CSR: What it Means for Companies in a Globalizing World

Chrystin A. McLelland

Gonzaga University

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Companies – particularly large ones – have long benefitted from a laissez-faire method of business when it comes to globalization and their responsibilities corporately, socially, ethically and morally. Moving faster than the speed of regulation, for centuries corporations have spread in countries around the world – even more so in the past decades- offering the benefits of connecting developing countries to the global network but also at times taking advantage of vulnerable populations, governments and regulatory systems. In this paper, I will use the companies Ericsson and NorComm to examine why a company may choose to expand into a country like Bangladesh; Identify challenges for global companies to live up their Corporate Social Responsibilities (CSR); Identify plausible causes for CSR shortcomings using Ericsson and NorComm as examples; Identify why companies like Ericsson and NorComm should recommit to CSR's, compliance and implementation; and finally, identify specific leadership challenges that may be present for using a transnational CSR approach.

Why would an American or European company want to expand internationally? Sometimes, this is a desire to acquire assets or create manufacturing closer to resource locations to reduce costs. The majority of assets required by a firm to produce specific products, most notably natural resources, are unevenly distributed geographically. (Dicken, 2015, 120) This means that companies need to expand beyond the borders of their parent country. But natural resources are not the only draw to international operations: countries have very different economic, regulatory, environmental and social norms: This allows companies to intentionally expand or solicit workers in locations based on the availability of required knowledge or skill levels. This also means that corporations like Ericsson and NorComm may enter countries like Bangladesh where the local norms allow the company to pay lower wages and have fewer regulatory requirements or oversight than they would in their parent country. Ericsson and NorComm are not alone is this motivator: Knowledge and skill, wage costs, labor productivity, and labor controllability are four particularly important labor attributes when global companies are selecting locations to source from. (Dicken, 2015, 123)

Of these attributes, Ericsson and NorComm seem most influenced in their decision to have operations in Bangladesh due to lower wage costs and labor controllability. Since firms that operate across national boundaries have no international legal framework to work within, the functional actions of a company – and their responsibility for those actions – become significantly fuzzier from a legal and operational viewpoint. In this specific example, since Ericsson and NorComm chose factories in Bangladesh, workers in their employ were paid by the local standards and norms (slightly more than a $1 per day), rather than something comparable to what employees in their parent country would make. This saves money on manufacturing and creates higher profit margins due to cheap labor rates.

Labor controllability is another factor companies may consider when expanding globally. In some countries, governments may try to incentivize a company to expand into their country specifically for the benefits the opportunity brings socially and economically. However, this opportunity can also lead to governments finding themselves under pressure to reduce regulatory burdens, fearing that if they do not, corporations will choose a more accommodating country. The competition between countries to attract multinational investment is not limited to courting initial investment: companies can threaten to withdraw existing operations from a country to put pressure on the country's government to reduce regulations as well. (Williams, Bradley, Devadason, & Erickson, 2013, p 65) These types of practices create a “race to the bottom” when it comes to international labor rights. Pressure exhibited by company’s towards government to undermine and challenge existing labor laws and practices is an example of how large, rich companies may unethically influence and drive regulations and laws in smaller, more vulnerable countries and populations to benefit themselves. (Williams et al., 2013, p 65) How common these practices are serves to demonstrate the number of companies today that have not truly integrated CSR into their business models in a meaningful way – a way that gives them comparable weight to shareholder experience, quarterly and annual profits, and company operational standards. (Slack, 2012, p 179)

However, even a company that has fully integrated and is actively living by their CSR's cannot guarantee they will be able to act globally without impact to others. There is simply no feasible way to have a net-zero impact on countries, societies and the environment. An unavoidable contradiction exists between an organizations commitment to operate responsibly and the actual mechanics of how the industry currently functions (Slack, 2012, p 180).This leaves us with the question, then: How can a consumer or regulatory body therefore trust an organization to responsibly manage operations that are by their nature disruptive, or trust that the messaging that the benefits to employment, opportunities, or revenue are not exaggerated or at a too high a cost for the impacted community? (Slack, 2012, p 180) More simply, when a company makes a commitment to CSR's, what compels them to act upon them?

