

# CORPORATE SOCIAL RESPONSIBILITY IN SOUTHEAST ASIA: AN EIGHT COUNTRY ANALYSIS

A Research Report  
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IN SOUTHEAST ASIA:  
AN EIGHT COUNTRY ANALYSIS

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## EXECUTIVE SUMMARY

This paper offers a perspective on the practice of Corporate Social Responsibility (CSR) across eight Southeast Asian countries—Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Viet Nam. The objectives of the report are to identify the factors affecting CSR in the countries studied as well as to develop an understanding of the CSR practices of domestic and multinational firms in those countries. The report will also provide alternatives for stakeholders seeking to promote the practice of Strategic CSR in the selected Southeast Asian countries.

**Research Framework.** The framework used in this report is based on the Hexagon frame presented by Prof. Maria Elena B. Herrera at the 9<sup>th</sup> Asian Forum on Corporate Social Responsibility in Malaysia in October 2010. She indicated that CSR practice in every country is influenced by the following broad factors:

- Fundamental Influences: geography and geology; natural resources; history; and culture.
- Institutional Dynamics: basis of the economy; social structure; political dynamics; market structure; labor dynamics and corporate structure.
- Business Landscape: social and environmental concerns and initiatives; the regulatory environment with respect to social and environmental concerns; stakeholders and their influence; and key business concerns and initiatives.

Corporate practices with respect to CSR are presented according to two typologies: CSR Typology of Intent and CSR Typology of Locus. The Intent typology provides a classification of CSR activities with respect to two dimensions: (1) intentions and motivations of companies in implementing their CSR programs, and (2) primary stakeholder beneficiary of CSR programs. The Locus typology provides a classification with respect to the two dimensions of: (1) the particular area of operations involved in CSR, and (2) the stakeholders who are engaged or involved in the CSR effort.

**Key Findings.** The country analyses are presented by country groups as follows:

- Mekong countries (Cambodia, Laos, Thailand and Viet Nam)
- Islamic roots (Malaysia and Indonesia)
- Strong civil society (The Philippines)
- Strong state with a developed economy (Singapore)

In the course of the research, the following key observations were made:

- CSR is defined by the presence or absence of a strong state.
- Strong coherent civil society, together with the business sector, can influence CSR development.
- In Southeast Asia, religion and religious institutions play a key role in CSR development.
- Media plays a critical mediating role in influencing CSR in many areas in the region.
- International buyers and purchasers can influence the state of CSR in a country.
- While CSR can be relevant, product price and quality continue to be the major considerations for consumer purchase decisions.
- Strategic CSR in Southeast Asia tends to be practiced primarily by multinational corporations and multilateral organizations and relatively larger domestic corporations and conglomerates.
- Multinational corporations also act as initiators and influencers of CSR in Southeast Asia.
- Development partners and multilateral institutions play an important supporting role.
- Private enterprises collaborate with various stakeholders in implementing CSR.
- There is a growing consciousness of CSR among SMEs.
- Government's role in promoting CSR has increased through the years.



**Observations and Recommendations.** The government can have four key roles in promoting CSR: mandating, facilitating, partnering and endorsing.<sup>1</sup>

- **Mandating:** The government can enact laws that affect corporate behavior.
- **Facilitating:** The government can create a conducive environment for business to operate in a socially responsible manner.
- **Partnering:** The government can reconcile the interests of various stakeholders and work with these groups to ensure that resources are utilized effectively.
- **Endorsing:** The government can recognize socially responsible companies.

One of the key challenges of governments is the lack of understanding and awareness on CSR among government staff. In order for governments to educate and facilitate, their own officials and employees must first be educated on the true value of CSR and its impact in terms of the development of the country. Another key practical role for government is to enable the creation of CSR partnerships between key sectors. Tripartite CSR initiatives involving the state, private sector and civil society/developmental organization can increase country and industry competitiveness particularly through improved business practices.

The business sector is at the center of CSR activity. In addition to itself adopting Strategic CSR, companies can conduct internal, influencing and collaborative initiatives. Internal initiatives refer to programs that the company can do on its own (i.e. adopting international standards, or implementing code of conducts). Influencing initiatives refer to programs aimed at influencing others (individuals or institutions) to become a socially responsible (i.e. disclosing CSR initiatives, participation in creating laws or policies related to corporate behavior /social responsibility or working with others to comply with international standards). Collaborative initiatives refer to programs conducted by business associations or simply in partnership with other companies (or CSR stakeholders) in creating synergy or to implement a more effective CSR program. In integrating CSR into its extended supply chain, a company can encourage its dealers and suppliers to adopt more responsible practices. The business sector together with the academe can also create and promote business metrics to improve the understanding and implementation of CSR.

Civil Society has both a “public conscience” and “watchdog” role and its efforts can moderate both corporate and government activities. It can support the adoption of CSR simply by continuing its role of promoting social responsibility and transparency. One of the most important considerations for civil society is the development and promotion of widely accepted measures and metrics that can be used by key stakeholders to monitor and evaluate the performance not only of corporations but of each other concerning the costs, benefits and outcomes of CSR. While consumer activism is still a relatively new concept in the region, NGOs and other like-minded organizations can increase public awareness on the importance of taking corporate responsible (or irresponsible) behavior into consideration when making purchase decisions. Finally, the academe can help develop guidelines, benchmarks and other tools that companies can utilize in implementing their CSR programs and which key stakeholders can utilize in monitoring and engaging corporations.

The primary role of development partners would be to provide a platform for strategic collaboration. Since most of these institutions have international operations, they can provide resources for information dissemination, knowledge creation and research. Development partners can increase and fill the knowledge gap for corporations, governments and other stakeholders through the creation of enabling mechanisms such as toolkits and benchmarks. Development partners can also provide support through explaining to governments and industry how integrating CSR into the development programs of key industries can improve the overall competitiveness and standing of a country. Development partners can also utilize their relationships and collaborative competencies in order to create linkages, networks and forums to allow key stakeholders to work together. Finally, development partners can also utilize their resources to educate CSR practitioners by providing information about needs of local communities.

## INTRODUCTION

The Ramon V. del Rosario, Sr. Center for Corporate Social Responsibility (RVR Center) prepared this report as part of the research project entitled, “Strategic Corporate Social Responsibility. Perspectives and Practices in Southeast Asia.” The project development partner is the Deutsche Gesellschaft für Internationale Zusammenarbeit (“GIZ”), which also provided partial project funding.

**PROJECT RATIONALE.** The broad purpose of the project was to review the state of Corporate Social Responsibility (CSR) in selected countries in Southeast Asia. The specific objectives of the project were:

- To identify the key explanatory factors shaping the CSR perspectives and practices of domestic and multinational firms in eight Southeast Asian economies;
- To describe CSR practices of domestic and multinational firms operating in the selected countries, with a specific focus on strategic CSR; and
- To recommend strategies for support programs for disseminating and up-scaling the practice of Strategic CSR in Southeast Asian economies.

The research project presents the current state of CSR in eight countries in Southeast Asia. It also aims to identify the different drivers, institutions, dynamics and players that influence the development of CSR. This report describes a framework which includes the environmental as well as institutional factors that affect CSR. It is also used to explain the state of CSR in the selected countries.

**SCOPE AND LIMITATIONS.** The study covers the following countries: Cambodia, Indonesia, Laos, Malaysia, the Philippines, Singapore, Thailand and Viet Nam.

The research project included the following components:

- A review of related literature on CSR and Strategic CSR, and
- A review of the factors affecting CSR in each of the countries included in the research project.

The main limitation of the study was that the research activity did not include travel to the countries covered. The research was primarily conducted through secondary sources in English and there was limited literature on some of the countries covered.

**RESEARCH METHODOLOGY.** The initial research included a review of literature that focused on two areas:

- frameworks for understanding the practice of CSR and factors affecting the practice of CSR and
- a review of available literature on CSR practice in the countries covered.

Sources for information and literature included: CSR-related reports and documents from industry associations, multilateral institutions, civil society organizations and government agencies.

An analytic frame was used to provide a context for understanding CSR in the countries studied. The country-level analysis of influences included the following: (1) fundamental influences, (2) key institutional dynamics and (3) key factors in the business landscape. Key factors in the business landscape included key players, their concerns and level of influence; and priority social concerns. CSR practices and trends in the country were also described. An evaluation was then made of barriers and enablers for the practice of strategic CSR, with a focus on how major players affect the practice of Strategic CSR.

A comparative analysis was also made across all the eight countries studied.

# I-A: REVIEW OF LITERATURE

## CORPORATE SOCIAL RESPONSIBILITY

Businesses are established primarily to earn income or profits. Their profit seeking behavior affects the lives not only of their owners, but also of their employees, customers, suppliers, communities, the environment and society in general.

Traditionally, societies have relied on government to enact and implement laws that regulate the behavior and activities of companies in order to prevent or minimize their negative impact on society and/or to encourage responsible business practices. In the past, the concept of a company's responsibility as a participant in society was limited to payment of taxes and compliance with the law.

However, there have always been companies that go beyond compliance as well as beyond the traditional role of business as an economic profit-making enterprise. These efforts can roughly be categorized into: (1) companies that operate according to internally set standards in order to regulate their negative impact on society and the environment (ethics versus compliance) and (2) companies that actively make an effort to have a positive impact on society (e.g., corporate giving).

As companies grew and their business footprint increased, so did: (1) the scope and level of business impact on society and the environment; and (2) the concerns and expectations of other sectors of society concerning the behavior, social and environmental impact of companies. Similarly, the abilities of companies to manage their social and environmental impact as well as the abilities of other sectors of society to influence the behavior of companies increased.

Over the years, it has become clear that many sectors of society not only expect business to behave in a socially responsible manner but also that, in many cases, these non-traditional stakeholders in a business enterprise could either adversely or positively affect a company's economic results. CSR has progressed beyond compliance and beyond corporate giving into a more strategic enlightened practice, one that takes into account the significant role business plays in economies as well as the positive economic effect of responsible behavior.

## DEFINITION AND EVOLUTION OF CORPORATE SOCIAL RESPONSIBILITY

There is no single definition of CSR. In essence, it may be defined as the company's initiatives geared towards its environment, community and stakeholders. (See Table 1-A-1: Definitions of Corporate Social Responsibility).

Francisco Roman (2007) of the RVR Center expanded the framework of Gisela Velasco in evaluating the evolution of CSR networks in the Philippines. The evolution of CSR networks starts with the decade of donations when companies primarily provided financial assistance to NGOs and charitable institutions. The second phase is the decade of organizations when companies partnered with intermediaries or established their own foundation to undertake CSR. The third phase is the decade of citizenship when companies "incorporated end-users in the design and implementation of the CSR programs."<sup>2</sup> The fourth phase is the decade of continuous improvement when companies internalized CSR programs in policy formulation. The current phase is the decade of engagement where corporations' CSR programs address the concerns of society in general. Although CSR is at varying levels of development in various Asian countries, CSR has generally followed a similar evolution.

Table I-A-1  
Definitions of Corporate Social Responsibility

World Business Council for Sustainable Development	“CSR is the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large.” <sup>3</sup>
European Union	“A concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.” <sup>4</sup>
Business for Social Responsibility	CSR as “achieving commercial success in ways that honor ethical values and respect people, communities, and the natural environment.” <sup>5</sup>
Harvard Kennedy School of Government	CSR encompasses not only what companies do with their profits, but also how they make them. It goes beyond philanthropy and compliance and addresses how companies manage their economic, social, and environmental impacts, as well as their relationships in all key spheres of influence: the workplace, the marketplace, the supply chain, the community, and the public policy realm. <sup>6</sup>

## STRATEGIC CSR

“Strategic CSR,” according to Burke and Logsdon (1996), “builds on such concepts and demonstrates several ways in which CSR programs can be closely tied to the company’s strategy.”<sup>7</sup> As CSR initiatives are intrinsically linked with the core business operations and strategies, it is able to contribute to the firm’s effectiveness in accomplishing its economic interests. Aligning business interests with CSR initiatives can create a positive sum game for both the company and its stakeholders. In supporting this statement, Lantos (2001) says that, “Strategic CSR is done to accomplish strategic business goals—good deeds are believed to be good for business as well as for society.”<sup>8</sup>

On a similar note, Porter and Kramer (2006) mention that Strategic CSR “unlocks shared value by investing in social aspects of context that strengthen company competitiveness.”<sup>9</sup> This is based on the assumption that, “business and society need each other...the mutual dependence of corporations and society implies that both business decisions and social policies must follow the principle of shared value,”<sup>10</sup> hence the company’s choices must benefit not only its shareholders but also its external stakeholders. Porter and Kramer characterize the link as a symbiotic relationship between business and society since “the success of the company and the success of the community become mutually reinforcing.”<sup>11</sup> Moreover, “the more closely tied a social issue is to the company’s business, the greater the opportunity to leverage the firm’s resources and capabilities, and benefit society.”<sup>12</sup>

Strategic CSR becomes a unique asset for a company since it aligns the firm’s social and economic goals into its core business strategy. For Strategic CSR to be effective, Kellie McElhaney (2007) states that, “CSR initiatives of the company must be aligned with the core business objectives and core competencies of the firm.”<sup>13</sup> However, focusing on the right social issue is critical in integrating CSR into the company’s business operations. Porter and Kramer (2006) focus on choosing the right strategy for CSR, specifically with respect to the choice of which social issues to address.

**Figure I-A-1**  
**Corporate Involvement in Society: A Strategic Approach**

Generic Social Issues	Value Chain Social Impacts	Social Dimensions of Competitive Context
Social issues that are not significantly affected by a company's operations nor materially affect its long-term competitiveness.	Socially issues that are significantly affected by a company's activities in the ordinary course of business.	Social issues in the external environment that significantly affect the underlying drivers of a company's competitiveness in the location where it operates.
Good Citizenship	Mitigate harm from value chain activities	Strategic philanthropy that leverages capabilities to improve salient areas of competitive context.  Strategic CSR
Responsive CSR	Transform value chain activities to benefit society while reinforcing strategy	

Source: Porter, Michael E. and Mark R. Kramer. (December 2006.) "Competitive Advantage and Corporate Social Responsibility" Strategy Society: The Link between Competitive Advantage and Corporate Social Responsibility–Harvard Business Review.

By adopting a Strategic CSR approach, "each company can identify the particular set of societal problems that it is best equipped to help resolve and from which it can gain the greatest competitive advantage."<sup>14</sup> Thus, companies are able to use these "charitable efforts to improve their competitive context as well as improve the company's long-term business prospects."<sup>15</sup>

Aligning the company's social stand with its core business operations and interests allows consumers to distinguish the company's image and brand against its competitors. This value creating initiative translates into a competitive advantage since it would be difficult for its competitors to replicate particular activities and hence, the benefits gained by the company. Porter (2002) stresses that,

By focusing on the contextual conditions most important to their industries and strategies, companies ensure that their corporate capabilities will be particularly well suited to helping grantees create greater value. And by enhancing the value produced by philanthropic efforts in the fields, the companies gain a greater improvement in competitive context.<sup>16</sup>

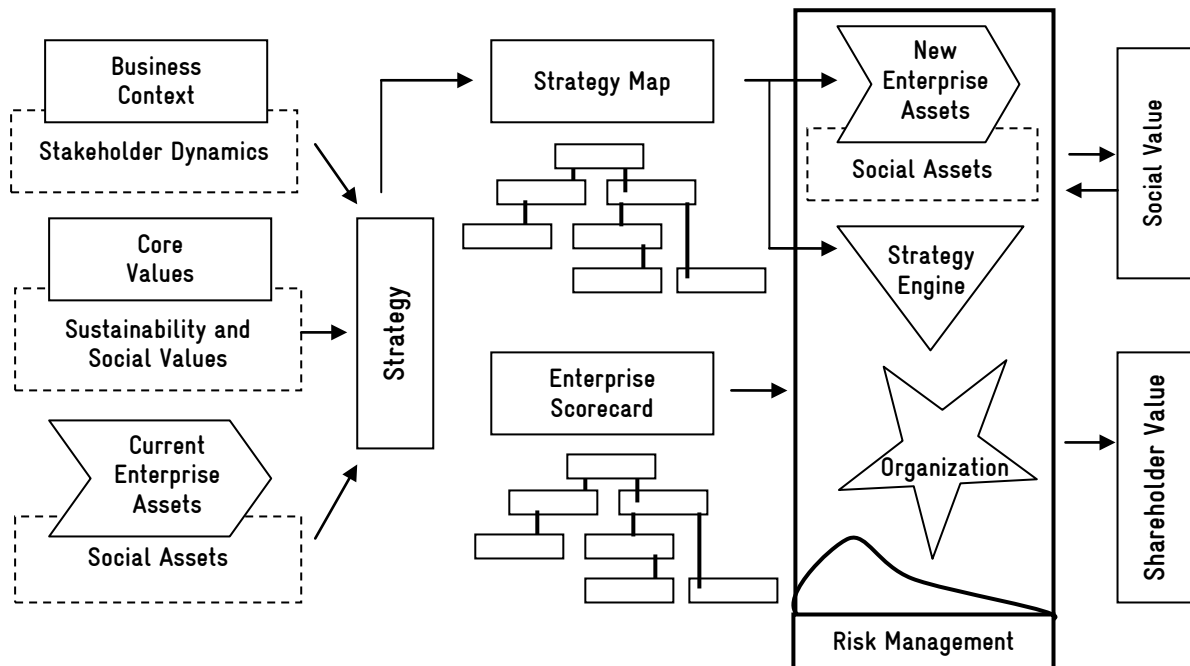
Thus, he concludes that, "the more closely a company's philanthropy is linked to its competitive context, the greater the company's contribution to society will be."<sup>17</sup>

## CREATING A STRATEGIC CSR FRAMEWORK

Alfonso, Herrera and Roman (2008) identified the need for companies to study their corporate philosophy, capabilities, resources, footprint, stakeholders, and market competition in order to formulate a CSR strategy that addresses the needs and interests of all its stakeholders. Herrera (2010) expanded this framework in order to show that companies need to consider the political, economic and social context of its operations in order to create not simply a CSR strategy but a corporate strategy that is socially responsible and designed to create "shared value." Within this context, the social value created partially feeds back to the company in the form of social assets. In this framework, CSR becomes embedded in business strategy and operations and is neither marginal nor an overlay. The RVR Center's approach to Strategic CSR is provided in Annex 1.

According to Herrera, "the Integrated Strategic Management (ISM) approach, like all approaches to strategic management begins with strategic scanning."

