

Corporation Social Responsibility: Comparison and Contrast

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Abstract: One of the greatest highlights in the business world nowadays is the participation in corporate social responsibility. With certain purposes, corporate social responsibility plans are run by almost all companies, within service sector as well as manufacturing sector, in developing and advanced based country. One important question is raised at hand is that whether the corporate social responsibility initiatives in all corporations are the same? The answer is “No”. In this paper, the author will use three cases of Nokia, Lenovo and Banco do Brasil to illustrate the distinction amongst corporate social responsibility activities in different industries and economic-based enterprises.

Key words: Corporate Social Responsibility (CSR); Lenovo; Nokia; Banco do Brasil

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1. Corporate Social Responsibility in Global Business

1.1 Definition and Stage

Corporate Social Responsibility (CSR) which sometimes is referred as corporate ethics, corporate responsibility, and citizenship is a broad complex and continually evolving concept. In the old days, CSR was considered as obligation of the firm to society (Smith, 2003). Then today CSR is a voluntary activity done by organizations in order to bring benefit to workforce and community. It becomes an opportunity to create value for business (Bhattacharya et al., 2011).

To date, there are various definitions of this term. The most acceptable definition of CSR is the definition by Carroll (1991): “CSR involves the conduct of a business so that it is economically profitable, law abiding, ethical and socially supportive”. The European Commission (2002) also defined CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”. Most of the definitions approve that CSR refers to a business having positive impact on the community and meeting or exceeding public expectations of good corporate citizenship.

Till now, CSR initiative has evolved from CSR 1.0 to 2.0 and 3.0. CSR 1.0 is the basic CSR level when the companies leverage their financial capital by charitable contributions. Visser (2011) described it as a defensive CSR with three curses: incremental, peripheral and uneconomic. CSR 2.0 is a higher level which designs and adopts an inherently sustainable and responsible business model. CSR 2.0 includes value creation, good governance, societal contribution and environmental integrity. CSR 2.0 is using by numerous companies nowadays. The newest model recently is CSR 3.0, which is defined by Horrigan (2010) is the exploration the

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boundaries of business-society relations. This means that CSR is now a global issue. Companies can join in global NGOs to engage in CSR activities together and use more innovative strategic approaches of CSR.

1.2 Driving Forces of Corporate Social Responsibility

Since the concept of CSR was brought to light, there are numerous academic scholars, economic analysts have flocked into the discussion to dissect and analyze it. A minority of them still doubt on the effectiveness of this scheme, but most of the researchers, they believe CSR is a tool for business to gain more benefit and develop sustainably. Better financial performance, higher efficiency and good reputation are driving forces for enterprise to craft CSR program.

- Improve financial performance

Until now, the method to measure the effects of CSR are still in the early stages of development. Nevertheless, a major number of scholars have valiantly ascertained that improvements in corporate citizenship result in strong financial performance. Arthur (2012) carried a review and he found that 135 studies indicated there is a positive correlation between good corporate behavior and good financial performance, only 2 percent of studies showed that dedicating corporate resources to social responsibility harmed the interest of shareholders. Kotler & Lee (2005), Gaines-Ross (2008), Bhattacharya et al. (2011) are several bywords who admit CSR helps enterprise improve corporation's performance by saving cost, avoiding pecuniary penalty. Kotler & Lee supplements executing CSR helps business to boost the company's reputation and increases brand awareness which may result in reducing advertising costs.

- Retain employee and increase productivity

In order to attract and retain talent employees, companies must exhibit good corporate citizenship (Cavusgil et al., 2012). Skillful and high qualified staffs are valuable assets of each business, but they always have to face with the risk of losing them to competitors. To avoid cost of recruiting and training new employees, enterprise should provide a pleasant working environment with opportunity of improving skill and promotion, sound policy of salary, rewards, and insurance. In addition, a well-treated employee will dedicate them most and have higher efficiency.

- Create a good reputation and harmonize with customer penchant

Customers also motivate companies to engage in CSR. They are increasingly more concerned with how companies make their money and expecting businesses to be responsible for their social, ethical, and environmental impacts on society and the community (Lane, 2006). By looking at the contribution of the "good citizen", customers may increase the affection towards business brand and product. This may enhance customers satisfaction, and make them become loyal customers who bring 80% profit to company¹. In the era of IT development, publics are able to learn quickly about the misdeed of any business via communications technology and social media. To keep loyal customer and avoid the boycott, enterprise must show their righteousness.