Companies like Ericsson and NorComm draft standards and programs that they advertise and celebrate as evidence to their commitment to CSR: however, the reality is that those standards and programs are never formally adopted or implemented in key areas most in need. (Slack, 2012) The company gets the benefit of appearing to comply with their CSR's, while relying on the likelihood they will not be deeply inspected for compliance with the knowledge that the governments of some countries– such as Bangladesh – have small, overtaxed government systems with limited resources, capacity, and regulatory enforcement. There may be a political inability to enforce standards or pursue the systemic change need in business practices to hold companies fully accountable for their failure to uphold their CSR's. (Slack, 2012) However, this practice of compromising an organizations CSR's can come at a high price: governments in parent countries may become involved; human rights organizations or labor fairness organizations may highlight activities on the social stage; safety concerns and mishaps can impact not only local conditions but also illicit global concern as well. No company wants to be infamous for questionable business practices, especially as important as CSR is becoming in todays social conversation.

Rather than betting on short public attention spans and avoiding further encounters with the myriad of possible negative outcomes from noncompliance with corporate CSRs, both Ericsson and NorCom should publicly and genuinely recommit to their company CSR statements. In addition to recommitting, they should also make a more serious commitment to developing an actionable CSR plan using a transnational approach. A transnational approach employs a hybrid strategy, which assumes that global and local approaches to CSR are not mutually exclusive. Economical needs, political pressures, and stakeholder priorities frequently require companies to respond to both complex global and local issues synchronously, necessitating multilayered CSR responses. For consistency, a transnational CSR approach necessarily requires a global standard while allowing for local adaptation as needed. (Medenhall, 2013, p 375) Any company expanding into global operations must develop the ability to navigate uncertainty and deal with cultural and ethical paradoxes. Companies will face situations requiring the integration and understanding of multiple commercial and cultural norms as a result of their move to globalize, and imaginative conflict resolution and novel problem solving are critical to a corporation's economic, cultural, and socially responsible success. (Medenhall, 2013, p 377)

In order to implement changes and develop strong CSR's that Ericsson and NorComm can commit to implementing in both word and action, leaders of each company will need to first look internationally to themselves and their levels of management. One of the most significant and important components in guaranteeing CSRs are supported and followed is ensuring managers and leaders in key positions are willing to participate and promote ethical acts and the company's commitment to CSRs – and hold those not willing accountable. The old way of thinking that a company's only role is to maximize profits is outdated and will eventually hobble companies seeking to remain relevant. (Bennet, 2002) Leadership, at all levels, must be willing and able to embrace new ideas that social, economic and environmentally sustainable practices are measures of success just as important as shareholder profits. (Bennet, 2002) This new perspective require the commitment of resources to training and development, as well as new promotion and hiring policies and standards. (Mendenhall, 2013, p 379)

The companies should also look to their performance management systems and review systems in place: are there policies and evaluation systems that encourage or reward behavior and actions that are against the CSR's, such as bonus amounts tied exclusively to production quantity or data collection and measurements achieved by predatory labor practices or unsafe conditions? Both companies could consider implementing a values-based performance management system where employees evaluations and compensation is based on shared values as well as performance. (Mendenhall, 2013, p. 381) Finally, both Ericsson and NorCom should consider using their resources and reputation to set better standards in countries like Bangladesh and assist a stressed legal and compliance system by doing their own due diligence instead of taking advantage of the overtaxed local government system and encouraging the race to the bottom. Instead, creating a team to conduct unannounced visits to international companies to not only evaluate, but to train and address discovery of practices and situations at odds with the CSR's in a non-punitive environment could increase safety and compliance with stated standards while also increasing the knowledge, skill, and production levels of labor resources. The quality of life would improve across the board, and the reality is the impact to profits and the bottom line would be minimal or non-existent long term. In fact, such demonstrated commitment to active social responsibility would likely create a positive net result on business perception, stocks and profits considering the increasing demand for ethical business practices from industrialized nations.

Globalization has both positive and negative impact to societies around the world. Companies are learning that to succeed in today's evolving landscape, they must balance priorities of financial success with values of fairness, sustainability, and social responsibility. (Mendenhall, 2013, p 381) As opportunities for companies and organizations to expand into new countries increase, so too do opportunities to collaborate and work toward sustainable solutions to some of the world's biggest challenges – all while maintaining profitability. Economic inclusiveness, adherence to social and economic rights, and observance of sustainable environmental practices are not negative standards to reduce a company's success (Bennett, 2002). Instead, they are opportunities for companies to build strong connections to CSR's and compete for the talent that today's workforce brings with them when choosing what companies to support with their time, labor, or dollars. Companies who refuse to lean into the growing conversation of what corporate responsibility means and who fail to act on their promises will find themselves on the losing end of a new race to the top.

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