**Figure I-A-2**  
**Integrating Social Performance**



Within this framework, stakeholder management and social issue participation follow naturally from an understanding of corporate market and non-market environments. Strategic scanning in the CSR context involves an analysis of the two components of footprint and stakeholders.<sup>18</sup>

Stakeholder management includes primary stakeholders (customers, distributors, employees, management, suppliers and investors), indirect stakeholders (local community, society and government) and moderating or mediating stakeholders (media and government).

Social issue participation includes environmental and social performance indicators such as those in the GRI Guidelines. Environmental indicators include “energy, water, biodiversity, emissions, products and services, compliance and expenditures, environmental outcome.” Social indicators include “employment, labor-management relations, health and safety, training and education, diversity and opportunity, human rights, society, product responsibility and social outcome.”



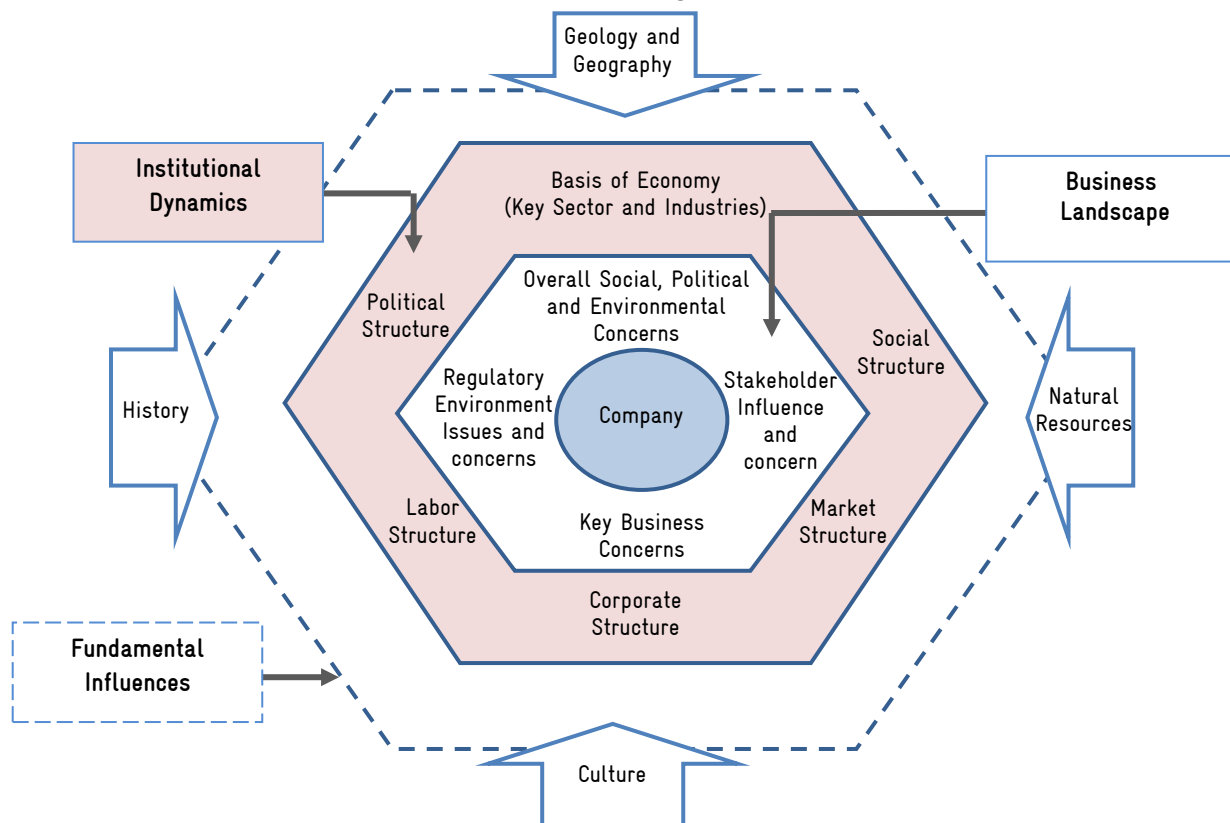
## I-B: RESEARCH FRAMEWORK AND FINDINGS

This section is an excerpt from newspaper columns written by Prof. Maria Elena Herrera. Discussed are the internal frameworks used in this research study.

### INFLUENCES ON CSR FRAMEWORK

The framework used in this report was first presented by Prof. Maria Elena Herrera at the 9<sup>th</sup> Asian Forum on Corporate Social Responsibility in Malaysia in October 2010. At the center of the framework is the company, which responds to four major factors in its business landscape: its own key business concerns, which are in turn influenced by its regulatory environment and the influences, and concerns of its stakeholders, and finally the overall social, political and environmental concerns which influence all of the other three factors. The business landscape is in turn affected by six key factors of institutional dynamics, which are influenced by four fundamental factors. Please refer to Annex 2 for more details of this conceptual framework.

**Figure I-B-1**  
**Influences on CSR Hexagon Framework**



### CSR TYPOLOGY OF INTENT

Corporations implement CSR based on specific intentions and with particular beneficiaries in mind.

The intentions of corporations range from:

- Shared Value—CSR programs that benefit both the company and society;
- Creating Stakeholder Value—CSR programs that benefit the targeted beneficiary stakeholders;
- Minimizing Harm—CSR initiatives that reduce the negative impact of the company's operations, and
- Compliance—company initiatives that comply with local and international policies.

In terms of targeted beneficiaries, the categories would be:

- Unrelated (individuals with no direct impact on or relationship with the company);
- Primary Internal Stakeholders such as shareholders and employees;
- Primary External Stakeholders such as suppliers or consumers;
- Secondary Stakeholders or those that are not directly linked to the corporate supply chain but are nevertheless affected by or have an interest in the firm's operations such as the host community or the surrounding environment;
- Moderating or Mediating Stakeholders that serve as a proxy for general society, the environment or indirect and direct stakeholders (Church, NGOs, Media, Government) and; finally,
- International Stakeholders including international markets of investors or consumers that serve as touchstones for acceptable business behavior.

Analyzing CSR activities in this manner allows us to understand CSR activities from the point of view of intent. In the table provided, sample CSR activities are classified by intent and target beneficiaries.

**Table I-B-1**  
**Intent of CSR Activities (Examples)**

"INTENT"	"STAKEHOLDERS"					
	UNRELATED	PRIMARY		SECONDARY	MEDIATING	INTERNATIONAL
		Internal	External			
SHARED VALUE (company and community benefits from CSR)		Employee training	Supplier programs		Capacity building initiatives	
CREATING STAKEHOLDER VALUE (community benefits from CSR)	Philanthropy, cash donations, relief aids			Livelihood programs for the local community		
MINIMIZE HARM (beyond compliance- e.g. reducing carbon footprint)				Waste Management		
COMPLIANCE		Labor laws		Environment laws		ILO standards
Unrelated: individuals that have no direct relationship with the company Primary (Internal): Shareholders, employees Primary (External): Suppliers, Consumers Secondary (External): host community, environment Mediating: Church, NGOs, Media, Government International: International markets (customers and investors) and standards						

## CSR TYPOLOGY OF LOCUS

Another way to categorize CSR activity would be by classifying in terms of the locus of the activity. The classification is along two dimensions. One dimension involves the key focus area of the activity and the other dimension involves which stakeholders are involved in the activity. In this classification system, stakeholder engagement goes beyond simply being beneficiaries; they can be partners and collaborators. This classification system allows us to understand how corporations leverage CSR activity by cooperating with stakeholders and other organizations.

The key focus area categories are:

- International. This refers to CSR initiatives that are either influenced at the global/international level or where the beneficiaries of the CSR programs extend beyond the host country where it operates. For example, adherence to the United Nations Millennium Development Goals, or fund raising for disaster relief.



- **Institutional.** This refers to the activities that emanate from the company's purposive policies and strategies. CSR activities classified as institutional could be based on corporate values, mission and vision or might focus on industry-specific concerns.
- **Company Location.** This refers to the CSR-initiatives specific to the locality the company operates in. Both institutional and company location based initiatives are used to address "social license to operate" concerns.
- **Extended Entire Supply Chain.** This refers to CSR-related initiatives in the company's upstream and downstream activities—from outsourcing of raw materials to marketing and distribution of finished products. It may be related to the procurement process, supplier accreditation programs or dealer accreditation programs.
- **Internal Value Chain.** This refers to CSR-related initiatives that address concerns of the company's internal value chain. It would include policies on waste management, emission standards or occupational health and safety regulations.
- **Unrelated.** This refers to CSR initiatives that are not related to the company's business operations but are prioritized by company management. These would tend to be along the lines of corporate giving.

In addition, the CSR activities are classified based on the stakeholders involved in implementing social and environmental programs. These are classified into:

- Government,
- Business associations (e.g. industry associations, CSR membership organizations, chamber of commerce),
- Primary stakeholders (e.g. suppliers, customers, investors, employees),
- Secondary stakeholders (e.g. local community, local environment),
- Mediating stakeholders (e.g. NGOs, INGOs, religious organizations, media) and
- Development Organizations.

While the tools for understanding CSR are still developing, these classification systems provide a starting point for comparing CSR activities not only between organizations but also potentially between countries. Together with the framework for understanding CSR country influences, it can be used by policymakers and development partners in order to understand and promote the practice of more Strategic CSR.

## I-C: KEY FINDINGS: CROSS-COUNTRY ANALYSIS ON THE STATE OF CSR IN SOUTHEAST ASIA

CSR in Southeast Asia is a response of the business sector to social and environmental concerns (i.e. poverty, huge income gap, illiteracy, hunger, malnutrition, unemployment and gender issues). However, before the term CSR was coined, corporations were already practicing philanthropic initiatives, which are manifestations of the culture and religion of Southeast Asian countries.

The practice of CSR spread due to the increased presence of multinational companies operating in the region and the need for local companies to compete in the international market.

Many governments in the region have recognized that CSR is a key development tool that can help address social and environmental issues. Indonesia has enacted a CSR law. Malaysia, the Philippines and Thailand are in the process of creating CSR legislation. However, all countries in the study have adopted some CSR-related laws and adhere to international agreements on human rights, labor rights, free trade principles, anti-child labor acts and environmental standards.

In the region, the presence of strong authoritarian states has become enablers of CSR. In these states, the government has enormous influence over the economic aspect of the country. Countries such as Malaysia, Indonesia, Cambodia, Laos and Viet Nam have numerous state-owned enterprises. These firms are generally located in sectors such as energy, mining, oil and gas. State-owned enterprises play a key role in setting the benchmark towards responsible, ethical and sustainable business practices. While there is a growing debate on whether there is a need to legislate CSR, governments have also played the role of facilitator in the growth and development of CSR. The Philippines has laws that enable and promote the growth of non-government organizations and foundations. These organizations act as partners of companies in the implementation of their CSR programs. Also, certain charitable contributions are deemed deductible for tax purposes.

The presence of MNCs operating in the region also promotes the practice of CSR. In the Philippines, some MNCs have been operating for more than 40 years. These companies have well established community programs and supply chain management processes that take into account the development of SMEs and promote ethical and sustainable business practices. MNCs also have the capacity to provide technical and financial support to non-governmental organizations. MNCs have helped lead the drive towards the practice of CSR. However, with the world economic slowdown; many MNCs have tempered their CSR programs and began to work on making CSR more focused and strategic. Large local companies have also begun to implement Strategic CSR.

The presence of technical partners helps promote CSR practice. The Asian Development Bank, Deutsche Gesellschaft für Internationale Zusammenarbeit, United Nations Development Program, United States Agency for International Development, World Bank and other international organizations have an established foothold in the region. These organizations have the financial, technical and human resources to promote CSR in the region. These organizations have also created good working relations with the governments in the region. They are often seen as partners rather than a threat to the power and influence of the state. They play a key role in enabling and fostering the creation of public-private partnerships and tripartite collaboration on CSR.

Business associations and industry groups also help promote the practice of CSR. These groups have established guidelines on ethical and sustainable business practices. Business associations in the region have partnerships with the state, multilateral stakeholders, technical partners and other business associations in the region. Business associations provide a good starting point and foundation for CSR to be promoted and practiced by its members. In some cases, business associations or industry groups have gone beyond compliance and have set certain benchmarks and standards for business practice. These groups also facilitate the increase in awareness of small and new companies on the value of CSR.

On the other hand, there are numerous concerns and issues that need to be addressed in the region. For instance, some countries have traditionally viewed Western values and ideas as hostile to local culture and religion. These perceptions led some to view CSR with suspicion and doubt. As a result, some countries in the region have begun to create a “CSR that can be called their own”. This sense of ownership and identity is one of the reasons why CSR is being legislated in these countries in the region. However, there is some concern that a legislated CSR defeats the true meaning and purpose of CSR. Many companies are against a legislated form of CSR. They view legislation as an intrusion of the state and a potential source of tension and corruption.

Another challenge in the region is the lack of financial and technical capacity of the many local companies. A significant portion of the economy in the region is primarily driven by MSMEs. MSMEs constitute majority of the businesses registered in the region economy. The main challenge for these MSMEs is the lack of financial capacity to adhere to environmental and labor laws. This presents a strong temptation to be less than fully compliant. A change of culture and view will be necessary to create a new paradigm and outlook towards environmental and labor laws.

Another barrier for CSR in the region is the lack of a clear cut definition on what truly constitutes CSR. There are instances when mere compliance to the laws is seen as a CSR initiative, and where corporate philanthropy is already viewed as CSR. While academic papers and studies increased the intellectual bank on CSR, this may have also created confusion as to what truly constitutes CSR. Amidst all the confusion, however, many stakeholders already agree in principle on the value, need, impact and benefits of CSR, not just to the business community but to the overall performance and development of a country.

## MEKONG COUNTRIES: CAMBODIA, LAOS, THAILAND AND VIET NAM

For the Mekong river countries, environmental concerns regarding the sustainability and protection of the Mekong River are a continuing challenge and the focus for cooperation among the four countries. A shared culture and religion also play an integrating role in the Mekong region.

**Fundamental Influences.** The countries in the study that are in the Mekong river area are: Laos, Cambodia, Thailand, and Viet Nam. The Mekong River is an important link and resource for all these countries. In terms of natural resources, the Mekong region is rich in semi-precious stones, metals and minerals. However, agriculture remains the major source of income for the countries located in the region. The countries share the common concerns of poverty alleviation, sustainability and environment.

Tradition and culture play a critical role in the area. Buddhism is the main religion of all the countries in the Mekong area. Philanthropy (charity) and doing no harm to society is one of the primary teachings of Buddhism and could provide a solid foundation for supporting CSR values. The concept of collectivism and face play a fundamental role in the development of CSR in the Mekong area.

**Key Observations on Institutional Dynamics.** Generally the four countries are similar in terms of shared history and culture. However, each country has adopted its own path towards economic growth and development. Thailand and Cambodia have adopted Western economic tools for development. Due to strong linkages with Communist principles, Laos and Viet Nam have adopted quasi-free market structures, where the economic sphere is isolated from the political aspect of society.

Institutional Dynamics	Cambodia	Laos	Thailand	Viet Nam
Political Structure	Constitutional Monarchy	Single Party Socialist	Constitutional Monarchy	Single Party Socialist
Labor Structure	The garment sector is the largest employer in the country.	Majority of Lao people migrate to other countries such as Thailand and Viet Nam.	Weak organized labor union	Lack of capacity to implement labor laws.
Corporate Structure	Limited number of MNCs in the country and most are MSMEs.	Strong presence of State-owned enterprises and MSMEs in the country.	Large presence of Japanese MNCs and Western MNCs operating in the country.	Strong presence of State-owned enterprises and Western MNCs.
Market Structure	Market activities are linked to international market.	Recently opened its economy to international market.	Free market economy	Strong control of the state over economic functions and the country has recently opened the economy.
Social Structure	There is a strong sense of collectivism, concept of face and widening gap between the rich and the poor.			

**Key Factors in Business Landscape.** Cambodia, Laos, Thailand and Viet Nam are developing countries. All countries are faced with social, environmental and governance issues.

Cambodia, Laos and Viet Nam have highly centralized governments. There are various CSR-related laws in place, but implementation remains weak. In Thailand, the main challenge for the country's leadership is to resolve the political divide, following the removal of former Prime Minister Thaksin.

After the Asian Financial Crisis in 1997, Thailand instituted various corporate governance reforms. The Securities and Exchange Commission has also incorporated CSR values into its corporate governance principles. Thailand SEC has also created a CSR Institute to promote CSR to local Thai businesses.

In Viet Nam, Cambodia and Laos, the strong presence of MNCs and technical partners have led to aimed at complying with international agreements on labor rights and laws against child labor.

The main challenge for all countries is the need for regulatory agencies to develop the capacity to implement and evaluate various laws in the country. Corruption, poverty, health, education and environmental pollution are some of the key concerns of businesses in the Mekong area.

**Current State of CSR.** While Buddhism has been deeply rooted in all of the countries in Mekong area, it only plays a crucial role in Thailand. Companies in Thailand practice philanthropy as a way of giving back to the community. The monarchy also plays a strong role in the development of CSR in Thailand and Cambodia. Both countries have a deep sense of loyalty to the monarchy. The king is seen as a unifying force that binds the social structure of the country.

Viet Nam and Laos began as strongly authoritarian states. These regimes exercised a high control over the business environment. However, these states have since recognized the need to liberalize their economies, thereby opening up for foreign direct investments and allow the creation of partnerships between large MNCs and the local business community. In Cambodia and Viet Nam, there is a steady increase of MNCs that have begun to invest in key sectors such as manufacturing and energy development. In Laos, MNCs have heavily invested in the energy sector. Hydropower has become the main export and economic driver of the country. Thailand has numerous trade agreements with other countries and regional blocs such as European Union, Association of Southeast Asian Nations, Asia Pacific Economic Cooperation and others. Many Japanese and Western MNCs have operations in Thailand.

There are numerous challenges being faced by almost all the countries in the Mekong region. The widening gap between the rich and the poor, and increased pollution due to rapid industrialization and development are some of the key issues that need to be addressed by these countries. While there are strong states, issues concerning governance, corruption and the lack of trust are challenges that hinder the continued growth and sustainability of the region.

Overall, the Mekong region plays a crucial economic role in Southeast Asia. Thailand and Viet Nam are emerging economies that can play a significant role in advancing the interests of the region. In terms of CSR development, environmental concerns and poverty alleviation are the priorities in the region regardless of relative level of development. For Thailand and Cambodia, HIV and AIDS remain a key concern. Economic integration and globalization are key drivers for economic development in the Mekong region and many compliance-based CSR initiatives stem from the need to comply with the requirements of international institutional customers and investors.

