


# Managerial Challenges of Corporate Social Responsibility in Developing Countries

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## INTRODUCTION

There has been a growing interest in the adoption of corporate social responsibility (CSR) practices in the advanced Western and developed Asian and emerging countries over the past several decades (Crane et al., 2019; Carroll, 1999; Carroll, 2016; Davidson & Yin, 2019; Fukukawa & Teramoto, 2009; Jamali, 2007; Matten & Moon, 2008). Such a massive amount of attention to CSR practices is largely attributed to its potential business benefits such as increased retention and reduced recruitment and training costs (Bhattacharya et al., 2008), simultaneous achievement of the triple bottom-line measures (i.e. people, plant, profit) (Kanji & Chopra, 2010; The Economist, 2009), favourable image, reputation, and customer retention (Eisingerich & Ghardwaj, 2011; Korschun et al., 2011), effective risk management (Kytte & Singh, 2005), brand differentiation, and a platform to engage with a diverse range of stakeholders (Lai et al., 2010 – see also Carroll & Shabana, 2010; Epstein, 2018; Luo et al., 2015). It has to be recognised, however, that the full realization of the potential benefits of CSR hinges, in the main, upon managerial orientation and attitude towards CSR practices. This importance is essentially that of Agle et al. (1999), Finkelstein & Hambrick (1996), Jamali et al. (2008), Pant & Lachman (1998), Quazi & O'Brien (2000) and Waldman et al. (2006) who lay stress on managerial personal values as prime factor in firm's engagement in CSR on both performance and ethical grounds (Donaldson & Preston, 1995; Duarte, 2010; Galbreath, 2010; Hemingway & MacLagan, 2004; Petrenko et al., 2016). Despite the acknowledged significance of CSR practice as a catalyst for enhanced perceptions of organizational performance and individual ethics in both advanced industrialized countries and emerging market economies (see Trajkova et al., 2018) the nature, extent and intricacies of CSR *Management* in the developing countries (e.g. Middle East region) has remained comparatively unresearched (Blowfield, 2007; Blowfield & Frynas, 2005; Jamali, 2007; Jamali & Karam, 2018).

In recognition of this lacuna of empirical research in the CSR management literature pertaining to the developing countries, this chapter aims to explore the peculiarities of CSR management and whether it is perceived the same way as is adopted and adapted by advanced industrialized countries and emerg-

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ing market economies (Dikeç et al., 2019; Eweje & Sakaki, 2015; Steurer et al., 2012; Visser, 2008).). The need for a critical analysis of CSR management in developing economies gives weight to different socio-cultural, economic, religious, individual and organisational backgrounds of managers. Indeed, CSR scholars have long acknowledged the idea that socio-economic, cultural and religious characteristics of managers are expected to affect their attitude and orientation as well as subsequent behaviour and actions towards CSR (see Darrag & E-Bassiouny, 2013; Goby & Nickerson, 2016; Jamali, 2014; Jamali & Karam, 2018; Quazi, 2003; Quazi & O'Brien, 2000; Wood, 1991; Waldman et al., 2006). This is in particular the case for developing Muslim-majority countries of the Middle East region where Islamic law (or the sharia) assumes a broader and more holistic significance for both individuals and business firms. In contrast to perceived strategic and instrumental nature of CSR in Western societies for enhancing goodwill or boosting long-term financial performance (Garriga & Mele, 2004; Windsor, 2001), corporations in Islamic societies assume the roles and responsibilities as servants and vicegerents in all situations responsible towards and ultimately responsible to God. In doing so, they view CSR as a moral and religious and obligatory initiative based on the belief that they should act in the interest of the society as a whole regardless of its financial consequences (Ahmad, 2003; Dusuki, 2008, pp. 18). Despite voluntary CSR decisions of Western organisations, performing socially responsible activities are deemed obligatory in Islamic business context (Mir et al., 2016). Thus, this chapter unravels the nature of managerial CSR attitudes and orientations in the Middle East region (Payind & McClimans, 2017) with a focus on Iran's auto industry (The Economist, 2019).

This chapter is divided into four main sections. The first section provides a review of the literature on CSR management. The second section discusses the research design and context of the study. The third section presents the findings derived from qualitative data collected from different several manufacturing firms operating in Iran's automotive industry. We finally conclude the chapter by highlighting avenues for future research.

## **THEORETICAL BACKGROUND OF THE STUDY**

Research into managing CSR practices has evolved in different directions and caused widespread controversy among organizational scholars. This ranges from viewing CSR as a business-centred and instrumental model (Gond & Matten, 2007, pp.1) to conceptualizing the inherent nature of societally embedded CSR (Gond & Matten, 2007, pp.1). Despite the existence of competing and contrasting perspectives of CSR and resulting multiple conceptualizations of the term, we categorize CSR management research into two broad streams: (i) research into the quest for CSR; and (ii) studies of the relevance and appropriateness of managerial attitudes and orientations toward CSR (e.g. Hillman & Keim, 2001; Howell & Avolio, 1992; Jones, 1995; Kanungo, 2001; Waldman et al., 2004).

The central theme of research into the quest for CSR has focused on a number of competing and contrasting theoretical traditions. Following Wood's (1991) multilevel analysis of CSR research, we discuss the quest for CSR practices from institutional, organizational and individual perspectives. The institutional level analysis places organizational legitimacy at the core of a quest for CSR. This debate was first stimulated by the contribution of Davis (1973) who coined the phrase 'Iron Law of Responsibility' to express legitimacy as a societal level concept. As she put it, "Society grants legitimacy and power to business. In the long-run, those who do not use power in a manner which society considers responsible will tend to lose it" (1973, p. 314). Those who view the principle of legitimacy as the rationale underpinning the CSR practice describe the responsibility of business as a social institution that

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