



## **Development Institute**

### **LESSON PLAN**

#### **Corporate Social Responsibility in Developing Countries**

*Prerequisite: CIPE Development Institute video presentation by Yanti Koestoer*

#### **I. Message**

Corporate social responsibility (CSR), or corporate citizenship, is a business strategy that produces long-term benefits for both communities and businesses. Given the common misconceptions, it is crucial to teach the private sector, governments, and the public the meaning of CSR. It is not simply charity; instead, it focuses on contributing to the society not just monetarily but also through other means. This applies in several categories: human capital, environment, accountability and transparency, local development, and minimizing social conflicts. CSR should not be forced upon the private sector through legislation – it works better as a voluntary endeavor. Many small-scale enterprises have already been operating in that way for years but do not call it CSR. Therefore, it is important to keep them engaged in their communities without imposing excessive burdens. As good corporate citizens, all businesses can thrive responsibly.

#### **II. Objectives**

1. Discuss the meaning of corporate social responsibility/corporate citizenship
2. Clarify the different existing misconceptions about CSR
3. Understand the importance of CSR not only as a contribution to the community but also as an effective business strategy
4. Discuss common challenges in the application of CSR in developing countries

#### **III. Discussion questions**

1. What are the factors that motivate companies to engage in CSR?
2. Why are there so many misconceptions about CSR?
3. Besides contributing money, what are some of other ways for a company to be a good corporate citizen?
4. Given the limited resources, how should companies choose the issues that they want to focus on as part of their CSR strategy?
5. Does CSR in developing countries apply only to international companies? Should it also apply to local businesses? Why or why not?

#### **IV. Reading list**

##### Required readings:

- Koestoer, Yanti, “Mixed Perceptions of Corporate Social Responsibility: Experiences of Indonesia,” CIPE Economic Reform Feature Service, 21 August 2007, <http://www.cipe.org/publications/fs/pdf/082107.pdf>.
- Lantos, Geoffrey P., “The Boundaries of Corporate Social Responsibility,” [http://faculty.stonehill.edu/glantos/Lantos1/PDF\\_Folder/Pub\\_arts\\_pdf/Strategic%20CSR.pdf](http://faculty.stonehill.edu/glantos/Lantos1/PDF_Folder/Pub_arts_pdf/Strategic%20CSR.pdf).
- Ruggie, John G., “The Theory and Practice of Learning Networks: Corporate Social Responsibility and Global Compact,” <http://www.greenleaf-publishing.com/content/pdfs/jcc05rugg.pdf>.

##### Optional readings:

- Fox, Tom, Bruce Howard, and Halina Ward, “Public Sector Roles in Strengthening Corporate Social Responsibility,” The World Bank, October 2003, [http://www.aph.gov.au/Senate/committee/corporations\\_ctte/completed\\_inquiries/2004-07/corporate\\_responsibility/submissions/sub63\\_attach1.pdf](http://www.aph.gov.au/Senate/committee/corporations_ctte/completed_inquiries/2004-07/corporate_responsibility/submissions/sub63_attach1.pdf).
- “From Ethical Business to Economic Development and Social Progress,” An interview with Stephen Young Global Executive Director, Caux Round Table, CIPE Economic Reform Feature Service, 17 January 2007, <http://www.cipe.org/publications/fs/pdf/011707.pdf>.
- Warhurst, Alyson, “Corporate Citizenship and Corporate Social Investment: Drivers of Tri-Sector Partnership,” Warwick Business School, UK, 2001, <http://greenleaf-publishing.com/content/pdfs/jcc01warh.pdf>.

## **V. Lesson plan**

### **What is corporate social responsibility (corporate citizenship)?**

- A strategy for long-term business and social benefits that goes beyond just charity
  - It should be a voluntarily accepted business strategy

### **Motivation for engaging in CSR**

- Genuine care for the community
- Protecting the source of human capital and raw materials
- Gaining social acceptance for business operations

### **Common misconceptions**

- Good corporate citizenship is not just a public relations effort, it's a crucial and beneficial business strategy
- CSR should not be expected to replace governments in provision of basic services
  - Communities should not expect private sector to take over the state's role
  - The primary goal of companies is to generate profits
  - BUT corporate citizenship is an integral element of profitable business
- CSR applies to all businesses of all sizes, not just large or foreign firms
  - Any company can be a good corporate citizen through voluntarism, conflict prevention, good treatment of labor, fighting corruption, etc.

### **Basic tenets of good corporate citizenship**

- Management of human capital
- Protection of the environment
- Accountability and transparency through corporate governance
- Looking after local economic development
- Minimizing conflicts between beneficiaries

### **CSR in different types of companies**

- Multinational companies bring CSR practices from home countries
- State-owned companies are mandated by the government to contribute
- Small business practice CSR often without using this label

### **CSR in developing and developed countries**

- Same definition, but developing countries need more guidance
- Local needs everywhere are best satisfied through public-private partnerships

### **Common challenges in applying CSR in developing countries**

- Over-expectations of what companies can do
- Social conflicts between those receiving CSR benefits
- The need to educate those who are skeptical of the corporate citizenship paradigm

## **VI. Sample test questions**

- 1. What is Corporate Social Responsibility?**
  - a. A variety of charitable contributions by the private sector
  - b. A business strategy producing long-term benefits for all
  - c. A set of regulations provided by the government for the private sector to participate in activities that are beneficial to the society
  
- 2. How big does a company have to be to carry out CSR?**
  - a. Large enough to provide significant monetary contributions
  - b. The size of the company does not matter
  - c. It has to be an international corporation
  
- 3. All of the following are the basic tenets of CSR except...**
  - a. Minimizing social conflicts among beneficiaries
  - b. Sound management of human capital
  - c. Mandatory contributions specified by the law
  - d. Helping local economic development
  
- 4. The government's role in CSR is to...**
  - a. Impose regulations to make sure that CSR is effectively performed
  - b. Make the least generous companies contribute more to the society
  - c. Encourage companies adopt good corporate citizenship practices voluntarily as a part of their business strategies
  - d. Let companies perform as many governmental responsibilities as possible to alleviate the state's budgetary burden
  
- 5. Why are many people in developing countries skeptical about CSR?**
  - a. It is a relatively new concept.
  - b. People have many misconceptions about its meaning.
  - c. Some companies have difficulties fulfilling the community's needs.
  - d. All of the above.