**Key Players and Current Roles.** Key CSR players in the Mekong area are the national governments, multinational corporations and technical partners.

In the Mekong area, technical partners are present in all countries. These organizations have created networks and partnerships with local non-governmental organizations. These technical partners sometimes ‘act’ almost as a state surrogate due to the lack of capacity of government to provide basic services such as food, health, education and livelihood. Technical partners also play the role of facilitator between local communities and companies. They also help local companies adopt international standards to ensure competitiveness.

Technical partners have the capacity (i.e. in terms of human resources, financial resources and intellectual capital) to help determine the actual needs and wants of the communities in the Mekong area. They are often tapped as partners and collaborators. Technical partner can help increase the awareness of local companies and communities to the real value of CSR.

**Enablers and Challenges.** A strong state in the Mekong area can help promote the practice of CSR. In Viet Nam, Cambodia and Thailand, CSR is seen not just a means of addressing various social and environmental issues but rather as a competitive tool to promote economic growth and attract foreign investors. As these countries begin to export their products to Europe and the Americas, most Western countries require that products imported have to be ethically sourced. Cambodia, Thailand and Viet Nam have recognized the importance of CSR in country competitiveness. Promoting the growth and development of CSR either through legislation or by simply promoting the entry and creation of non-governmental organizations could help create a climate conducive to CSR.

The presence of foreign companies could also help promote CSR practice. These companies can help create benchmarks and standards for local companies to evaluate. Encouraging local companies to adapt international standards such as ISO certification and adherence to GRI principles can help local companies in tapping international markets thereby increasing their long term sustainability and profitability.

Technical partners also help advance CSR. Technical partners not only provide financial support but also technical expertise. They can act as a mediating factor between companies and other non-government organizations. In all of the countries in the Mekong area, they provide assistance to local communities focusing on providing livelihood, education and health services. This helps alleviate the gap in social funding resulting from the limited resources available to the state.

There are, however, a number of issues that need to be addressed. One of the main barriers is the shared borders between countries, which has been a source of dispute and tension. Often these tensions can result in armed conflict, resulting in destabilized economic growth. While all countries have recognized the need to adhere to a code of conduct, continuing cooperation remains a challenge. The Mekong River Commission

is one of the few instances where close cooperation between all countries was achieved. In terms of CSR development, there has yet to be a formal sharing of knowledge between the countries.

Another barrier to CSR is the lack of knowledge and understanding as to what CSR is. CSR is often seen as an economic tool rather than both an economic and social tool. Governments encourage local companies to create and implement CSR programs. However, due to the lack of understanding and knowledge, these companies create programs that are misaligned and have no real value to the community. CSR is often seen as simply public relations that can help local companies tap international markets.

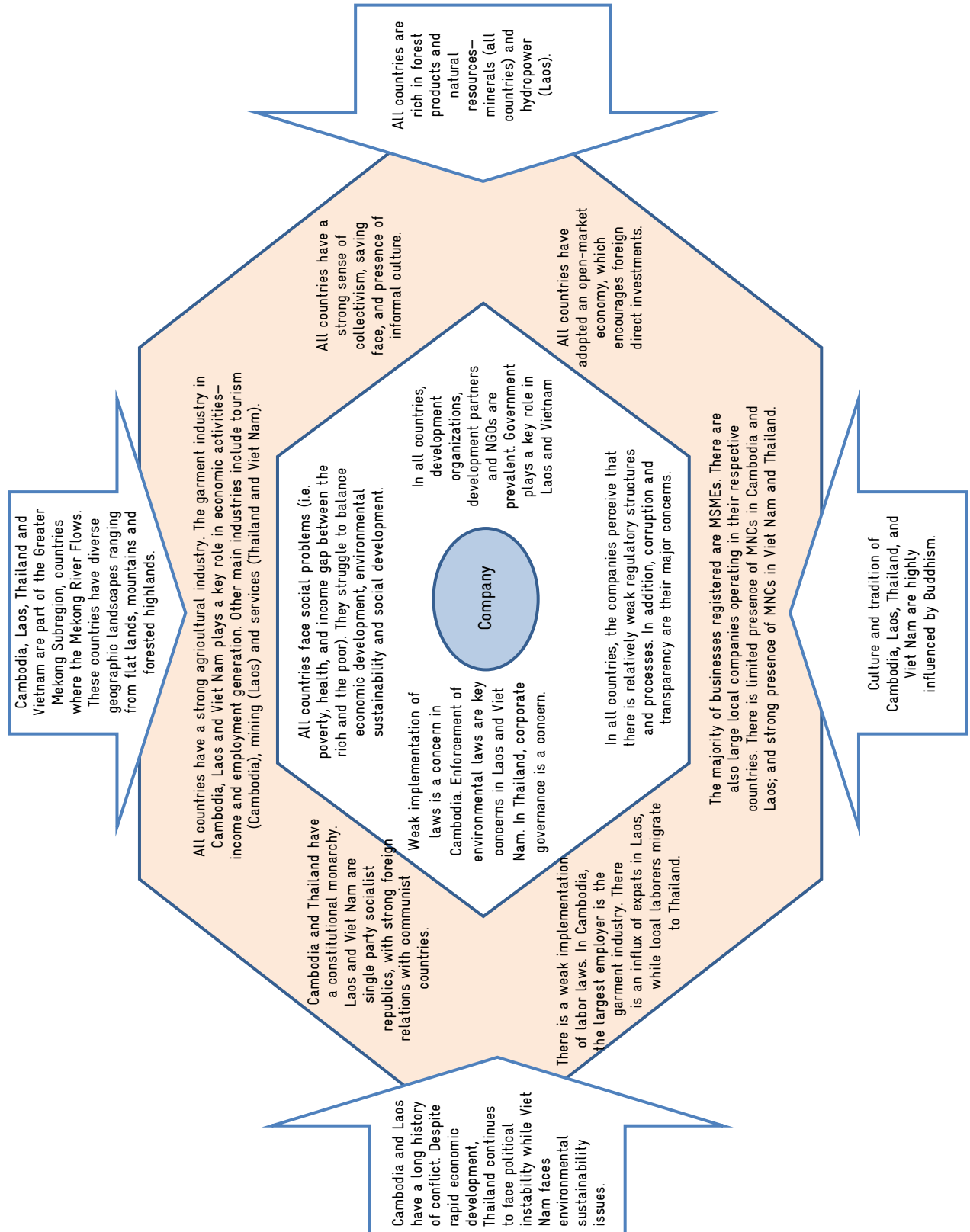
The relative scarcity of large corporations in the area means there are no easy role models or influencers for Strategic CSR. In Cambodia and Laos, large local companies are predominantly state-owned enterprises. MSMEs are one of the main drivers of local economy. MSMEs unfortunately view CSR as an increased cost to the company. Hence, CSR programs tend to be isolated and do not create long-term value for the company or the community.

The following pages summarize the key CSR findings in Mekong countries (Cambodia, Laos, Thailand and Vietnam):

- Figure I-C-1: CSR in Mekong countries using the Influences on CSR Framework
- Table I-C-1: CSR activities in Mekong countries using the Typology of Intent
- Table I-C-2: CSR activities in Mekong countries using the Typology of Locus



**Figure I-C-1:  
Influences on CSR in Mekong Countries**



**Table I-C-1**  
**Intent of CSR Activities in the Mekong Countries**

INTENT	BENEFICIARIES				
	UNRELATED	PRIMARY		SECONDARY	MEDIATING
		Internal	External		
SHARED VALUE (company and community benefits from CSR)		<p>Some companies in Thailand, Viet Nam and Cambodia are addressing labor issues, creating shared value for the company and employees.</p> <p>MNCs and local companies in Cambodia and Viet Nam especially the garment industry go beyond what is mandated by local law in terms of labor practices due to demands from international consumers.</p> <p>Adopting international labor standards with the assistance of the International Labor Organization has allowed Cambodian and Vietnamese garment manufacturers to remain competitive internationally while at the same time providing better working conditions and other benefits for its employees.</p> <p>In Thailand, programs by MNCs are focused on enhancing the capacity of local employees. Employees' skills are developed through training programs and the company benefits from improvements in the performance of its employees.</p> <p>Employee volunteer programs result in increased employee morale.</p>	<p>MNCs and large local corporations in Viet Nam and Thailand are addressing supply chain issues by developing the capabilities of their suppliers—thus helping local suppliers improve their business while at the same time ensuring a stable source of materials for the corporation.</p>	<p>MNCs and large local companies in Viet Nam, Cambodia, Laos and Thailand are implementing livelihood and environmental sustainability programs that are linked to their businesses, creating benefits for the company while at the same time ensuring benefits for the community. Social development programs by companies allow them to improve relationships with the community. In Thailand and Laos, these community programs help companies maintain their social license to operate especially for the extractive and power generation industries.</p> <p>Some MNCs and large companies in Thailand, Cambodia, Laos and Viet Nam provide employee volunteerism initiatives. The community and the environment are usually the beneficiaries of such programs.</p>	
				<p>MNCs respond to global market demands and have also influenced local Thai companies to go beyond compliance especially in terms of labor and environmental practices. This results in increased global market competitiveness for compliant companies.</p> <p>Various Thai companies have aligned their CSR programs with international agreements such as the UN Global Compact and MDGs. As a result, these companies are able to address the needs of the community and align with the national development agenda of the government. These actions have reputational value to the company.</p>	



INTENT	BENEFICIARIES				
	UNRELATED	PRIMARY		SECONDARY	MEDIATING
		Internal	External		
CREATING STAKEHOLDER VALUE (community benefits from CSR)	<p>The majority of local companies in Viet Nam and Thailand conduct philanthropic initiatives to address key social concerns.</p> <p>Some local companies and a number of MNCS in Cambodia and Laos practice philanthropy.</p> <p>There are corporate foundations operating in Cambodia that provide donations to different organizations.</p>				<p>Social enterprises in Laos, established by foreign organizations, conduct livelihood projects and promote environmental sustainability (e.g. Fair Trek: Community-based and Responsible Tourism).</p>
MINIMIZE HARM (beyond compliance- e.g. reducing carbon footprint)			<p>Large Thai companies are now beginning to go beyond compliance as part of their CSR initiatives. This includes securing ISO certification on environmental sustainability.</p>	<p>The majority of corporations involved in reducing carbon footprint in Viet Nam are MNCs. In Cambodia, some MNCs implement programs for the community and the environment because of global corporate policy. Similarly, foreign investors in Laos—especially those in the mining and hydropower industry—comply with international standards on environmental sustainability and community development.</p>	
COMPLIANCE		<p>MNCs and some local companies comply with labor laws in Cambodia, Laos and Thailand and Viet Nam.</p> <p>Hydropower corporations in Laos comply with international practices because of requirements from investors and funding agencies.</p>	<p>Garment manufacturing is one of the major industries in Viet Nam and Cambodia; corporations or subcontracted enterprises focus on improving their labor standards and workplace practices in compliance with local laws and codes of conduct of their mother corporations or principals.</p>	<p>Local firms in Viet Nam are trying to comply with local laws on labor and environmental sustainability issues. Similarly, MNCs and some large hotels in Cambodia have begun to ensure that they comply with the environmental and labor laws in the country.</p> <p>Thai companies have generally complied with environmental and labor laws in the country.</p>	<p>Development partners and development institutions in Laos encourage corporations to adhere to global standards for selected industries (i.e. hydropower).</p>

**Table I-C-2**  
**Locus of CSR Activities in the Mekong Countries**

CSR LOCUS	STAKEHOLDER INVOLVEMENT					
	Government	Business Associations	Primary Stakeholders	Secondary Stakeholders	Mediating Stakeholders	Development Organizations
International	<p>The government of Laos encourages foreign investors to comply with international standards on the environment. Foreign investors adhere to these standards.</p> <p>Thai companies adhere to frameworks such as the UN Global Compact and the MDGs to aid the government in its development efforts.</p>					<p>Some development partners create voluntary guidelines and benchmarks the companies can adopt. Some companies in Laos, Cambodia, Thailand, and Viet Nam adhere to these guidelines.</p>
Institutional	<p>The governments of Laos and Cambodia participate in capacity building programs administered by international development partners. Local corporations also participate in these government endeavours.</p> <p>Companies in Thailand collaborate with the government in implementing CSR programs. At the same time, CSR programs of Thai companies are aligned with government initiatives.</p>	<p>Some business associations in Viet Nam and Cambodia are taking a more active role in promoting the development of CSR. Companies are working with business organizations in implementing CSR programs.</p> <p>The Social Venture Network is an international business association and has a local branch in Thailand. Member companies focus their CSR efforts towards sustainability.</p>	<p>Some companies in Cambodia, Thailand and Vietnam provide employee volunteerism opportunities for its employees.</p>	<p>In Laos and Thailand, some local companies implement CSR programs that take into consideration the needs of the local community. In some cases, the local community is the implementing partner of the company.</p>	<p>The monarchy plays a critical role in Thai society. The Sufficiency Economy Philosophy is a brainchild of the King. It encourages Thai companies to practice a higher standard of business ethics.</p>	
Company Location	<p>Local corporations in Viet Nam participate in workplace efficiency programs implemented by the government and business associations.</p> <p>Mining and hydropower companies in Laos comply with government instituted policies to protect the interest of local communities.</p>	<p>Some local corporations in Viet Nam and Cambodia participate in workplace efficiency programs implemented by the government and business associations. Local companies in Thailand provide funding to support CSR-membership organizations that evaluate CSR practices of companies and conduct research on the state of CSR in Thailand, identify key issues and current trends.</p> <p>Large companies in Laos and MNCs in Cambodia partner with INGOs in implementing programs for the community (i.e. capacity building programs)</p>		<p>Companies in Thailand, Viet Nam, Cambodia and Laos consider the community as an important stakeholder. The community can either be a beneficiary or an implementing partner.</p>	<p>Large companies in Laos and Thailand partner with local NGOs to implement their CSR programs.</p> <p>Some MNCs in Thailand, Viet Nam, Cambodia and Laos partner with NGOs in implementing CSR programs. Large companies in Laos and Thailand partner with INGOs in implementing various CSR programs.</p> <p>Some MNCs in Thailand, Viet Nam, Cambodia and Laos partner with INGOs in implementing CSR programs.</p>	<p>Some development partners that have a strong presence in Cambodia monitor the compliance with international labor standards. Companies provide the development partners with the necessary information. In the case of Laos, international organizations monitor the performance of firms in the mining and hydropower industry in terms of environmental sustainability.</p>

STAKEHOLDER INVOLVEMENT						
CSR LOCUS	Government	Business Associations	Primary Stakeholders	Secondary Stakeholders	Mediating Stakeholders	Development Organizations
Extended Supply Chain	As suppliers to international brands, the garment and textile industries in Cambodia, Viet Nam and Laos work with the government to ensure competitiveness of the industry, e.g. by adopting international labor standards	Business associations in Viet Nam partner with the government to ensure local corporations in the garment and manufacturing industry comply with international labor standards.	To ensure compliance with global standards, local and multinational companies have developed supplier and employee programs. Supplier programs increase competitiveness of local suppliers, while employee programs promote wellness and proper labor conditions.		INGOs in Cambodia provide, encourage and assist companies in addressing supply chain concerns. Some MNCs work with INGOs in encouraging their suppliers to adopt similar environmental and labor standards.	Some development partners like USAID in Cambodia match larger companies with MSMEs. The larger company provides training programs to MSMEs, who are their potential clients. Large companies participate in the program.
Internal Value Chain	Some large local companies and MNCs cooperate with the government in its initiatives to promote environmental sustainability and improve workplace practice. The governments of Cambodia and Viet Nam work with international organizations to help companies adopt international labor standards. Companies and business associations participate in these programs.	Business associations in Viet Nam and Cambodia partner with the government to ensure local corporations in the garment and manufacturing industry comply with international labor standards. In Thailand, business associations provide members with support and training on CSR.	Some local companies in Cambodia and Viet Nam who are export oriented follow international standards particularly on labor because of international buyer demand.			
Unrelated	There are laws (i.e. tax incentives, corporate tax breaks) that encourage philanthropic activities in Thailand. Thai companies are actively participating and donating in charitable organizations favoured by the monarchy.	A majority of business association members in Viet Nam are involved in philanthropy. In Cambodia, some member companies provide funds for activities of the associations.		Direct corporate giving and partnering for corporate giving is practiced and the communities are regarded as 'beneficiaries' in Thailand. Some companies (local and international) provide financial support to INGOs in Viet Nam, Cambodia, Laos and Thailand.	Some companies in Cambodia provide financial contributions to NGOs for organization projects. MNCs operating in other locations provide financial assistance to INGOs in Cambodia. In Cambodia, Laos, Viet Nam and Thailand large companies publicize their CSR initiatives through the Internet. In Vietnam and Thailand, the media is utilized to highlight CSR issues and to promote CSR activities of companies.	

## ISLAMIC ROOTS: INDONESIA AND MALAYSIA

Both countries have encouraged the creation of their own type and brand of CSR, one that integrates Malay and Islamic values. Poverty alleviation, education and health issues continue to be the key CSR concerns in both countries. Malaysia has a particular focus on key minorities or sectors of society. The future development of CSR in both countries hinges on linking Islamic values and local traditions to the practice of CSR. The close linkages between the multinational corporations, development and multilateral organizations, and local business associations and organizations are essential in ensuring that business practices and all key stakeholders are focused on the attainment of sustainable development.

**Fundamental Influences.** Indonesia and Malaysia are the only two Islamic countries covered in the study. Indonesia is the largest archipelago in the world but one of its provinces shares a border with Malaysia on the island of Borneo. Indonesia and Malaysia both have considerable mineral and forest resources.

Although Indonesia has the world's largest Muslim population, it is not an Islamic State, that is, there is a separation of religion and state. Malaysia is a peninsula and is an Islamic State, that is, religious tenets are integrated into the laws, functions and duties of the state. Both countries also have a history of a highly centralized government.

In terms of culture, the roots of both Malaysia and Indonesia derive from the Malay heritage. The concept of “gotong royong” (joint/shared responsibility) results in forming impromptu groups to perform tasks for the maintenance and welfare of the village community; and the value of “tolong menolong” (mutual help) both in urban and rural areas is embedded in the culture of both countries.

**Key Observations on Institutional Dynamics.** Indonesia and Malaysia are similar in the social and corporate structure aspects but not in the political, labor, corporate, and market structures.

