Corporate Social Responsibility – Where Does It Lie?

The Issue: Corporate Social Responsibility (CSR) involves ‘operating a business in a manner that meets or exceeds the ethical, legal, commercial and public expectations society has of business’. While not specifically targeting poverty reduction, CSR can make a significant contribution to this objective.

CSR is now an important dynamic among firms in developed countries, in part at least, because they have found that being seen by consumers as increasingly, and voluntarily, socially responsible translates into a competitive edge. Indeed, adopting CSR has become a ‘critical success factor’ in many global value chains, which has serious implications for enterprises in developing/transition economies.

On the positive side, adopting CSR, which is directed specifically at poverty reduction, could make the supplier more attractive to prospective international buyers/investors. On the negative side, CSR has a cost that could erode the exporter’s overall competitiveness, undermine long-term export prospects and, by extension, reduce whatever contribution is currently made to the reduction of poverty.

This is the dilemma confronting public sector strategy-makers in developing/transition economies. Which path to follow to reinforce the export development - poverty reduction linkage? Should strategy actively promote CSR within the local business community, thereby attracting prospective foreign buyers/importers, and possibly increasing exports and enhancing the export sector’s impact on poverty reduction? Or should strategy-makers focus on ensuring that local exporters remain price competitive, leaving the decision on CSR entirely to the individual enterprise?

Currently, most strategy-makers seem to have opted for the latter.

The Proposition: Notwithstanding the fact that CSR has a cost, the positioning of the country’s export community as ‘socially responsible’ has significant long-term opportunities to achieve, and sustain, the dual objectives of improved export performance and poverty reduction. The promotion of CSR should, therefore, be a central feature of a pro poor export strategy.

Two options are open to the national strategy-maker. Specifically to:

- encourage local enterprises to initiate their own programmes of CSR and actively promote those enterprises that do among prospective international buyers/investors; or to
- define a CSR ‘code of conduct’ at the national, and/or industry level, taking into account the specific needs of the poorer segments of society, and promote this standard within the export community as a whole through the provision of incentives.

Focus of the Debate: The debate will focus on the following questions:

1. Is the proposition valid? From the perspective of the developing/transition economy, do the long-term benefits of CSR exceed the short-term costs? Are there examples that confirm this?
2. Does CSR in its current form adequately address the export development – poverty reduction linkage? If not, what would be the essential contents of such a CSR code of conduct?
3. Assuming the promotion of CSR is considered relevant to the export development strategies of developing/transition economies, how can this be supported? What is the relationship between national law and voluntary CSR initiatives? What programmes and incentives are likely to be most effective? Are there examples of ‘best practice’?
4. Should the promotion of CSR be based on a national code of conduct, or on an industry-specific code of conduct?
5. And finally, should the promotion of CSR be a central feature of a pro-poor export strategy?