With those enticements, investing in good things is an investment for future and the term of CSR is a considered as synonym of sustainability. Correspondingly, the number of company involves in CSR activities is markedly accelerated over recent decades (Figure 1). "Do well by doing good" becomes the motto of many enterprises that motivates them invest billions of dollars in CSR plans. All 500 best companies in the list of Fortune today run CSR program (Bhattacharya et al., 2011). In the future, it will definitely become a must-have

¹ According to the principle 20/80 or The Pareto principle: 80% revenue comes from 20% customers (loyal customers), and 20% revenue comes from the rest who are disloyal customers.

corporate mandate.

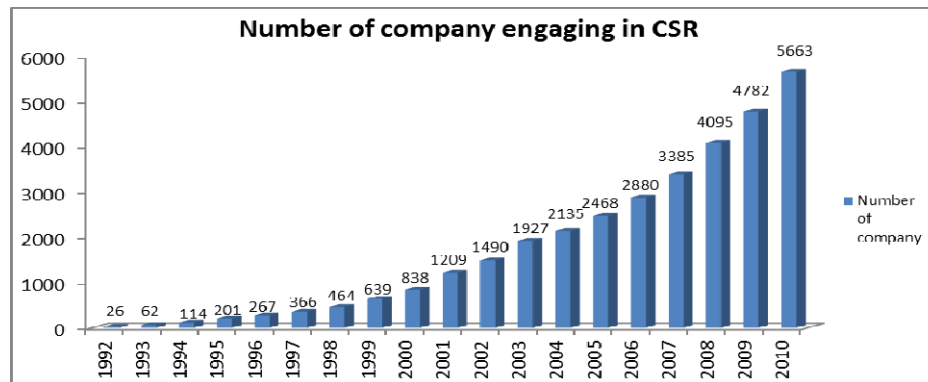


Figure 1 The Number of Companies Engaging in Corporate Social Responsibility²

2. CSR Comparison and Contrast in Three Cases Analysis: Lenovo, Nokia and Banco Do Brasil

2.1 Overview of CSR Initiatives in Three Companies: Lenovo, Nokia and Banco Do Brasil

2.1.1 Lenovo

Lenovo Group Limited is a Chinese multinational computer hardware and electronics company, founded in 1984. They are holding 46,163 employees. Besides the compliance with the legal requirements, Lenovo involves in all key aspects of CSR: environment, human rights, labor, and anti-corruption and society.

Being a manufacturing company, Lenovo significantly considers about the environmental responsibility. This principle commits in all aspects of business: energy consumption, design of products, production process and supplier choice. In 2011, Lenovo joined 40 projects of energy efficiency, using recycle plastic, minimizing carbon footprint and waste and building partnership with company who follow sustainable requirements and meet ISO 9001 and ISO 14001 standard. Lenovo attempts to meet and exceed applicable environmental requirements.

Towards employees, Lenovo fully concerns about their wealth and health. It provides employees a safe and healthy workplace and gives them good compensation package. Female employees' right is significantly appreciated. Lenovo established WILL (Women in Lenovo Leadership), sponsors for Women's forum for the Economy and Society to address the priority to woman's contribution to the company. Besides, Lenovo implements Anti-Bribery and Anti-Corruption Policy to give equal right in company.

In regard to society, Lenovo has annually committed about 1% of pretax income to global social investment programs. The amount of cash contribution for global relief effort globally in 2009 reach to US\$2.993 million and US\$2.150 million in 2017³. Additionally, Lenovo donates equipment and support education for poor communities. All of these CSR activities are undertaken by the whole enterprise with the remarkable contribution of employees. Customers are also encouraged to join Lenovo's CSR programs.

2.1.2 Nokia

Nokia Corporation is a manufacturer and distributor of mobile phones and network technologies. It was established in 1865 in Finland. Nokia acknowledges its responsibilities throughout all the value chain: from

² Modify from data of CoporteRegister.com Ltd, cited by Figge, (n.d).

³ Lenovo annual report (2011, 2017).

sourcing to product designs, manufacturing, logistics, recycling, communications, employee well-being, business partnerships, community involvement and social investments.