Institutional Dynamics	Indonesia	Malaysia
Political Structure	Republic, with a presidential system	Federal constitutional monarchy
Labor Structure	Labor unions are perceived as reactive	There is a strong prevalence of foreign unskilled labor from neighboring Asian countries
Corporate Structure	Both countries have many state-led corporations, MSME and MNCs. In Malaysia, there is an increasing drive to promote Bumiputeras. In Indonesia, the government has started to mandate CSR for SOEs and publicly-listed companies.	
Market Structure	Market activities in Indonesia are internationally linked.	In Malaysia, the ethnic Chinese dominate local economic activities. The government encourages the participation of ethnic Malays.
Social Structure	Indonesia and Malaysia both have hierarchical societies and promote the ideals of collectivism.	

**Key Factors in Business Landscape.** Since Indonesia and Malaysia are both emerging economies, they face wide income gaps, social and health concerns and various environmental issues.

In terms of regulatory concerns, both countries have CSR-related policies. In Malaysia, there are Islam-based laws for foundations and donations as well as a CSR framework for publicly listed companies. While Indonesia has mandated CSR, implementing rules have not yet been promulgated.

Malaysian companies focus on the need to comply with international standards and global policies set by MNCs. Similarly, since many Indonesian companies are MNCs or have international markets and investors, they need to comply with international standards. However, Indonesian corporations are also concerned about corruption, lack of transparency and accountability.

**Current State of CSR.** Religion plays an important role in the acceptance of CSR among Indonesian and Malaysian companies. The Islamic practice of zakat - “to purify or justify through alms-giving” provides a foundation for philanthropy in Indonesia and Malaysia. Zakat is institutionalized in Malaysia, which has established clear mechanisms and management structures in zakat disbursement and collection. Similarly, in Indonesia there is a Zakat Management Law and there are collection agencies such as the Badan Amil Zakat Nasional (BAZNAS). Islamic law also requires local Malaysian companies to allot a certain percentage of their income to philanthropic activities

CSR practitioners in both countries are mostly MNCs and large local companies. Indonesia-based MNCs practice CSR as a response to international market demands and global corporate policies. Many Indonesian companies also engage in philanthropic or charitable activities; however, Indonesian corporations do not necessarily integrate these initiatives into their business strategy.<sup>20</sup> In family-owned corporations, for example, the push for philanthropic activities often emanates from the head of the corporation and is thus more of a personal advocacy rather than an activity linked to business strategy or operation.

In Malaysia, MNCs, large local companies and SOEs are taking the lead in implementing CSR programs. The Malaysian private sector is also active in implementing CSR programs and in participating in various sustainability reporting initiatives.

Common to both countries is the strong support of the government in promoting CSR. The Indonesian government has opted to mandate CSR and also required SOEs to address social and environmental issues in the areas they operate in. The Indonesian government has also implemented programs to encourage CSR such as the Industrial Performance Rating Program (PROPER), a nationwide national environmental reporting initiative. In Malaysia, the government promoted and integrated sustainability and environmental protection into its national policies and environmental programs through public-private partnerships. The Malaysian government implemented initiatives that help create a conducive environment for CSR practice. Some of its programs include the Prime Minister’s award for CSR, the creation of Energy, Green Technology and Water Ministry and the implementation of a Green Buildings Index.<sup>21</sup>

CSR reporting is also growing development in both countries. In Indonesia, CSR reporting is considered as an expression of the commitment of companies toward social development. A study conducted in 376 companies listed in the Indonesian Stock Exchange showed that 37% were involved in CSR reporting and only seven companies produce stand-alone CSR reports. The Kuala Lumpur Stock exchange has also required publicly listed companies to disclose information that has the potential to influence the financial performance of a company. However, there is still no requirement for companies to disclose their CSR activities. The Malaysian Accounting Standards Board has also incorporated a new standard that makes explicit reference to environmental reports and value-added statements in encouraging companies “to present additional information if management believes they will assist users in making economic decisions.”<sup>22</sup>

**Key Players and Current Roles.** Key CSR players in both countries are the respective governments, business organizations and local CSR networks.

Business organizations as well as local CSR networks are important players in the practice of CSR in Indonesia and Malaysia. In Indonesia, organizations such as Indonesia Business Links (IBL) have recognized the need to ensure transparency and other responsible business practices. Business organizations and non-profit organizations have also realized that there is a need to assist SMEs in developing CoCs and implementing CSR programs. In Malaysia, the local CSR networks include CSR Malaysia and the Malaysia’s Global Compact Local Network. These organizations generate knowledge concerning CSR and create a venue for sharing best CSR practices. Aside from this, Bursa Malaysia is leading the way among stock exchanges in the region. To promote CSR within listed companies, Bursa Malaysia launched its own CSR framework and has further tightened listing requirements in order to raise standards of corporate governance.



**Enablers and Challenges.** CSR enablers in Indonesia and Malaysia differ, but the challenges faced by both countries are the same.

CSR in Indonesia is driven by globalization since there is a considerable amount of MNCs operating in the country. These MNCs can improve the practice of CSR in small and medium enterprises in their supply chain by encouraging them to implement CSR programs and projects. MNCs also bring with them international standards and practices. In doing so, they share the knowledge with local corporations. In working with business organizations like IBL, these MNCs along with large local companies can help develop the capacity of small and medium enterprises. MNCs can share best practices with their suppliers to improve the knowledge of small and medium enterprises regarding CSR.

The Indonesian government is committed to reforming its economic and political system as well as to addressing the social and environmental issues that the country faces. In order to achieve this, the government has been trying to ensure that institutional mechanisms to guide companies in operating responsibly in the country are in place. The government also works on ensuring that SOEs minimize their social and environmental footprint.

Through the national development plan, the Malaysian government promotes equitable economic growth, social development and environmental sustainability. In addition, the government also recognizes CSR initiatives of companies through the Prime Ministers Award. Malaysian business associations also promote CSR through awards. Local membership organizations have also promoted CSR by adopting international development goals.

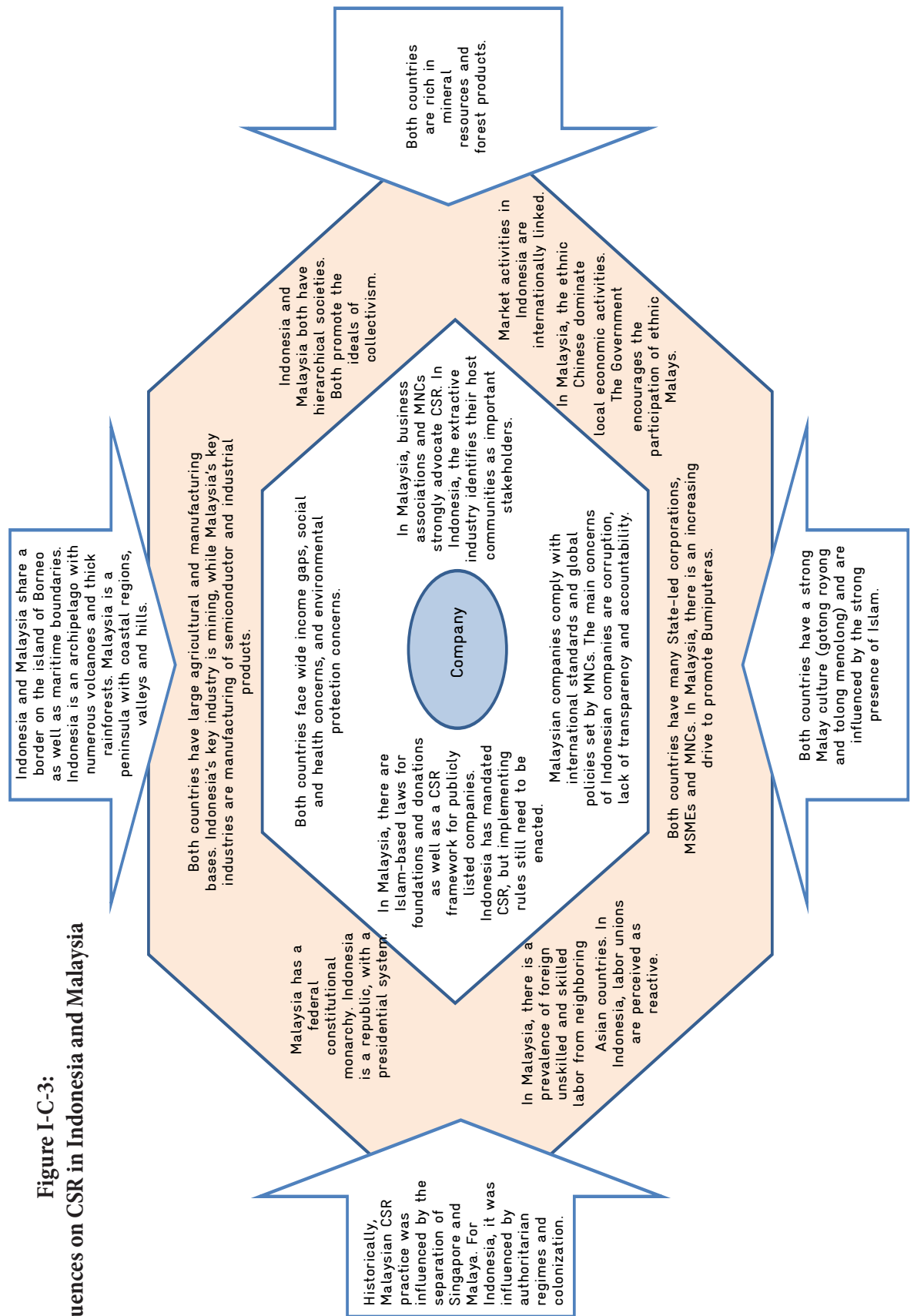
CSR development in Indonesia and Malaysia is confronted by the lack of CSR awareness and technical capability among local companies. Indonesian companies also face challenges concerning governance issues and weak implementation of laws. In Malaysia, the main barrier for CSR development is the lack of awareness on CSR. Local Malaysian firms are primarily focused on philanthropic activities as prescribed by law. Malaysian companies focus more on following religious beliefs as opposed to social responsibility.

Another barrier is the lack of technical capability in developing and implementing CSR. While some large companies have a solid understanding on the concept, value and importance of CSR, the CSR programs are often scattered and unrelated to the business. As a result, there is a concern that CSR programs may not be sustainable.

The following pages summarize the key CSR findings in Indonesia and Malaysia:

- Figure I-C-2: CSR in Indonesia and Malaysia using the Influences on CSR Framework
- Table I-C-3: CSR activities in Indonesia and Malaysia using the Typology of Intent
- Table I-C-4: CSR activities in Indonesia and Malaysia using the Typology of Locus

**Figure I-C-3:  
Influences on CSR in Indonesia and Malaysia**



**Table I-C-3:**  
**Intent of CSR Initiatives in Indonesia and Malaysia**

INTENT	BENEFICIARIES				
	UNRELATED	PRIMARY		SECONDARY	MEDIATING
		Internal	External		
SHARED VALUE (company and community benefits from CSR)		In Indonesia, some companies encourage employee volunteerism. Similarly, PLCs in Malaysia have structured training policies for employees and encourage volunteerism. Employee volunteerism programs help improve employee morale while giving employees the opportunity to help out in the community.		MNCs and some local corporations implement win-win CSR programs in both Indonesia and Malaysia. Health and education programs enhance relationships with the local communities. In Indonesia, there are a growing number of companies, especially in the extractive industry, with community programs to ensure that they can maintain their social license to operate.	
		Some MNCs in Indonesia go beyond what is mandated by local law in terms of labor practices due to demands from international consumers. This means better workplace conditions for employees.		The community and the environment are the beneficiaries of employee volunteerism programs of companies.	<p>MNCs and large local corporations in Indonesia and Malaysia participate in the international social development agenda (e.g., UN Global Compact and Millennium Development Goals). This serves as a guide for companies in prioritizing issues to address. Participation in such initiatives also have corresponding reputational benefits for firms.</p> <p>Some MNC's respond to demands of international consumers for socially responsible business practices and therefore go beyond compliance especially in terms of labor and environmental practices.</p>



INTENT	BENEFICIARIES				
	UNRELATED	PRIMARY		SECONDARY	MEDIATING
		Internal	External		
CREATING STAKEHOLDER VALUE (community benefits from CSR)	Majority of corporations are involved in philanthropic activities. Some large companies in Indonesia even create foundations to implement CSR, but often the focus is on philanthropic activities.		<p>MNCs in Indonesia work with local companies to share their experiences in implementing CSR programs as well as providing assistance to their suppliers in developing COCs.</p> <p>In Malaysia, there is an increase in supplier requirements with respect to environmental specifications. This allows the company to better manage their supply chain. Better environmental practices by suppliers reduces</p>		
MINIMIZE HARM (beyond compliance- e.g. reducing carbon footprint)				<p>Many companies have environment programs. In Malaysia, PLCs are implementing 3R programs (reduce, reuse, recycle) and are trying to go paperless. MNCs in Indonesia implement programs for the community and the environment because of global corporate policy.</p>	
COMPLIANCE		<p>MNCs in Indonesia and Malaysia comply with labor and environmental laws. Some SMEs in Indonesia have also begun to ensure that they comply with the environmental and labor laws.</p> <p>Some MNCs in Indonesia and Malaysia comply with international practices because of requirements from investors and funding agencies.</p>		<p>Bursa Malaysia (Stock Exchange of Malaysia) encourages PLCs to comply with the CSR Framework developed by the organization.</p>	

**Table I-C-4:**  
**Locus of CSR Activities in Indonesia and Malaysia**

CSR LOCUS	STAKEHOLDER INVOLVEMENT					
	Government	Business Associations	Primary Stakeholders	Secondary Stakeholders	Mediating Stakeholders	Development Organizations
International	MNCs and some large local companies align their CSR programs to the national development agenda through the MDGs and UN Global Compact.					Some development partners create or promote guidelines, benchmarks and other tools companies can adopt. Some companies in Indonesia and Malaysia adopt these guidelines. In the Indonesian extractive sector, there are various guidelines on the environment that mining companies have adopted.
Institutional	<p>The government of Indonesia has mandated CSR. Although no implementing guidelines have been created, companies are moving towards compliance with the requirements of the law. The government also has policies regarding the need for companies, especially the extractive industry, to allocate funds for different social issues.</p> <p>The government of Malaysia encourages corporations to conduct CSR through the Prime Minister's awards. Corporations participate in the awards since winning is a symbol of excellence. Another initiative is the Silver Book to transform government-linked corporations (GLCs) to become socially responsible. GLCs now are in the third phase of implementation, the phase where tangible benefits can be experienced by internal and external stakeholders.</p>	<p>Some business associations in Indonesia encourage the sharing of CSR policies and experiences from member companies. Companies participate in this activity.</p> <p>Publicly-listed corporations (PLCs) are adapting the framework developed by Bursa Malaysia in implementing their CSR programs.</p> <p>Some Malaysian companies course their donations to "hub" organizations that will distribute to recipient organizations.</p> <p>CSR membership organizations like Indonesia Business Links (IBL) partner with companies. IBL helps the company promote and evaluate its CSR programs. They act as a bridge between the large and small companies allowing companies with more experience or expertise to assist less experienced ones.</p>	<p>Some MNCs and large local companies provide employee volunteerism opportunities for its employees in Malaysia and Indonesia.</p> <p>Some companies have begun to report on CSR activities in their annual report to shareholders and in their company website.</p>	<p>Some large corporations and SMEs are implementing CSR initiatives geared towards community development and entrepreneurship. Similarly, Indonesian MNCs and large local companies, especially in the extractive industry, recognize the importance of addressing social concerns. Addressing the needs of the community helps establish and maintain the organization's social license to operate.</p> <p>There are Malaysian PLCs which implement "green office initiatives."</p>	<p>MNCs and large local companies are members of ICR Malaysia, a non-profit organization which is a network of corporate institutions that seeks to generate knowledge on CSR and share best practices. Member companies participate in training workshops, forums and conferences for CSR practitioners and non-practitioners</p> <p>Corporations and CSR stakeholders can browse through the CSR Malaysia website to become updated on the development of CSR in Malaysia. CSR Malaysia is a network of corporate and academic institutions which seeks to promote responsible business.</p>	

CSR LOCUS	STAKEHOLDER INVOLVEMENT				
	Government	Business Associations	Primary Stakeholders	Secondary Stakeholders	Mediating Stakeholders
Company Location	Large local and MNCs based in Indonesia adhere to local laws.	Industry associations are drafting voluntary guidelines or reporting standards in the areas of environmental and social reporting (e.g. Malaysian Accounting Standards Board). Malaysian Member companies and organizations actively promote. Strategic CSR through Malaysia's Global Compact Local Network.		Some of the local communities in Indonesia are seen as beneficiaries but there are instances where in the community acts as a partner of the company in its CSR programs.	Some NGOs and INGOs based in Malaysia and Indonesia act as CSR implementing partners of companies.
Extended supply chain		In Indonesia, business associations actively promote capacity building within the company's extended supply chain. Local SMES participate in such programs.	Some MNCs encourage their suppliers to adopt certain international standards. Some MNCs and large local companies also provide capacity building programs to encourage suppliers to practice CSR.	In Indonesia, community members are trained to be suppliers for some companies. Some community members are also trained to be distributors of the company through livelihood assistance programs.	
Internal value chain	In Indonesia, the PROPER program of the government ranks company compliance with local laws. Companies comply with environmental laws. Similarly, in Malaysia the government takes an active role in monitoring the compliance of corporations in areas related to proper waste management, labor and environmental sustainability. Companies in Indonesia and Malaysia cooperate with the government in these activities.	Some business associations in Indonesia provide training and support for member companies regarding the value of CSR. Member companies participate in these training programs.	CSR organizations in Malaysia have actively sought to attract Socially Responsible Investors (SRI).		In Indonesia, the extractive industry often adheres to international standards to encourage investments in their operations as well as to be able to secure loans. Indonesia Business Link provides capacity building programs for member companies and SMEs. MNCs participate by providing their expertise.
Unrelated	In Malaysia, companies also participate in government programs that benefit the community.			In Malaysia and Indonesia, there are companies that provide financial assistance and scholarships.	Companies in Malaysia are taking an active role in publicizing their CSR initiatives—through media exposure and cooperation with CSR organizations.

## THE CITY-STATE: SINGAPORE

Singapore is one of the more developed countries in Asia. The government has been and is the main driver for Singapore's rapid economic growth. Although the citizens of Singapore enjoy a high standard of living, it may have come at the cost of some personal freedom. Thus, civil society initiatives to put pressure on firms to behave in a more responsible manner are relatively weak. However, as many of Singapore's corporations operate internationally, they must comply with global standards to remain competitive.

