms are mentored and  
133 incubated by large firms in preparation for global participation. This can be done through backward or forward  
134 integration, transfer of technology as well as general collaboration between the firms. The increased market  
135 presence of micro-firms will correct market failures, maximize employment of local people and enhance welfare.  
136 This will improve the perceived image of large firms and MNCs and will gain a good reputation. Positive image  
137 and good reputation will breed brand trust and affect which lead to loyalty. Loyalty is the ultimate desire of  
138 all firms in the global market as repeat purchases, market share gains and positive net profit contributions are  
139 registered.

140 There is a myriad of factors that make this new paradigm of CSR very relevant to developing countries such as  
141 Zimbabwe. First, there is limited accessibility of VI. Implications of the New csr Model to Developing Countries  
142 growth of these SMEs? The bigger business organization can also identify its core and non-core activities of  
143 its operations and assign the non-core activities to the SMEs. The SMEs will produce high quality products  
144 due to expertise and resource sharing; will learn responsible business practices and consequently will become  
145 more competitive and expand. On the other hand, the bigger organisation is assured of a constant supply of  
146 high quality inputs and enhanced reputation. It will also become more competitive as it will be performing  
147 core-functions only, and therefore, enough resources will be left for these core-functions to be performed within  
148 the organisation. This will lead to enhanced performance through specialisation.

149 Most SMEs employ locally and purchase locally. Therefore, the realignment bigger business organizations will  
150 benefit the whole society in that more job opportunities are created and economy becomes stronger. Michael  
151 Armstrong, Chairman and CEO of AT&T summarized it all when he said, "In the 21st century, the world won't  
152 tolerate businesses that don't make partnerships seriously, but will eventually reward companies that do so,"  
153 (James, 2003). The bigger business organizations can help the "small stand tall and the dying get life". This will  
154 only be realized with the realignment of bigger business organizations, and when they go beyond the traditional  
155 CSR.

### 156 11 VII.

### 157 12 Conclusions

158 This paper has proposed a new focus of CSR which will not only improve the image and reputation of the large  
159 firms, but create wealth for the large firm, SMEs and micro-enterprises and the consumers in general through  
160 exposure to global markets exposure to global markets and increased product demand, efficient management of  
161 the supply chain and employment creation.

### 162 13 VIII.

### 163 14 Recommendations

164 This paper recommends that large corporations could identify those SMEs that complement their businesses  
165 and match their functional strengths and business orientations. They could then enter into a business alliance  
166 with them, taking into consideration the needs and requirements of one another. Core operations could remain  
167 with the bigger business organization while the non-core areas are given to the alliance. In the case of SMEs  
168 forming the supply chain, capital and human resources could be availed to ensure continuous supply of high  
169 quality materials. The paper also recommends that Government could establish a framework to foster these  
170 business partnerships and also give incentives to companies to encourage establishment and sustenance of the  
171 partnerships.

172 Finally, the proposition needs to be validated through empirical testing and future researches on CSR could  
take this route.



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Figure 1: Figure 1 :

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