For environment issue, Nokia uses various methods to lessen the bad impact. It makes the designs of products and service to have minimum adverse impacts and maximum positive impact to customer and environment; improves productivity and efficiency; reduces carbon emissions, switches to use renewable energy and recycling material. Nokia has set up recycle points to collect old devices for recycling. To emphasize the deeply effort to reduce adverse effect on environment, Nokia decides to contract only with suppliers who have Environmental Management Systems (EMS) in place or are certified by ISO 14001 which show that they are standardized with rigorous health and safety, environmental and labor standards. It joins the Global e-Sustainability Initiative, and the Electronic Industry Citizenship Coalition to engage in CSR activities.

Human rights policies of Nokia compass towards all employees, customers, communities and suppliers. With labor force, it provides a decent working condition and training programs to increase qualification. For lay-off employees, Nokia creates “Bridge program” which aims to re-employ them, help them find a new job, support funds or knowledge to start a new business. Nokia is collaborating with Oxfam through OpenIDEO to explore how mobile technologies can be used to improve maternal health in low-income countries. Relate to human rights, corruption also is one of issues to be mentioned. To reduce organization’s corruption, Lenovo’s employees are all trained about anti-corruption policy.

For society, Nokia also builds partnership with reputable local and global charities to do philanthropy such as giving donations and support for disaster relief projects. Nokia Helping Hands is Nokia’s responsibility to community where it operates in.

2.1.3 Banco do Brasil

With 100,622 staffs, Banco Do Brasil (BB) is the leader in Brazil banking industry and the Latin America’s largest financial institution. Like other companies, BB concerns many aspects of CSR including human rights, labor rights, environment and the combating of corruption .

BB participates in various programs as the tactics to build a good employees relationship. It spent millions of dollars to improve employees’ qualifications and be responsible with retired employees. BB shows its great responsibility for the health of employees. It runs various programs to improve employee’s physical as well mental condition such as the program for Quality of Life at work on the purpose of reducing stress for employees, Program for Smoking Control to reduce percentage of smoker. Since 2003, medical examination for all employees has been conducted annually. Furthermore, it has Program for Assistance for Victims of Assault and Kidnaping to provide immediate medical psychological, legal and security assistance to employees who were victims of attacks against the bank’s property.

BB also takes part in many projects promoting the rights of human. In 2005 it joined “the Pact for the Combating of Slave labor” to dignify and modernize labor relations. Since 2007, it has become follower of “the Gender Equality Program” and “the Women’s Empowerment Principles” to promote gender equity in organization. Female employees have six months maternity leave. Besides, BB has program to restrict corruption in business. It runs Internal Ombudsman Service to investigate the performance of all employees as well the top managers. This programs show BB attentiveness towards the transparent management and the fairness in company.

For environmental issues, BB has participated in Carbon Disclosure Project (2005), Caring for Climate, Brazilian GHG Protocol Program (2008), UN Program for the Environment and World Business Council (2009) to increase capability of managing greenhouse gas emission and climate change. Inside company, BB has Brazil

Water program, an eco-efficiency program of saving water, energy and paper. Relating to environmental matter, BB set necessary requirement and condition for the projects it supports: Projects must have environmental license. BB specially shows the favour to finance projects that relates to environmental preservation or social inclusion.

In addition, BB has assisted communities that it operates in. It invested in sports and culture events to create more jobs for local people, generate wealth and incomes for communities to achieve economic and social development goals. It established Funds for Infancy and Adolescence (FIA), offers medical-hospital assistance and profesional for child and adolescents from low-income backgrounds, assits young people in community via Program Appendice Adolescence, provides students grants, travel vouchers, food vouchers, remunerated leave. BB Apprentice program also supports victims of climatic disaters. BB encourages all employees to commit in social activities and volunteer programs.

2.2 CSR Comparison and Contrast

Nokia, Lenovo and Banco Do Brasil are active players in doing CSR strategy. Obviously, three companies have taken part in various issues of CSR and involved in all key CSR issues including: environment, employee relationship, human rights, corruption and society. To some extent, the methods they involve in CSR have some common points. For example, they partner with a lot of organizations, both local and international group to contribute in rescue disaster sufferers. They all set standards for their partners to enhance their CSR plans. Nevertheless, they differently focus on specific issues of CSR.