In addition, the government is also using CSR to promote its agenda for sustainability. The Singapore government wants to ensure that it continues to have a business-friendly environment but the government recognizes that this goal could be adversely affected by over-regulation. The government is instead developing a reward system for companies that operate in a socially responsible manner.

**Fundamental Influences.** Singapore is the most developed among the eight countries in this study. While the country has limited natural resources in terms of mineral reserves or arable land, it has managed to leverage its strategic maritime location and human resources. The need to survive following its separation from the Malayan federation, its small but more manageable size, and the presence of strong, decisive leadership at a key point in its history doubtlessly contributed to its emergence as one of the most progressive and richest nations in the region and the world.

**Key Observations on Institutional Dynamics.** Singapore's economic activities are integrated in the international system because of its reliance on foreign trade and investments. Globalization is thus a significant factor for the rise of CSR in Singapore. Singaporean companies need to remain competitive particularly with emerging economies that are producing goods at a lower price. Singapore also needs to ensure that, at the minimum, it complies with the demands of its market, which include developed countries.

With regard to social structure, Singapore citizens enjoy a high standard of living as compared to its Southeast Asian neighbors. The rapid economic growth that the country achieved allowed the government to increase its resources to be able to meet the needs of its people. Singapore society is characterized by the practice of collectivism, charity, and meritocracy. It also places a high regard on education and gender equality.

In terms of market structure, there is limited market pressure for companies to act in a socially responsible manner. Limited political space due to strict government policies has affected the growth of a vocal and robust civil society.<sup>23</sup> Even the domestic media, which could be tapped to raise awareness on CSR issues, is owned by government linked corporations (GLCs).

In terms of corporate structure, government-controlled or linked companies dominate the local economy. In GLCs, the majority of the shares tends to be held by Temasek Holdings, one of Singapore's sovereign wealth funds.

**Key Factors in Business Landscape.** Since Singapore is a developed country, its economic and social concerns vary from its neighbors. The government of Singapore has been able to improve the quality of life for its citizens. However, it still has social issues to resolve: (1) income inequality, (2) increasing median age and (3) growing migrant work force. Due to its limited resources, Singapore's targets for sustainable development are: (1) improving resource efficiency, (2) enhancing urban environment, (3) developing capabilities and (4) engaging the community.

Since Singapore is dependent on exports and foreign investments, the government needs to ensure that government regulations do not decrease the openness of Singapore's economy to investments. Thus, even if the Singapore government has made considerable progress in addressing social issues such as poverty and the environment, the government has opted not to tackle these social issues through legislation because it might make Singapore less conducive for business.<sup>24</sup>

Although Singapore has no CSR-specific laws, there are CSR-relevant laws (i.e. on the environment). The government also actively supports the practice of CSR. Some of the initiatives taken by the Singapore Government are: “Keep Singapore Green and Clean campaign; banning chewing gum as people were sticking them to lift buttons and the train doors; No Spitting campaign.”<sup>25</sup>

Businesses have started to address the issues faced by Singapore in terms of sustainable development. An example is the creation of “green buildings” with in-house water treatment facilities, in some cases beyond what is mandated by law. However, there is a difference between local operations and global operations in terms of environmental standards being observed.

Globalization and ensuring competitiveness also remain as key business concerns for Singapore. Given that Singapore is dependent on exports and foreign investments as well as having investments abroad, it needs to ensure that it remains competitive especially with emerging economies.

**Current State of CSR.** The government of Singapore’s prominence is mainly due to the country’s history and political development. The government has been able to achieve rapid economic growth in a short amount of time and has improved the quality of life of its citizens. One government priority is to ensure that resources are used properly (by its criteria) its companies remain internationally competitive. This perspective influences the direction of CSR.

More corporations are adopting CSR practices by complying with international standards, or conducting social development programs within and outside Singapore, or going beyond compliance. Both the government and corporations look at international markets that in turn demand that corporations act in a more socially responsible manner. CSR becomes a business approach that allows companies to both do good and do well.

In terms of formal laws, the government of Singapore implements a wide range of labor and environmental laws that Singapore-based corporations follow. “The government has played a large part by setting up an environment that is intolerant of corruption and emphasizes the virtues of transparency and strong ethics.”<sup>26</sup>

At a local level, there are various options available to companies for CSR initiatives. Even local SMEs are active in a number of ways in addition to giving outright donations to charity. Given the limited natural resource of Singapore, companies have been implementing programs to minimize their environmental footprint such as through the creation of “green buildings.”

The practice of CSR goes beyond the borders of Singapore as companies and MNCs practice CSR in other countries covered by their operations. Government initiatives have gone beyond simply encouraging companies to practice CSR. Instead of focusing on providing financial assistance to other countries to ensure that they meet the MDGs, the Singapore government has opted to provide technical assistance through training activities. CSR in Singapore is going well beyond dole outs and currently focuses on capacity-building.

**Key Players and Current Roles.** The key players in the development of CSR in Singapore are the government and the business community.

The Singapore government works with other sectors of society particularly the business sector in terms of CSR. Although the government of Singapore has not mandated CSR, it provides laws (and incentives) to ensure responsible business operations of Singapore-based companies primarily at home and, to a certain extent, overseas. GLCs can also influence the business community by “exerting pressure on their supply chain,” which includes small and medium enterprises, to adopt CSR measures.<sup>27</sup>

Organizations such as the Singapore Compact for CSR take the lead in promoting the practice of CSR in the country. The Singapore Compact for CSR was founded by the National Tripartite Initiative for CSR with the NTUC and the Singapore National Employers Federation as founding members. The Singapore Compact for CSR acts as a national society with members from different stakeholder groups including business, government and NGOs.

MNCs are also an important driver for CSR in the country. They bring with them international standards and practices that local companies can adopt. Also as local companies act as their suppliers, MNCs can encourage and assist local companies to adopt such standards.

**Enablers and Challenges.** The development of CSR in Singapore is influenced by globalization, demands from international market and consumers, as well as MNC's need to comply with global corporate policies.

Globalization is a driver for the adoption of CSR since the country depends heavily on trade and investments. Its economy is relatively well-integrated into the international system so the government and the corporations are relatively ready to adopt international standards in order to comply with the needs of buyers. MNCs generally follow global corporate policy and thus bring with them international standards and practices. In doing so, they share the knowledge with local corporations.

Barriers to the full development of CSR include the focus of corporations primarily on competitiveness and the lack of local pressure.

A primary focus on competitiveness tends to overwhelm other motives for developing and implementing CSR initiatives. Secondly, although more than half of the companies operating in Singapore have CSR projects and programs, small and medium enterprises need more information on the value of CSR as well as guidelines on how to integrate CSR into their operations.

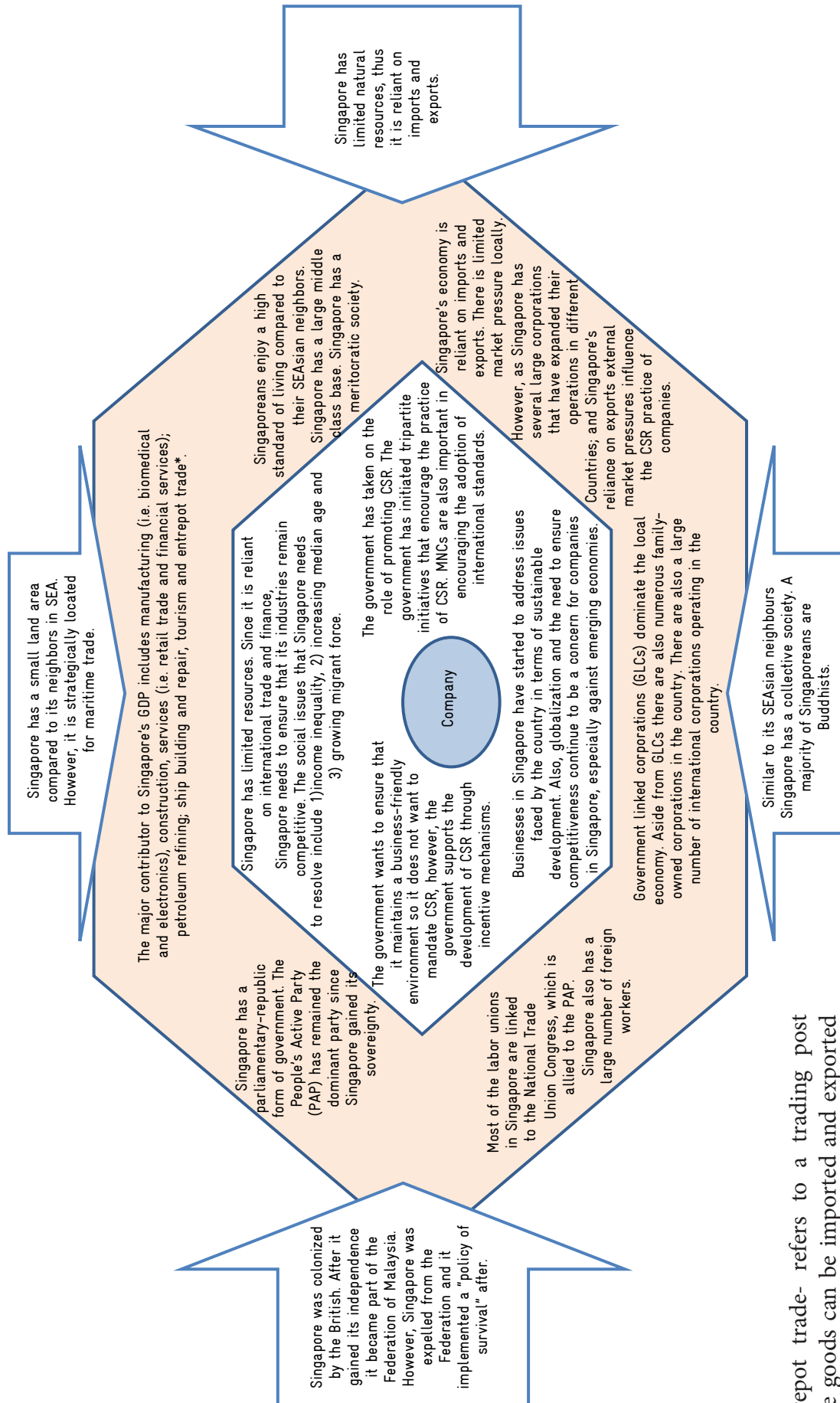
The next stage for CSR in Singapore might be to expand the rationale for CSR beyond mere competitiveness as well as to expand the practice of CSR to small and medium size firms.

The following pages summarize the key CSR findings in Singapore:

- Figure I-C-3: CSR in Singapore using the Influences on CSR Framework
- Table I-C-5: CSR activities in Singapore using the Typology of Intent
- Table I-C-6: CSR activities in Singapore using the Typology of Locus



**Figure I-C-3:  
Influences on CSR in Singapore**



\*Entrepot trade- refers to a trading post where goods can be imported and exported without paying import duties often at a profit.

**Table I-C-5**  
**Intent of CSR Activities in Singapore**

INTENT	BENEFICIARIES				
	UNRELATED	PRIMARY		SECONDARY	MEDIATING
		Internal	External		
SHARED VALUE (company and community benefits from CSR)		Some MNCs and large companies in Singapore implement employee volunteerism programs. This motivates employees and gives them the opportunity to help the communities.  MNCs go beyond what is mandated by local law in terms of labor practices partly due to demands from international consumers.		Employee volunteerism programs of companies usually address key social concerns (e.g. education, livelihood training and health) and environmental sustainability.	Some large local companies and MNCs are signatories to international agreements such as the UN Global Compact. This has corresponding reputational benefits for corporations.  This is also in response to government policies that incentivizes compliance with international standards.
CREATING STAKEHOLDER VALUE (community benefits from CSR)	Local companies in Singapore practice philanthropy (i.e. support for the arts, donations to programs for the youth, etc.)		MNCs work with local companies to share their experiences in implementing CSR programs. MNCs also implement programs that encourage local companies to adhere to international standards. This improves the practice of local companies especially in terms of minimizing environmental footprint.	A growing number of companies have community programs in their operations in and outside Singapore.	
MINIMIZE HARM (beyond compliance- e.g. reducing carbon footprint)			Some large companies manage their supply chain beyond what is mandated by law. This includes reducing waste in operations thereby minimizing harm to the environment.	MNCs implement programs for the community and the environment because of global corporate policies.	
COMPLIANCE		Companies comply with relevant laws, which are strictly enforced by the government.			



**Table I-C-6**  
**Locus of CSR Activities in Singapore**

CSR LOCUS	STAKEHOLDER INVOLVEMENT					
	Government	Business Associations	Primary Stakeholders	Secondary Stakeholders	Mediating Stakeholders	Development Organizations
International	Companies join the Singapore Compact for CSR, which is a government initiative based on the UN Global Compact.					Some development partners create guidelines, benchmarks and other tools the companies can adopt. Some companies in Singapore adhere to these guidelines.
Institutional	Companies work with the government in some CSR initiatives. Some examples include the establishment of the Singapore Compact for CSR and the Building and Construction Authority Green Mark program.	<p>CSR membership organizations form partnerships that help companies promote and evaluate their CSR programs. Companies participate in the different programs of CSR organizations.</p> <p>Member companies are encouraged to adopt international standards. Member companies adhere to international standards.</p> <p>CSR policies and practices are shared with member companies and even across associations.</p>	<p>Some companies provide employee volunteerism opportunities for their employees.</p> <p>Some companies have begun to report on CSR activities in their annual report to shareholders and in their company website.</p>	Companies identify local communities as direct and indirect stakeholders, depending on the level of contact. Some companies work with the local community in implementing CSR.	Companies work with NGOs in implementing community programs.	
Company Location	Both local and foreign companies based in Singapore comply with local laws.	The Singapore Compact for CSR encourages companies to assist in meeting the development goals. Companies participate in the different activities of Singapore Compact for CSR.	There are instances when the community acts as a partner of companies.	Some MNCs and large local companies collaborate with INGOs in capacity building programs outside Singapore.		
Extended Supply Chain		Business associations actively promote capacity building to its extended supply chain. This is seen as a tool to increase the competitive advantage of locally based companies.				
Internal Value Chain	Companies generally adhere to relevant environmental laws implemented by the government. Large local companies and MNCs typically go beyond compliance in both internal and extended value chains.	Some CSR organizations also provide capacity building programs for member companies and SMEs.				
Unrelated	There are tax incentives for companies that donate to charitable organizations. Companies donate to charitable organizations.			Local communities are the main beneficiaries of philanthropic programs. Some companies assist their communities by giving donations or scholarships.	Some companies provide financial contributions to NGOs for the organizations' projects.	

## CIVIL SOCIETY -LED : THE PHILIPPINES

*The Philippines has a culture that differentiates it from the rest of the countries in Southeast Asia. Western Catholicism values and culture have been assimilated into the cultural values and norms of the country. Another differentiating factor is the strong presence of civil society, with the country having the largest number of active civil society groups in the study. One reason for this may be that the state is relatively weak in terms of capabilities and civil society has had to address the various social concerns of the country. Hence, strong civil society is seen as a necessary response to supporting a weak public sector. A key challenge is economic- to grow sufficiently to bring the population out of poverty and to build better education and health infrastructures.*

**Fundamental Influences.** Culture and tradition influenced the development of CSR in the Philippines. The concept of ‘bayanihan’ is the spirit of collectivism that is embedded in the culture of the country. The values of ‘pakikipagkapwa’ (a shared sense of humanity), ‘pagtutulungan’ (mutual self-help), and ‘kawanggawa’ (charity) are also part of Filipino culture.

The Philippines is the only predominantly Roman Catholic country in the region. The strong presence of the Catholic Church was instrumental in developing the early concept and value of CSR. During the early 60’s to the 90’s and even today, a majority of local firms continue to focus on philanthropy as a key CSR initiative. As a result of the 1986 People Power Revolution, civil society became a driving force in advocating and advancing social issues in the country. Together non-government organizations and other members of civil society led to the rise of business organization and associations that sought to promote corporate governance and good citizenship.

**Key Observations on Institutional Dynamics.** One of the main exports of the Philippines is human capital—which is a major contributor to the global medical, engineering and maritime industries. Locally, the services industry accounts for more than half (54.8%, 2010 est.) of the country’s GDP.<sup>28</sup> The business process outsourcing (BPO) sector is one of the fastest growing industries in the country. Today, the Philippines is one of the leading destinations for BPOs. The country is a preferred because majority of the population speaks relatively unaccented English. In terms of industrialization, the country is still considered an agricultural economy, with a weak manufacturing sector and few industrial products exported.

In terms of social structure, family relationships are the basic building block of Philippine society. Each Filipino is at the center of a large circle of relatives, usually extending to third cousins. Filipino women or Filipinas have less gender equality issues than women in other Southeast Asian countries. In terms of doing business, it is important to remember that Filipinos thrive on interpersonal relationships. Business relations are also considered personal relations.

In terms of political structure, the country has a very active civil society sector, which acts as a “watchdog” in promoting environmental and social interests.

In terms of labor structure, labor unions are strong and there are many pro-labor activists. Most of these unions are also represented in Congress through the party list system. While the Philippines has a capable workforce, the high unemployment rate has resulted to the exodus of workers to other countries that offer higher paying jobs.

Some of the biggest businesses and industries in the Philippines are owned by Spanish and Chinese migrants. These businesses cover various industries including telecommunications, utilities, insurance, real estate, banking, transportation and shipping, mass media, banking and finance, and manufacturing.

**Key Factors in Business Landscape.** Similar to its neighbors, the Philippines faces social, environmental and governance problems.

Social concerns in the Philippines include: poverty, health nutrition, education and learning, income consumption, employment, use of non-renewable resources, housing, utilities, public safety and justice, political values and social mobility. Its diverse natural resources are threatened by air and water pollution, deforestation, illegal mining, logging and fishing activities.

In terms of laws and policy, the Philippines has one of the most comprehensive and extensive environmental laws in the country. However, the main challenge for the country is monitoring compliance with and enforcement of these laws.

For the business sector, its major concerns include corruption, lack of transparency and accountability. Another concern involves the numerous regulations and requirements to open a business. Oftentimes securing permits and licenses requires facilitation to speed up the process. The lack of access to credit also is a key issue especially for micro, small and medium enterprises (MSMEs) operating in the country.

**Current State of CSR.** Large local companies typically establish foundations dedicated to CSR, with family-owned businesses acting as the biggest CSR spenders. CSR activities are typically relegated to foundations, referred to as the social development and cultural arm of these companies, and many have multiple foundations focusing on a specific aspect of CSR.<sup>29</sup>

Majority of corporations have focused their CSR on the following social concerns: poverty alleviation, health and education.

