

CORPORATE SOCIAL RESPONSIBILITY: THE ROLE OF GOVERNANCE

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ABSTRACT

Not only does corporate social responsibility (CSR) benefit the company's relationship with its employees and consumers but it is also an important element in corporate strategy (Porter and Kramer 2002). However, CSR theory has ignored the implications of differences in government. Most studies on CSR have been conducted in the United States (US), a society that is typically characterized as being individualistic. The governing philosophy promotes individual freedom and choices; therefore, the government's involvement in social issues, community and corporate behavior is minimal. This view contrasts with many other types of government philosophies particularly those that take more of a totalitarian viewpoint. Totalitarianism often has very negative connotations, however, its formal definition describes it as single-party regime which centralizes its power and exerts control over its citizenry in order to promote a particular ideology (Brzezinski 1956). The more control a government exerts the more likely that CSR behaviors become compulsory by corporations, so that the opportunity to gain competitive advantage is minimized. Issues of community governance may address inconsistencies seen in previous CSR cross culture research. This study examines how perceptions of CSR are affected when government mandates responsible behavior by corporations.

CSR studies have neglected to account for differences in governance role when studying perceptions of CSR across cultures. For example, a study that analyzed the differences between preferences in social issues in six countries, found that Koreans prefer product disposability and biodegradability more than other countries (Auger, Devinney, and Louviere 2007). The authors couldn't explain the Koreans' social issue preference. However, had they considered the Korean regime and its emphasis efforts to promote environmentalism the difference would have been easily explained. A three million won (Korea's currency) fine exists for stores that provide free shopping bags to consumers. Under Korean law, people who generate more waste pay higher fees for trash disposal. Under these regulations, recyclable disposables are free, making recycling preferable to paying for waste disposal (Sang 2003). When looking at the restrictions the government places on Korean waste disposal, the importance of product disposability to Koreans becomes clear. When government places laws that incentivize a certain behavior and punishes another, consumers' preference may rest on how well corporations help them to complying with the incentivized behavior.

Our study predicted three different dimensions of social issues, which are holistic, protected group, and employee munificence. The holistic dimension is derived from the holistic philosophy which suggests that the whole is greater than the sum of its parts (Richard 1993). Corporations can contribute to society by benefiting the community they operate in, for example renovating local schools, and sponsoring blood drives. These actions were grouped together to present the dimension of protected group. An employee munificence dimension can be seen as how socially responsible a corporation is towards its employees, which includes diversity, fair wages, antidiscrimination policies, and sharing profits with employees. The study hypothesized that CSR action will positively influence evaluation of a corporation, and the three dimensions of CSR.

Our results indicate that despite mandatory behaviors designated by government and religious organizations it is possible for corporations to influence evaluations of corporate responsibility. Our study indicated that CSR have a positive influence on the overall evaluation of corporation, and that the categorization of CSR behaviors proved to have an influence on an evaluation of a corporation, and corporate social responsibility.

References Available on Request.