

Chapter 3

Corporate Social Responsibility as a Tool for Poverty Reduction: Globalization, Corporate Social Responsibility and Poverty Revisited

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ABSTRACT

This chapter is aimed at addressing gaps highlighted as being inherent in the current model of Corporate Social Responsibility. In so doing, it proposes means whereby the current CSR model can be harnessed more efficiently to achieve and realize the goal of poverty reduction - particularly in developing countries.

INTRODUCTION

In his article, Jenkins (2005) states that the principal way whereby Corporate Social Responsibility might contribute to government revenue, is through the discouragement of bribery of public officials by companies (Jenkins, 2005, pg. 539). However, he also adds that this does not prevent nor deter companies' ability to divert profits and avoid taxation through "legitimate means such as transfer pricing and the use of tax havens." In highlighting the gaps which persist in the current CSR model, the following arguments are propounded (Jenkins, 2005, pg. 539-540):

- The silence of current CSR model on the above issues, as well as the assertion that "the dominant view is that companies are perfectly entitled to minimize their tax burden through legal means,"
- The lack of an express focus on poverty reduction.

Further he recommends the consideration, as regards whether the CSR model could be "extended to incorporate poverty reduction as a key element" - in addition to other elements such as labor rights and environmental protection.

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In adding that characteristics of CSR which restrict its ability to address poverty include “the way in which CSR prioritizes the business case” (Jenkins, 2005, pg. 540), this mirrors the argument highlighted in chapter two, namely, that legal and ethical considerations, within the sphere and context of Carroll’s pyramid of Corporate Social Responsibility, should assume greater prominence and priority than is currently the case - with such considerations being accorded the same, or even greater priority, based on individual circumstances, than economic and profit maximization objectives.

Even though his third proposition that “the centrality of stakeholders within CSR also limits its usefulness in approaching poverty,”¹ such a “limitation” as well as the second limitation, could be transformed positively in such a way that would generate more beneficial responses in addressing poverty.

The stakeholder theory, by definition, provides a broader scope in extending the ambit of those who can be designated as falling under the definition of a stakeholder - in contrast to the traditional principal agent theory and model. Such stakeholders should not just extend to members of the general public who may be creditors, suppliers, or are likely to be affected by economic decisions of the corporation, but should also embrace individuals who are affected by environmental, social impacts and repercussions of the corporation’s activities.

Furthermore, devastating consequences resulting from the failure of a corporation to adequately implement and comply with prescribed rules, codes of conduct related to corporate governance, ethical codes, as well as other legal rules, which also adversely impact the wider community at large, should be categorized within the scope of the stakeholder theory.

The ensuing section traces the developments which have resulted in a broader definition of a stakeholder, in prescribing how Corporate Social Responsibility could be harnessed more effectively, as a tool for poverty reduction.

BACKGROUND AND LITERATURE REVIEW

Conceptual and Theoretical Frameworks

One definition of Corporate Social Responsibility is provided by Hopkins is as follows (Hopkins, 2004):

- CSR is concerned with treating the stakeholders of the firm ethically or in a responsible manner. ‘Ethically or responsible’ means treating stakeholders in a manner deemed acceptable in civilized societies. Social includes economic responsibility. Stakeholders exist both within a firm and outside. The natural environment is a stakeholder. The wider aim of social responsibility is to create higher and higher standards of living, while preserving the profitability of the corporation, for peoples both within and outside the corporation.

Whilst the negative aspects of legislation are highlighted by Hopkins, the following are identified benefits and attributes of legislating Corporate Social Responsibility (Hopkins, 2004):

- It would help to avoid the excessive exploitation of labor, bribery and corruption.
- Companies would know what is expected of them, thereby promoting a level playing field.

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