In terms of economic development, the country still lags behind many of its neighbors. The rising cost of doing business remains a challenge for the country. Another major concern is the law and order situation especially in the Southern part of the Philippines; and the impact of armed conflict on development. The new administration has called for a renewed public-private partnership in the area of development. This seems to be a key opportunity for CSR initiatives. Implementing policies and institutions are necessary in order for development to be truly sustainable.

CSR in the Philippines can be summarized as follow:

- Philanthropy is the main CSR activity of the country, but there is a growing interest for corporations to integrate CSR into their business strategy.
- There is a high level of participation and engagement in CSR especially among large local and foreign companies operating in the country.
- It can be seen as an effective tool in social and environmental concerns.
- Large corporations play a key role in promoting and developing CSR in the country. CSR can be made sustainable through integration into core business operations, and the creation of and adherence to standards, codes and practices.

**Key Players and Current Roles.** CSR in the Philippines is influenced by external and internal stakeholders. Externally, the active role of civil society has played a key role in highlighting key social issues. The strong influence of MNCs operating in the country that has also played an important role in the development of CSR. Internally, the Filipino value of giving has a significant impact on the attitude towards CSR.

The main drivers and influences of CSR emanate from large family corporations, MNCs and civil society. Large corporations have created corporate foundations for various social issues in response to the government's lack of progress in alleviating poverty and lack of response to environmental issues. MNCs operating in the country have introduced the concept of CSR by integrating this into their core business practices. Business organizations, such as the Philippine Business for Social Progress and League of Corporate Foundations, encourage and assist companies in the practice of CSR. Civil society plays an important role as implementation partner or watchdog. The Church and other non-governmental organizations tend to focus their efforts and resources on national issues including poverty alleviation, environmental protection and social development initiatives.

**Enablers and Challenges.** Although there are key actors that promote the development and practice of CSR in the country, CSR practitioners face challenges concerning the worsening social problems and financial constraints.

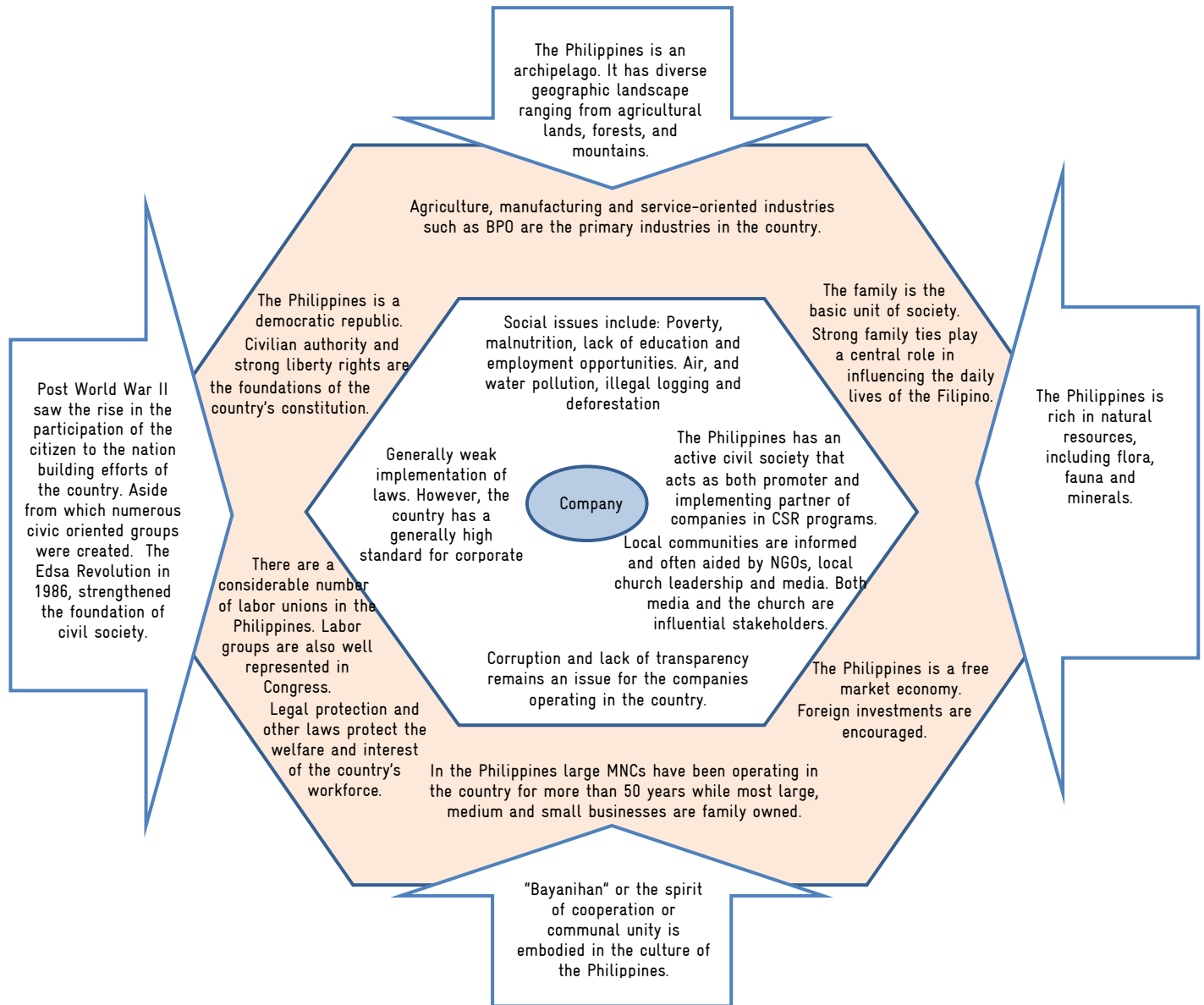
On the one hand, the enablers of CSR are the MNCs that operate in the country. They implement localized CSR programs based on its global CSR policies. Large local companies that are family-owned also play a role in addressing the country's key social concerns and environmental concerns. The need to provide a solution is a driver for CSR. Business associations and other non-governmental organizations play a mediating and integrating role in developing and enhancing the level of CSR in the country.

On the other hand, CSR practitioners are challenged by the persistence of social problems. Worsening economic condition hampers the expansion of CSR and poses challenges in sustaining resources and commitments to CSR.<sup>30</sup> In addition, companies face financial constraint in practicing CSR since many executives still believe that it is a cost and not an investment. This stems from the historical approach of philanthropy. Clearly, a more strategic approach to CSR would also be a more sustainable approach to CSR.

The following pages summarize the key CSR findings in the Philippines:

- Figure I-C-4: CSR in the Philippines using the Influences on CSR Framework
- Table II-C-7: CSR activities in the Philippines using the Typology of Intent
- Table II-C-8: CSR activities in the Philippines using the Typology of Locus

**Figure I-C-4:  
Influences on CSR in the Philippines**



**Table II-C-7:  
Intent of CSR Activities in the Philippines**

INTENT	BENEFICIARIES				
	UNRELATED	PRIMARY		SECONDARY	MEDIATING
		Internal	External		
SHARED VALUE (company and community benefits from CSR)		Internal CSR programs enhance employee morale through volunteerism. CSR programs also focus on increasing the capacity of employees	Companies have begun to integrate program such as Greening the Supply Chain as part of their CSR initiatives. These initiatives result in savings in waste disposal costs and cost of raw materials used.  MNCs encourage suppliers and dealers to comply with their standards and codes. Programs that train and increase capacity of suppliers are some of the programs implemented by these MNCs.	Strategic CSR that focuses on building capacity and empowering communities are now a norm for most large companies in the Philippines. For mining companies, it is usually by creating sustainable enterprises for the community. This allows the company to maintain its social license to operate.  The community and the environment are usually the beneficiaries of employee volunteerism programs.	Some large local companies and most MNCs are signatories to international agreements such as the UN Global Compact. This has corresponding reputational benefits for corporations.
CREATING STAKEHOLDER VALUE (community benefits from CSR)	A majority of the companies in the Philippines practice philanthropy. Many companies utilize corporate foundations for this purpose.				
MINIMIZE HARM (beyond compliance- e.g. reducing carbon footprint)				MNCs have implemented policies that go beyond local laws because of their CSR global policies. Most local large mining companies in the Philippines have gone beyond compliance in their social development programs.	
COMPLIANCE		Some larger SMEs have begun to ensure that they comply with the labor laws in the country.		Some larger SMEs have begun to ensure that they comply with the environmental and labor laws in the country.  Mining firms in the Philippines are mandated by law to provide social development projects.	



**Table II-C-8:**  
**Locus of CSR Activities in the Philippines**

CSR LOCUS	STAKEHOLDER INVOLVEMENT				
	Government	Business Associations	Primary Stakeholders	Secondary Stakeholders	Mediating Stakeholders
International	Companies have adopted frameworks such as the UN Global Compact and MDGs as their CSR framework to aid the government in the development efforts.		Some Socially Responsible Investors (SRI) are considered as primary stakeholder thus the company is required to adhere to higher standards of practice. Some MNCs require their suppliers to adhere to their standards or a higher industry standard or code.		Some NGOs are also tapped to provide expertise in providing feedback and evaluation.  Companies utilize frameworks, metrics and evaluation tools developed or endorsed by development partners.
Institutional	Companies partner with the government in its initiative in advocating a tripartite collaboration with NGOs or civil society in promoting sustainable development and nation building.	CSR membership organizations help partner companies in identifying what specific CSR programs to go into. They also act as "hubs" in implementing CSR initiatives.	Employees of some MNCs are considered as primary stakeholders, and they have been actively involved in activities such as employee volunteerism programs that focus on their core strengths: acting as after-school tutors or participating in environmental activities. These activities increase the level of awareness and appreciation of employees towards CSR. Some companies have begun to report on CSR activities in their annual reports to shareholders and in their company websites.	Companies partner with the Church to secure a social license to operate. Companies collaborate with NGOs for training to increase knowledge, awareness and competency. These companies also partner with INGOs since most of them act as 'watch-dogs.'	
Company Location	The companies operating in the country comply with the local laws.	Companies participate and join business organizations to gain information and knowledge on CSR, and be able to share and learn from other member companies on the value of CSR. Companies provide funding to various CSR membership organizations.	Companies have specific CSR programs to ensure employee protection and welfare. MNCs and large local companies have established mechanisms to encourage employees to participate in company CSR initiatives. These companies have also established guidelines and codes that encourage suppliers to adhere to the ethical standards and practices of the company and some have encouraged their suppliers to participate and join the company in some CSR activities.	Companies classify local communities into direct and indirect stakeholders depending on the type of CSR activity as well as industry. Mining companies, for example, classify communities based on the impact area of its operations. The community is the beneficiary and in some cases the implementing partner of the company in its CSR activities.	NGOs and companies partner with each other for monitoring and implementing projects. This is because most NGOs have established relations with the community and understand the needs of the community.  Development organizations have partnered with various companies in order to aid them in formulating CSR and creating programs that are sustainable.



CSR LOCUS	STAKEHOLDER INVOLVEMENT				
	Government	Business Associations	Primary Stakeholders	Secondary Stakeholders	Mediating Stakeholders
Extended Supply Chain			Global corporate policies of MNCs require their local suppliers and distributors to adhere to their codes of conduct.	Some MNCs and large companies implement livelihood programs, which seek to develop potential suppliers.	
Internal value chain		Business associations provide training and support for member companies in CSR education, while companies have begun to integrate CSR into some aspects of their supply chain.		Some medium and large companies have tapped communities as part of their supply chain program. The company provides training to enhance skills of these partner communities.	
Unrelated	The government recognizes the importance and value of corporate foundations, NGOs and civil society, and encourages their growth as prescribed in the Constitution.				Media plays an active role in highlighting social needs and promotes the positive impact of private sector efforts.

## CSR OBSERVATIONS

**CSR is defined by the presence or absence of a strong state.** The majority of the countries in the region have a one-party system and strong authoritarian leaders. These countries include: Singapore, Viet Nam, Cambodia and Laos. In the more developed economies of Singapore and Malaysia, the governments have begun to integrate CSR into the ministries and both have provided incentives. In Viet Nam, Cambodia and Laos, the state has adopted CSR as a means for local companies to be compliant with international standards and regulations for the country to be globally competitive. For these countries, support in terms of operationalizing government-led programs would be one way to influence the practice of strategic CSR.

The Philippines has a solid foundation of legislation and standards. However, implementation has been weak. Civil society has stepped in to fill-in the gaps left by what is seen as a weak state. In Indonesia, while the current president has been making progress in growing the economy and reducing national poverty, the state is still seen as less effective. Here, civil society has a strong presence and includes both members of business community as well as social class activists. The challenge in Indonesia is to integrate CSR initiatives and business interests with the priority issues of Indonesian society.

In Thailand, a strong and well-respected monarchy balances the relative instability of the civilian government. The monarchy is a key influencer for CSR in the country.

**Strong coherent civil society, together with the business sector, can influence CSR development.** Government's ultimate role is to provide security, basic social services and order for its citizens. However, because of structural defects and inefficiencies as well as resource constraints, the government can sometimes become ineffective. In countries in Southeast Asia where this is the case, civil society (academe, NGOs, religious organizations, and the media) together with the business sector (corporations, business membership organizations and chambers) have begun to undertake initiatives geared towards development at local and national levels.

Where local civil society is not well-developed, international civil society is a driver for CSR, especially through multinational corporations. In Laos and Cambodia, there are numerous social programs undertaken by international organizations and foreign corporations. In Thailand and Viet Nam, multinational corporations are one of the leading advocates of community development through their CSR programs. Singapore is an exception. As a developed country, its government is able to provide for its citizens' needs. Therefore, Singapore corporations tend to implement their CSR programs in other less developed countries in Asia. Therefore, enabling civil society and supporting cross-corporate initiatives would be one way to support CSR activities.

**In Southeast Asia, religion and religious institutions play a key role in CSR development.** Southeast Asian countries have strong traditions of worship; and faith and religion is a strong dimension of culture. There is a rich variety of faiths practiced in the region including Buddhism, Islam, Hindu, and Christianity. Each of these cultures have strong traditions of philanthropy and concern for others. In many countries, religious organizations are a key player and influencer on many social issues.

In developing countries, Islam (Malaysia and Indonesia) and Christianity (Philippines) generate a strong commitment by citizens to do good. Many corporations enshrine the values of their faith in their corporate values and this provides a foundation for many CSR activities.

**Media plays a critical mediating role in influencing CSR in many areas in the region.** Media provides key information and highlights environmental and social concerns. It can also widely disseminate the results of responsible (or irresponsible) business practice. A free and credible media enables civil society by providing the means to disseminate critical information, hence enabling the formation of opinions concerning social issues as well as way the activities of companies impact society. In the Philippines, media plays an active role in highlighting major issues. Because media enjoys a high trust rating, it is a key player in social issues. In Thailand, the government has utilized media in promoting CSR. Enabling media would be a key component of enhancing the practice of strategic CSR in a country.

**International buyers and purchasers can influence the state of CSR in a country.** A significant number of international brands outsource the production of their products from Southeast Asia. Therefore, the manufacturing processes and standards of local enterprises must meet the demands of the global consumers. This is evident in the global footwear and garments industries as well as the compliance of countries—Cambodia and Viet Nam—to the international labor laws of ILO (e.g. just wage).

Supporting the development and adoption of global standards for labor, environment and other cross-cutting concerns by large multi-nationals would be one way to influence the practice of CSR among local companies.

**While CSR can be relevant, product price and quality continue to be the major considerations for consumer purchase decisions.** Compared to consumers in Europe and America, Southeast Asian consumers are less willing to pay a premium for products that are environment friendly or to purchase products from companies that are implementing CSR programs. Price and product quality are still the major determinants for the consumer-base in this region. There are however, some companies that have begun to create and produce eco-friendly products that cater to a small but growing numbers of pro-active consumers.

**Strategic CSR in Southeast Asia tends to be practiced primarily by multinational corporations and multilateral organizations and relatively larger domestic corporations and conglomerates.** CSR in Southeast Asia is to some extent rooted in the initiatives of foreign organizations—MNCs, multilateral organizations, and development aid agencies as well as domestic corporations.

CSR initiatives in family corporations are primarily rooted in tradition, owner values or faith tend to be philanthropic initiatives championed by the company owner or CEO. CSR activities of corporations are often a cross between the values-rooted initiatives of family corporations and the more economic, rational approach of multinationals. In the region, family firms are part of the economic scene together with MNCs, state owned enterprises and global financial institutions and donor agencies.

**Multinational corporations also act as initiators and influencers of CSR in Southeast Asia.** In almost every country in Southeast Asia, there are MNCs operating in the beverage, semi-conductor, personal hygiene, food manufacturing, garments or construction industries. These MNCs are major engines of growth because of the employment generated, taxes paid and development of domestic suppliers. They also contribute to social development through CSR. CSR may be characterized as a spill-over effect of MNCs. Because most MNCs have a global CSR policy, they are required to implement CSR programs in their host countries. Furthermore, local companies and businesses adapt MNC practices for their own CSR programs. Programs promoting the sharing of ideas and the promotion of partnerships and cooperation in CSR activities would be one way to enhance the spill-over effect of MNCs.

The country's social and environmental needs stem from its history and culture. For example, Viet Nam's history of conflict, especially the negative environmental effects of the Viet Nam War, has led to the obliteration of forest lands and destruction of agricultural lands. Environmental degradation worsened with the presence of illegal logging and "slash and burn" activities. For Cambodia, there has been a need to rebuild culture and values after the violence of the Khmer Rouge.

Aside from the government, there are certain sectors in society that are influential in identifying and addressing major concerns of the community. For Viet Nam, labor issues are a major concern in the manufacturing industry. Through the influence of the ILO and government, Vietnamese garment enterprises are adopting international regulations and codes of conduct, and participating in government training programs.

The identification of key actors and their education and capacity building would be an important support program for spurring the practice of strategic CSR in any country.

**Development partners and multilateral institutions play an important supporting role.** The role of multilateral institutions in developing CSR seems to focus on providing benchmarks and case studies of success, capacity building and creating common ground among key players and funding education, health and poverty reducing initiatives. There are a number of development partners such as the UNDP, ADB, GIZ, ILO, USAID, AusAID, ASEAN, APEC, and other UN agencies. Cooperation and coordination is important to maximize the resources available from multilateral institutions in order to eliminate redundancy and overlapping various development partners in a country. One of the prevalent CSR engagement program areas in the countries in this study were public-private partnerships, the achievement of MDGs and membership in the UN Global Compact.