2.2.1 Financial Company versus Manufacturing Company

CSR activity is driven by company's stakeholders, and then the focus of CSR program must follow their desire. The service sector's primary shareholder groups are customers and employees. Therefore, the focus of CSR in BB, financial company, must focus on customer and employees' relation. In fact, BB shows its priority place in "strengthen relationship with customers and strengthen bonds between bank and employees". With continuous efforts, 70% of employees satisfy with working in BB. Happy employees create happy customers, thus BB is able to retain existing customers and attract the new ones. Furthermore, BB seriously runs Internal Ombudsman Service to raise the fairness of employees as well as customers as oppose to Nokia and Lenovo — only setting policy.

In manufacturing firms, the primary shareholders are customers and environment. So, besides consideration of customer, Lenovo and Nokia put a heavy investment in environment programs to promote energy efficiency and moderate carbon emission from production process. Their business directly affect environment, so they need to cure environment to get the sympathy of public. In addition, these initiatives do not only generate intangible assets like reputational capital, corporate culture, legitimacy or loyalty like in service sector, they also bring tangible benefit to company. Energy efficiency projects helped Lenovo save 20% electricity from 2010 to 2011. On the other hand, the way that service company like BB can do to protect environment mainly is to support finance for environmental preservation projects.

In sum, the application of CSR activities across firms is not similar. For the financial sector, BB focuses more on human right and labor force. Nokia and Lenovo — manufacturing firms — highlight more about environmental issue.

2.2.2 Emerging Market Based Company versus Advanced Market Based Company

Not only CSR initiative differs in different industries, it also varies from nation to nation. Lenovo and BB are from BRIC countries (Brazil and China) and Nokia is from Finland — a developed Europe country. Their home markets have different characters which also decide the nature of CSR within these companies.

BB and Lenovo home country is developing countries where the average capita income is low⁴. Their employees and customers need to be supported from the basic needs such as food, medical care, etc. Nokia is based at the advanced economies where the local has a high living standard. Thus, Nokia CSR program seems to have the higher level support. For example the MoMaths Program support people to use high tech to study math better. It is not at the basic level of literacy, writing and reading, like what BB does for society. Also, it has program that uses high technology to improve understanding of health rather than free medical examination.

Because of the market difference, BB and Lenovo tend to engage in CSR activities in the scale of home country in China and Brazil. There are still a lot of poor communities and starving people who need to be supported first. Lenovo and BB need to strengthen the home countries first before going to help foreign communities. On the contrary, Nokia tends to put more priority to global poor communities where people need more help than Finnish. The MoMaths Program was run in South Africa first before it was implemented in Finland. To do CSR globally, Nokia has joined in many NGOs (Non-Government Organizations) to help the poor people have better life.

What is more, the developed countries have deeply concern about the environment and sustainability. Nokia said: "Sustainability is our way of doing business". Even Nokia suffered a heavy loss of profit (in 2011), it still engaged enthusiastically in CSR activities. But for developing countries, they focus on three factors which are called as triple bottom line: economic, environment and social. Besides the environment, Lenovo and BB concern about the economic growth and social development.

In short, there are various issues of CSR. Companies differ substantially in the amount of investment in different CSR issues basing on their business feature and financial power. Lenovo and BB seem to be still at the level 2: CSR 2.0 while Nokia is heading CSR 3.0 which is globally engagement.

3. Conclusion

Traditionally, companies were valued mostly based on their financial performance, higher rank was given to business that provided greater margins financially. But in the new era, the success of the enterprise is measured by its contribution to society. Companies need to show their stakeholders the good things that they can do. Engaging in CSR not only brings salvation to society but also helps company gain benefit from saving cost, good reputation, possessing qualified workforce and loyal customer. Patently, if innovation is an important trend in the business world nowadays, then applying CSR is one of the most innovative strategies. In the future, CSR will be the golden rule that all business must do.

Another noteworthy conclusion is different companies within different business area and in different environment will have distinction in their CSR initiative. Manufacturing firms concerns more about environment than financial company, and advanced based company tends to engage in global CSR than emerging market based company. This is shown in CSR activities in three cases of Lenovo, Nokia and Banco do Brasil.

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⁴ GNI per capita is US\$45,050 in Finland; US\$8,250 in China and US\$8,840 in Brazil (Worldbank data: <https://data.worldbank.org/indicator/NY.GNP.PCAP.CD>).

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