**Government's role in promoting CSR has increased through the years.** The role of government has increased significantly over the past decade. Ten years ago, CSR was mainly promoted and driven by private enterprises and individuals. Today, there is an increasing trend where governments take an active role in promoting CSR. Most countries in Southeast Asia have begun to debate whether to mandate CSR or not. Governments have also begun to incorporate the principles of sustainability into their policies. They have also implemented increased requirements with respect to environmental and labor practices. Finally, governments have begun to understand that CSR can be a strategic economic mechanism (Thailand, Singapore, Indonesia, and Malaysia).

**There is a growing consciousness of CSR among SMEs.** MNCs have tended to be the initial and primary drivers for the promotion and practice of CSR in the region. However, an increasing number of SMEs have also begun to participate in CSR activities. Some of these SMEs were influenced by requirements or incentives provided either by government or their large corporate buyers. While SMEs seem to have limited capabilities to do CSR, they can also be very innovative in their approach to CSR.

**Private enterprises collaborate with various stakeholders in implementing CSR.** There is a growing trend towards more Strategic CSR. While most companies have maintained some philanthropic activity, an increasing number of companies have begun to realize that CSR needs to be embedded in their company strategy and operations. Strategic CSR incorporates the value of sustainability not only for the company but for all stakeholders. Ensuring a common philosophy and embedding the values of social responsibility in corporate values result in a change in the approach to all stakeholder relationships. In many cases, CSR activity can lead to improved employee morale and enhanced corporate image and reputation. Many companies have also begun to incorporate CSR into their annual reports. This has allowed the company to communicate the importance and value of CSR to its shareholders and stakeholders. There is also an increase in collaboration between private enterprises and NGOs, development organizations, business associations, academe and the government in implementing CSR.

The main challenge for private enterprise continues to be matching and balancing the needs and wants of society with the capacity and capability of the corporation.

## SUMMARY

The state of CSR in Southeast Asia depends on the prevailing social and environmental concerns in every country as well as the role played by key stakeholders.

The key social concerns include poverty, labor and employment, environmental protection, livelihood, education, health and safety. The majority of the countries studied have relatively strong states. Government therefore plays an important role for CSR in the region. Policy advocacy and the integration of CSR into the core strategy of the country have increased the awareness and importance of CSR. On the one hand, CSR is often seen as a competitive strategy that can be used for improving economic performance. On the other hand, local business associations have largely led the campaign to promote CSR at the industry level and to develop standards and codes of conduct.

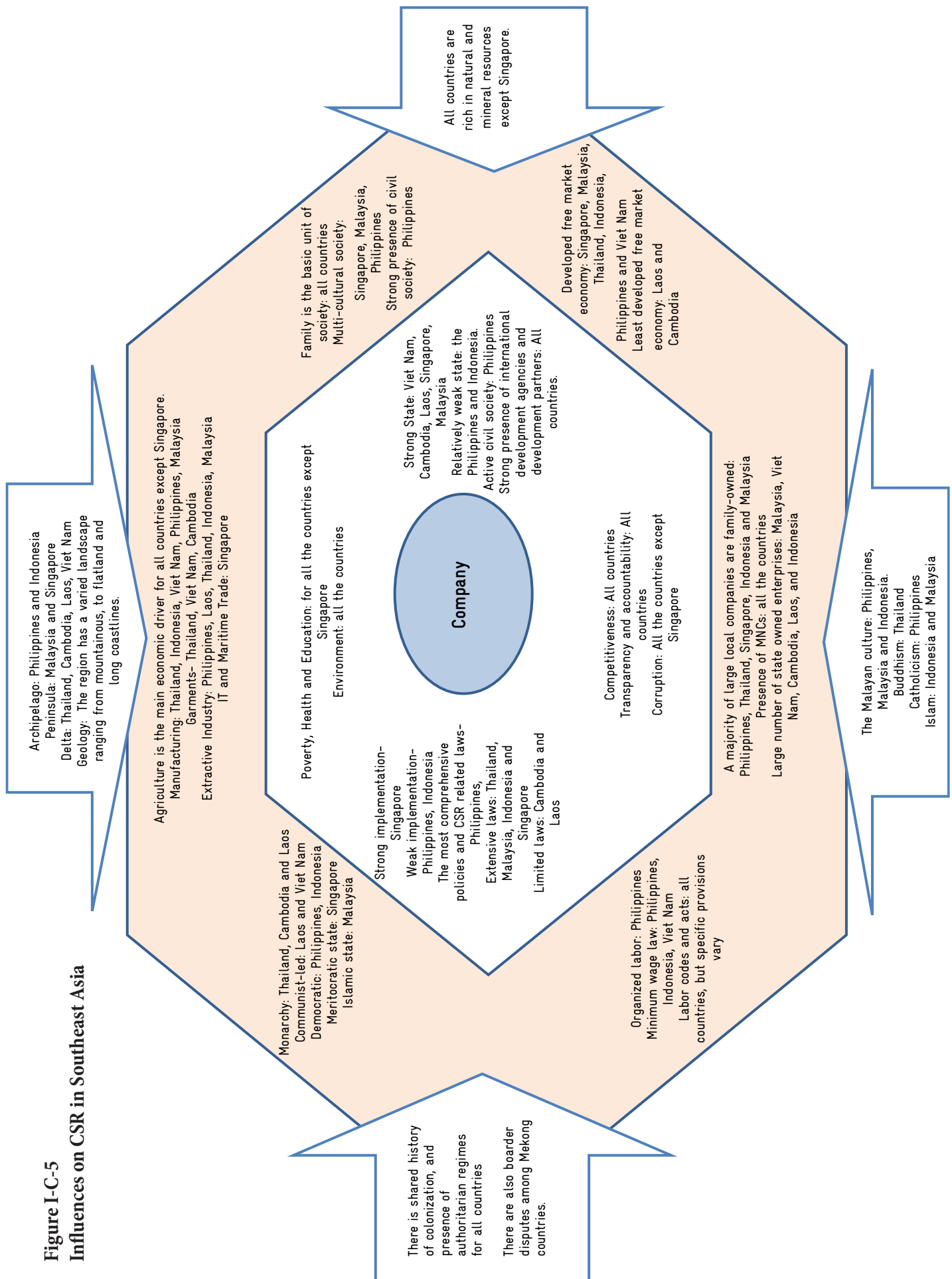
Development partners are active in most of the countries in the region. They play a critical role in the development of CSR. Capacity building programs to increase awareness and knowledge are the primary contributions of development partners to CSR. Through partnerships and collaborations, they have also been able to provide metrics for evaluation.

Finally, civil society's role in the region differs from country to country. In the Philippines, the strong presence of civil society has enabled it to be a major player in the development of CSR. It serves as the 'conscience' of society. It acts as a 'watchdog' that protects the interest of society in general. In other countries, local civil society is less organized into common interest groups. To the extent that these countries are dependent on export, international civil society can have influence the behavior of both local companies and international companies.

On the following pages, we have provided three summaries:

- Figure I-C-5: Key influences on CSR in Southeast Asia;
- Table I-C-9: CSR activities in Southeast Asia using the Typology of Intent; and
- Table I-C-10: CSR activities in Southeast Asia using the Typology of Locus.

**Figure I-C-5**  
**Influences on CSR in Southeast Asia**





**Table I-B-9**  
**Intent of CSR Activities in Southeast Asia**

INTENT	BENEFICIARIES				
	UNRELATED	PRIMARY		SECONDARY	MEDIATING
		Internal	External		
SHARED VALUE (company and community benefits from CSR)		<p>Internal CSR such as volunteerism and employee welfare: Philippines, Thailand and to some extent Viet Nam. These initiatives have increased employee morale and contribute to community development.</p> <p>CSR program mostly conducted by large companies and MNCs such as increasing the capacity of employees. Thailand, Malaysia, Indonesia and the Philippines and to some extent in Laos, Viet Nam</p> <p>Some companies who are suppliers of international brands comply with international regulations on labor practice and environmental sustainability. These initiatives have not only increased the capacity of employees but also increased the company competitiveness – Thailand, Cambodia and Viet Nam</p>	<p>Large local companies and MNCs have begun to integrate CSR into their supply chain – Philippines Thailand, Viet Nam, Malaysia, Indonesia and Singapore. Companies benefit by developing possible suppliers while creating livelihood for members of host communities.</p>	<p>Most CSR programs create benefits for both the company and stakeholders – Philippines, Thailand, Viet Nam, Singapore and Indonesia. Examples include environmental sustainability programs and livelihood programs for the community.</p>	<p>Most MNCs and some large local companies are signatories to the UN Global Compact – Philippines, Thailand, Viet Nam, Singapore, Malaysia and Indonesia.</p>
CREATING STAKEHOLDER VALUE (community benefits from CSR)	Philanthropy: Present in All countries		The CSR programs of large local companies and MNCs in the Philippines, Singapore, Malaysia, Indonesia, Thailand and Viet Nam include ensuring that the suppliers comply with the company's Code of Conduct.	The majority of MNCs and large companies in all countries (with the exception of Laos and Cambodia) have well established CSR programs that are aimed at benefiting members of local communities.	Social enterprises established by foreign organizations promote environmental sustainability and foster community development.
MINIMIZE HARM (beyond compliance- e.g. reducing carbon footprint)				Malaysia, Singapore, Philippines and Indonesia: Some MNCs focus on going beyond local compliance to integrate international standards and practices on the environment, e.g. ISO 14001.	In the Philippines and Thailand MNCs have influenced large local companies to go beyond compliance; these MNCs set the standards for the best practices for labor, the environment and other codes and practices.
COMPLIANCE		Some MNCs and some large local companies have gone beyond compliance with local laws regarding labor and environment - All countries	Mining companies in the Philippines and Laos are required to allot a certain amount for social development projects	Some companies adhere to the policies and guidelines crafted by development organizations – Mekong Countries	



**Table I-B-10**  
**Locus of CSR Activities in Southeast Asia**

STAKEHOLDER INVOLVEMENT						
CSR LOCUS	Government	Business Associations	Primary Stakeholders	Secondary Stakeholders	Mediating Stakeholders	Development Organizations
International	Large MNCs and some large local companies have established partnerships with the government and aligned their CSR programs to the MDG and UN Global Compact.  In turn, the government integrates these in their own national policies- Philippines, Thailand, Malaysia, Singapore, Viet Nam, Indonesia		Socially responsible investors invest in companies that implement sustainable CSR programs or those that consider socio-economic development in its business strategy. – Philippines, Malaysia			Development organizations create/draft voluntary guidelines and benchmarks. Some companies adopt these voluntary standards.- All countries
	Companies are beginning to collaborate with the government in implementing their CSR programs - all countries  Companies participate in government CSR awards and ranking - Malaysia, Thailand, Singapore, Indonesia.	International and local business associations provide capacity building and awards. Singapore, Malaysia, Philippines, Viet Nam, Thailand, Indonesia, Cambodia. As a result, member companies can align their CSR programs to the overall CSR program of their member organization.  Most CSR organization have focused on designing a CSR framework- Malaysia, Singapore, and Philippines Companies often utilize these frameworks by participating in conferences on CSR.  CSR-membership organizations have actively promoted strategic CSR- Philippines, Thailand, Singapore and Malaysia. Companies are now beginning to partner with these organizations to increase their understanding on CSR and to be more sustainable.	Multinational companies with various operations in Asian countries strictly adhere to global policies concerning labor standards and workplace environment. – All countries  MNCs and large local companies are implementing employee volunteerism programs which seek to increase employee morale and social consciousness. - All countries	Many MNCs and large local companies consider the community as a main stakeholder in its operations. Thus, many of these companies are embedding community relations practices into their CSR strategy. Communities, in some cases, are partners in social development projects. -All countries.  Some companies have invested enough time and money to build the capacity of the community, resulting to the creation of a strategic partnership with company in CSR. – Philippines, Malaysia, Indonesia, Thailand and Viet Nam	Companies identify religious organizations as key stakeholders that can influence their CSR Agenda–Philippines	Some local companies adopt an international development agenda (i.e. ILO, MDG and Global compact) and align it with their business and community strategies. – All countries
Institutional						

STAKEHOLDER INVOLVEMENT						
CSR LOCUS	Government	Business Associations	Primary Stakeholders	Secondary Stakeholders	Mediating Stakeholders	Development Organizations
Company Location	MNCs ensure that it complies with and/or go beyond the regulatory environment of the country. -All countries	Companies participate in industry associations and CSR-membership organizations, which in turn provide members with an avenue for the sharing of knowledge and capacity building. - Viet Nam, Singapore, Malaysia, Philippines.  Member companies provide funds for CSR research. In turn CSR-membership organizations provide tools (i.e. benchmarks, metrics) and their expertise. Philippines, Singapore, Thailand, Malaysia, Indonesia	Companies have created specific CSR programs to ensure employee protection and welfare. They have also instituted supplier programs to ensure compliance with global policies on COCs.- Philippines	The community is often referred to as a 'Host', most of the CSR programs are directed to the community. - All countries  Some companies have partnered with their host communities in implementing CSR programs, which address key social concerns and environmental problems. -All countries	Companies partner with NGOs and/or INGOs for monitoring and implementation of CSR programs – All countries  Companies collaborate with these NGOs and/or INGOs for training to increase knowledge, awareness and competency- Philippines, Viet Nam, Laos, Cambodia, Indonesia, Thailand.  Malaysia, Indonesia, Viet Nam, the Philippines are active in international agreements and compacts. Companies hire NGOs in evaluating the CSR programs and provide feedback.  Companies partner with religious organizations to secure license to operate: Philippines	Companies participate in tripartite collaboration with the government and Development partners in conduct CSR research programs and social initiatives – Laos, Viet Nam, Philippines, Cambodia, Indonesia, Malaysia and Thailand.
Extended Supply Chain	Companies who are suppliers to international brands cooperate with the government's initiative to promote environmental sustainability and improve workplace practice.- Cambodia, Laos and Viet Nam	Business associations have actively promoted capacity building in the extended supply chain. This is seen as a tool to increase competitive advantage of local companies. – All countries	Some MNCs and large companies integrate CSR into their supply chain by crafting supplier programs that increases competency of local suppliers and their competitiveness. - All countries	MNCs and large local companies develop local communities as their potential suppliers. – Indonesia, Malaysia and Philippines	INGOs provide assistance to companies in addressing their supply chain concerns. Some MNCs work with INGOs to encourage SMEs to adopt environmental and labor standards.– Cambodia	
Internal Value Chain	Companies cooperate with the government in areas of waste management, labor and environmental sustainability. – Indonesia and Malaysia	Business association and industry specific association have began to provide training and capacity building- Philippines, Malaysia, Singapore, Thailand, Indonesia and Viet Nam.				
Unrelated	There are laws and policies that encourage philanthropic activities. – Malaysia and Indonesia, Singapore, Philippines, Thailand	Numerous corporate foundations are members of business organization- Philippines.  In Thailand companies actively cooperate with and donate to charitable organizations.		Corporations consider local communities as beneficiaries of their CSR programs in the areas of education, livelihood, health and employment.- All countries	Companies utilize media to promote their CSR activities. -All countries	

## I-D RECOMMENDATIONS

The key stakeholders that could be involved in promoting the practice of strategic CSR include the government, industry organizations, enterprise, civil society, and development partners. In addition, enterprises—MNCs, large local corporations and SMEs—play a critical role in ensuring that their CSR programs are integrated into their core business strategies.

### THE GOVERNMENT ROLE: MANDATING, FACILITATING, PARTNERING AND ENDORSING

The World Bank enumerates four main roles for government in promoting CSR: (1) Mandating, (2) Facilitating, (3) Partnering and (4) Endorsing.

**Table I-D-1**  
**Government Role in Promoting CSR**

Public Sector Roles			
<b>Mandating</b>	“Command and control” legislation	Regulators and inspectorates	Legal and fiscal penalties and rewards
<b>Facilitating</b>	“Enabling” legislations	Creating incentives	Capacity building
	Funding support	Raising awareness	Stimulating markets
<b>Partnering</b>	Combining resources	Stakeholder engagement	Dialogue
<b>Endorsing</b>	Political Support	Publicity and praise	

Source: Petkoski, Djordjij and Nigel Twose. July 7–25, 2003. “Public Policy for Corporate Social Responsibility.” WBI Series on Corporate Responsibility, Accountability, and Sustainable Competitiveness. Retrieved from [http://info.worldbank.org/etools/docs/library/57434/publicpolicy\\_econference.pdf](http://info.worldbank.org/etools/docs/library/57434/publicpolicy_econference.pdf)

**Mandating.** The government has the authority to create and enact laws. It can promote CSR by mandating laws to guide corporate behavior. In the international sphere, there seems to be an agreement that certain matters should be mandated. In general, these areas have to do with governing corporate behavior to minimize or eliminate harm, and with discrimination being seen as harmful. The countries in the study, except for Laos and Cambodia, have laws that adhere to international standards in the key areas of corporate behavior. The laws that could be passed in Laos and Cambodia would be those that more directly address the concerns of: environmental sustainability, employee protection and welfare, discrimination of women, and child labor.

Our findings indicate that CSR-related laws are strictly implemented in Singapore. However, various barriers to full implementation exist in all the other countries studied, even in those where laws have been enacted. The most important barrier that needs to be addressed is the establishment of a clear set of guidelines and clarity in terms of the role and authorities of regulators. Additional areas for improvement include improving the capacity of regulators to enforce the law and increasing the penalties and fines imposed. In certain countries, including the Philippines, the cost of compliance with environmental safety laws can be higher than the fines imposed. Also, in many countries, including Laos, Cambodia and Viet Nam, there may be a need to increase the power of regulators especially to address labor-related concerns such as child labor and discrimination against women.

Indonesia has mandated CSR but implementing rules and structures are as yet unclear. Thailand and the Philippines are also considering a mandated version of CSR but objectives and mechanisms are still being debated.

There are regulations mandating CSR for the mining sector in the Philippines but these are very specifically meant to address the needs of the local community affected by the company's operations. Hence, it can be considered a law that seeks to eliminate or balance harm. Industry-specific laws could also be considered by other countries, especially those with many companies in the heavy footprint industries such as mining and power.

Another means of mandating is not to legislate CSR but rather to mandate the reporting of CSR. This could, for example, begin with regulations requiring a "report or explanation for non-reporting" at least for publicly-listed and government-owned corporations or for corporations of a minimum size.

**Facilitating.** The government can also promote CSR by creating an enabling environment conducive for businesses to operate in a socially responsible manner. The government can facilitate socially responsible behavior by providing incentives such as allowing certain types of expenses to be tax deductible or by providing other tax incentives for more responsible behavior.

The government can provide guidelines that companies may wish to be socially responsible could adopt. For example, the Malaysian government through the Putrajaya Committee for Government Linked Corporations (GLCs) Transformation published the Silver Book, which identified a set of guidelines to be used in creating benefits to the society.

The governments of Singapore, the Philippines, Thailand and Viet Nam provide tax incentives for companies that are actively engaged in CSR. However, in some countries the mechanism for being able to take advantage of the tax incentive is not yet effective. Providing tax and other incentives for CSR can be an effective tool for harnessing foreign capital and expertise towards development concerns. The opportunities are particularly attractive for Cambodia and Laos.

The government can provide capacity-building for its own agencies, for enterprise and for non-government organizations that work with companies on CSR-related projects. Among the countries studied, knowledge concerning CSR is probably highest in the Philippines and Singapore. However, even in these countries, there is considerable interest in methods for making CSR more strategic.

There is room in all countries for government agencies or institutions that can provide not only capacity-building but a venue for like-minded organizations to collaborate and share information. There are plans in Thailand for creating a government-run CSR Institution that would actively promote CSR to local Thai companies. This would enable these companies to increase their level of awareness on CSR. This is seen as a strategic tool for helping Thai companies become more globally competitive.

In terms of capacity-building, the need in Laos and Cambodia is more basic. For the other countries, the need is to ensure that regulators have the knowledge to monitor and evaluate CSR programs.

**Partnering.** In promoting CSR, the government also plays an important role in conciliating the interests of different societal groups and working with these groups to combine resources and ensure that these resources are utilized properly.

All the governments in Southeast Asia have established partnerships with various international and developmental organizations and the private sector. All countries have some type of multi-stakeholder collaboration on CSR. The Singapore Compact is an example of how a tripartite initiative can lead to the establishment of a CSR organization. However, the main challenge for all countries is the balancing of the different concerns of all stakeholders.

**Endorsing.** The government can also encourage companies to perform in a socially responsible manner by acknowledging companies that are performing well.

In Malaysia, the government, through the Prime Minister's Award on CSR recognizes companies that operate in a socially responsible manner. Other countries could do likewise except perhaps for Laos and Cambodia, where the level of understanding CSR is relatively low and efforts might be more effectively focused on education and increasing awareness.

Governments could also create scorecards for companies, e.g. based on the level of compliance with environmental laws. In the Philippine mining industry, the government can rate the compliance of mining operations with required social development management programs. However, to be able to do this, governments must review existing laws and create indicators to measure compliance with the law. Industries other than mining also need to be identified.

## ENTERPRISE: INTERNAL CAPACITY-BUILDING, INFLUENCING, COLLABORATION

The role of business in promoting and implementing CSR can be divided into three tasks:

- What companies can do on their own including internal capacity-building;
- What companies can do to influence others; and
- What companies can accomplish in collaboration with others. The role of business associations is particularly important both in amplifying individual enterprise messages as well as to provide a venue for information sharing and collaboration.

**Table I-D-2**  
**What Enterprise Can Do on its Own**

WHAT CAN YOU DO ON YOUR OWN?	Local SMEs	Large Local Companies	MNCs	Business Associations
<b>INTERNAL INITIATIVES</b>				
Compliance with laws (environment or labor)	Proper waste disposal, labor laws	X	X	Association mandate or commitment
Paying the right taxes	X	X	X	
Creation of Internal Standards (Benchmarking with internal standards)		X	X	As an industry or association
Training your people (supply chain, waste disposal, community relations)	Awareness and skill set	X	X	Create avenue sharing CSR
Adoption of International Standards	For those with the capacity and need to do so	X	X	As an industry or association
Code of Conduct	For those with the capacity and need to do so	X	X	Create avenue sharing CSR
<b>INFLUENCING INITIATIVES</b>				
Disclosure: what the company is doing and what can still be done	X	X	X	X
Work with others to comply with the standards	As a cluster	X	X	As a network

Source: Herrera, Alarilla, de Jesus and Uy, 2011



In many countries, what is seen as the minimum requirement for social responsibility is compliance with local laws. This includes complying with local labor laws, environmental laws as well as paying the right taxes. This also means not participating in corrupt activities even if this will ease business operations. MNCs for example have global policies that cover improper gifting.

Beyond compliance with local laws, businesses can also adapt international standards. This is an initiative that SMEs usually cannot undertake without support. MNCs on the other hand, adopt international standards to maintain competitiveness in the global arena given demanding consumers in their home country markets and the need to create a single policy across all their territories.

Companies can also work together to ensure compliance. Local SMEs for example can work as a cluster or a group to increase overall capacity to comply with standards. Large local companies and MNCs can encourage the adoption of CSR practices through supply chain management. Companies can provide technical assistance to their SME partners to ensure that they comply with international standards. Business associations can encourage the adherence to standards through information dissemination and capacity building programs. For example, Indonesia Business Links together with MNCs and large local companies developed a program to assist SMEs to comply with international standards.

Lastly, the company can make its efforts known to the public and other companies in order to serve as an example for other companies that may wish to practice CSR.

Companies can also work with others to ensure that more companies operate in a socially responsible manner. Business and industry associations can develop industry-level standards that best fit its type of business. The nature of the business influences the appropriate standards to apply.

Business associations may also encourage their members to adopt international standards. In certain cases, industry associations develop or endorse voluntary standards. The Garment Manufacturing Association of Cambodia adopted global labor standards with the cooperation of manufacturers and subcontractors, donors, NGOs and other sectors of civil society. Large local companies and MNCs can also localize or create their own standards based on international standards in order to fit the realities of the local business environment. Business associations can help ensure the strategic fit between the CSR global standards and local business conditions by developing local standards.

If each industry has unique products and market characteristics, large local companies and MNCs can participate in business and industry associations to contribute their ideas in creating voluntary guidelines (i.e. including the creation of benchmarks or toolkits). All types of businesses can contribute their ideas in dealing with the government. However, the larger local companies and MNCs and business associations provide the most insight and influence for policies and incentive mechanisms to encourage socially responsible business practices.

Large local companies and MNCs can also create synergy among CSR practitioners. Business associations can take the lead. In order to ensure the effectiveness of CSR programs and maximize available resources, it is important to minimize repetitiveness of programs. Business associations can harmonize the efforts of different companies, a task undertaken by the League of Corporate Foundations in the Philippines.

Lastly, it is important for the different sectors to participate and if possible fund research on CSR to ensure that the practice continues. The field of CSR is relatively new compared to other areas of management. Models and implementation guidelines are needed to ensure that CSR is formally embedded into an enterprise's operations.

Capability is a key concern so additional and relevant training is necessary. This means offering the necessary training programs. Business associations can become an avenue for sharing experiences in implementing CSR programs. Large companies and MNCs can join business organizations so they can share their knowledge and best practices with smaller and local firms. MNCs can share their experiences in other countries to help develop local CSR capacity.

**Table I-D-3**  
**What the Enterprise Can Do With Others**

WHAT CAN BE DONE WITH OTHERS?	Local SMEs	Large Local Companies	MNCs	Business Associations
<b>INFLUENCING INITIATIVES</b>				
Encourage Adoption of International Standards	To adopt not just encourage	X		X
Participate in creation of laws or regulations	Observer and recipient	Participate and contribute insights		Participate in creation of laws or regulations
Benchmark or Toolkits	Observer and recipient	Share their best practices and experiences– local business culture		Benchmark or Toolkits
Contribute to research on CSR either through funding or participation		X		X
Help create voluntary guidelines and industry-level standards	Observer and recipient	Participate and contribute insights		X (lead)
<b>COLLABORATIVE INITIATIVES</b>				
Create Synergy among CSR practitioners		X	X	X
Active role in joining business association initiatives on CSR		X	X (Sharing your knowledge)	X (Sharing of standards) (Organizing events)

Source: Herrera, et al, 2011

## **CIVIL SOCIETY: TRANSPARENCY AND DEVELOPMENT OF CSR KNOWLEDGE AND SKILLS**

Civil society organizations, for the purposes of this section of the report, include NGOs, Media and the Academe.

It is important to note here that religious organizations as well as formally organized religious sectors can be important and influential members of civil society and can play many of the roles played by NGOs. Religious groups, the media and many NGOs play an important mediating and moderating role for enterprise. They also often take on the role of advocate and proxy for important stakeholders and sectors influenced by business, such as the environment and local communities.

NGOs and the media both share a “watchdog” function to influence the operations of companies through their activities. NGOs can lead campaigns and information dissemination activities to target companies that operate in an irresponsible manner. NGOs provide moral suasion. NGOs demand transparency and hold companies accountable to the public for their actions. The media could highlight positive practices of companies and report about irresponsible business practices (such as wage discrimination or child labor). For instance, the footwear companies faced a boycott from consumers after reports that they were exploiting workers in developing countries. As a result, the industry eventually adopted self-regulation.



Aside from its watchdog function, issue-oriented NGOs can also work with the business sector, the government and development partners in implementing CSR programs. NGOs can also ensure that the concerns and programs they are advocating are channeled to the right stakeholders. NGOs can also become the link between the community and the company. Community-based NGOs in particular would have more knowledge about concerns from the community's perspective.

Consumer activism is still low in the eight Southeast Asian countries since consumers are still primarily price sensitive. However, NGOs, through environmental and social advocacies, can help the public become more aware about the importance of ensuring that companies manage their environmental and social footprint.

The academe also plays an important role in promoting the practice of CSR because academics can help in the development of guidelines, benchmarks and other tools that corporations can use in implementing CSR programs. The academe can also provide technical expertise to companies wanting to embed CSR into their operations. Of the eight countries studied, Singapore, the Philippines, Thailand, Malaysia and Indonesia have more developed education institutions so CSR can be integrated into the management curriculum in schools and future managers could be made more aware of the need for companies to operate in a socially responsible manner. Laos, Cambodia and Viet Nam can also integrate CSR into their curriculum. However, there are less academics involved in CSR research and activity in these countries.

## DEVELOPMENT PARTNERS: STRATEGIC COLLABORATION

The main role of development partners are: (1) information dissemination; (2) knowledge creation and research; (3) creation of enabling mechanisms such as toolkits and benchmarks; and (4) collaboration with key players in promoting their respective advocacies.

**Information Dissemination, Knowledge Creation and Research.** Development partners can ensure that key stakeholders are knowledgeable about CSR through information dissemination activities, including training. They can also work with different stakeholders in generating knowledge that can be used to further develop the field of CSR.

In the different Southeast Asian countries, development partners can create a venue for knowledge exchange (i.e. general conference and issue-oriented forums) to allow experts to share their experiences. Development partners can also create a forum for stakeholder dialogue to ensure that different stakeholders would be able to share experiences in working with each other in implementing CSR programs. Development partners can also provide both technical and financial support to organizations that conduct research on CSR.

There are fewer companies implementing CSR programs in Laos, Cambodia and Viet Nam, so development partners could sponsor local partners to attend conferences and workshops on CSR and sustainable development. In turn, the local partner can then disseminate what they learned with their peers, thus creating a multiplier effect. Development partners could also help create a CSR portal in the local language for local stakeholders.

Many Singapore companies have operations overseas and development partners can work with these companies and other local organizations in order to provide information on local social and environmental issues. Companies would then have a better idea of the concerns they should prioritize in their CSR programs.

Furthermore, development partners, especially for Laos and Cambodia, can help create and maintain profiles on the state of business involvement in community programs and environmental protection by sector or industry and by location. They can also help create and maintain a database of CSR practitioners as well as identify potential partners in promoting CSR in these countries.

**Creating Enabling Mechanisms such as Toolkits and Benchmarks.** Development partners can influence policymakers and other key players by disseminating information about the benefits of more socially responsible behavior as well as information on how to adopt more socially responsible policies and processes.

Development partners can also support organizations or business associations in creating toolkits and benchmarks for CSR. Ideally, these toolkits would provide flexibility and allow users to take into account their actual situations, including their competitive situation, their competencies, their stakeholders and their footprint. It is particularly important to have these toolkits, guidelines and benchmarks available for two types of industries: those that are critical in terms of contribution to the local economy and the heavy footprint industries, ones that have a significant impact on the environment and their local communities. Heavy footprint industries are particularly important as these tend to be critical to development as they are either basic to development infrastructure (e.g. power) or are financially significant (e.g. mining).

Table I-D-4 shows the major industries in each country.

**Table I-D-4**  
**Key Industries (Per Country)**

	Major Industries	Promote
Singapore	Electronics, Financial Services and International maritime trade	Eco-tourism
Malaysia	Rubber and Palm oil processing and manufacturing	
Philippines	Services and and Electronics	Eco-tourism, MSME (strengthen existing initiative)
Indonesia	Mining and Oil	
Thailand	Manufacturing and petrochemical	Eco-tourism, MSME
Vietnam	Garments and Shoe Manufacturing	Eco-tourism, MSME
Laos	Hydropower and Mining	
Cambodia	Garments, Petroleum (starting)	Eco-tourism, MSME

Development partners could also document existing CSR practices that have been effective in other countries and encourage the localization and replication of these practices. It would be particularly helpful if local standards are developed and endorsed by influential business associations. Programs that are effective in one country could also be replicated in other countries. One example would be the SCOPE program in the Philippines, which could probably be replicated with some success in Indonesia, Viet Nam, Thailand and Cambodia. The SCOPE program created linkages between large corporations and smaller businesses or communities. This initiative provides corresponding benefits for both the companies and the communities.

Development partners can also help create country and industry profiles on environmental and social concerns that could help companies in prioritizing initiatives. Cultural barriers and other factors that affect the implementation of CSR can also be highlighted so that companies can take them into consideration in crafting their CSR programs.

**Collaboration with Other Organizations.** Development partners (local and foreign) can work with other key stakeholders to promote the practice of CSR with the cooperation of companies and associations. The core competencies of the development partner can be utilized to provide companies with the necessary knowledge and capabilities of assessing the local community. They can also help identify best practices and help localize successful programs.

The government is another important stakeholder that development partners may want to work with. Development partners can provide assistance in capacity building especially in the areas of regulating and monitoring compliance as well as measuring impact. Furthermore, development partners can assist government in implementing programs to encourage the practice of CSR (i.e. SME development programs).

## SUMMARY

The role of the government is mandating, facilitating, partnering and endorsing. The basic role is to enact and enforce laws. Although there are existing laws, there is a need to continually review these laws to ensure that there is no overlap and that there are enough laws to ensure responsible business practice. Also, as the effectiveness of a law is dependent on implementation, regulator capacity-building is critical.

On the part of enterprise, companies can work on internal capacity-building and extending the practice of CSR by influencing others within its supply chain. Businesses can work with others to encourage the adoption of CSR, to build more capacity and also to leverage the impact of initiatives through collaboration. It is important that the company, first and foremost, operates in a socially responsible manner so that it can serve as an example and it can share its experiences with others.

Civil society, on the other hand, has a mediating and moderating function in terms of promoting CSR. They can act as “watchdog” and “public conscience” by calling attention to both the good and the bad. Civil society groups, especially NGOs can also act as implementing partners. Media plays a crucial role in increasing awareness of CSR. Promoting CSR through the media can increase the awareness and practice of CSR. In Viet Nam and Thailand, the government has utilized the media to promote awareness of CSR. In the Philippines, one of the primary roles of media is to serve as ‘public conscience’ for both government and enterprise. The ability of media to play a mediating role is dependent on its freedom and vigor.

Development partners also play an important role in promoting CSR. They give technical and financial assistance. They can also create capacity building programs as well as provide a venue for knowledge exchange and collaboration.

In summary, each stakeholder has differing capabilities and mandates, but what is important is that the competencies of different stakeholders are harnessed for the common good. In the short term, multi-sectoral cooperation can ensure that CSR programs and practices address priority issues to achieve the maximum impact on the targeted beneficiaries. Over the long-term, multi-sectoral cooperation can lead to the increased adoption of Strategic CSR resulting not only in more efficient use of resources for improved impact but in the achievement of truly inclusive development.

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## Annex 1

### Strategic CSR

Corporate Social Responsibility (CSR) involves the interface between the enterprise and its environment. Hence, developing a CSR strategy begins with evaluating the operating environment of the enterprise, taking into consideration both market and non-market environment.

This means taking into consideration the company's footprint as well as its stakeholders. "Footprint" refers to the impacts of the company's operations, environmental (i.e., gas emissions) as well as social (i.e., relocation, impact on local culture).

The primary objective of CSR initiatives with respect to footprint is to minimize negative impact and maximize positive impact. Analysis of the enterprise footprint also helps the enterprise identify its stakeholders.

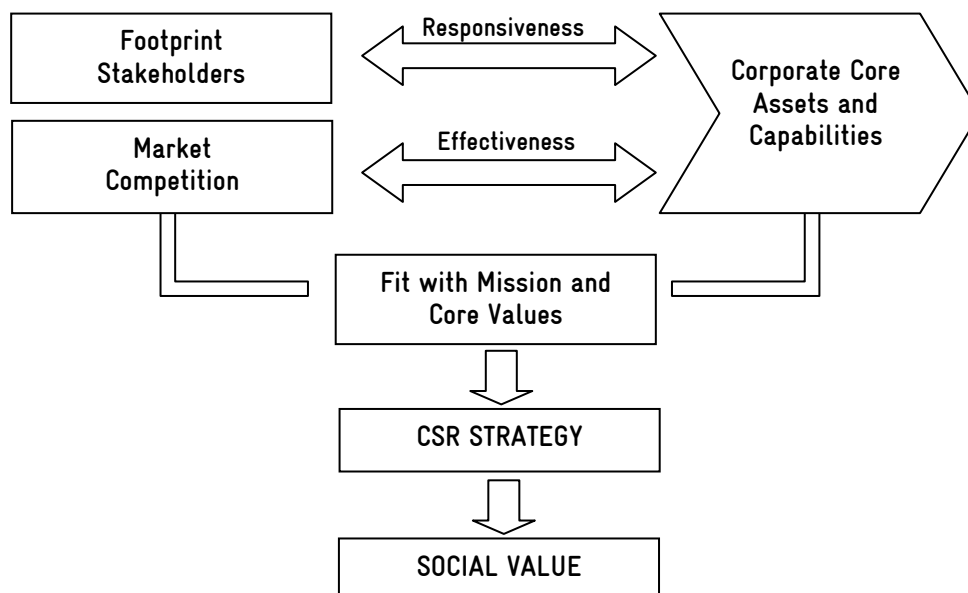
Stakeholders are the internal and external publics that have a legitimate concern in and can affect operations. When evaluating stakeholders, enterprises need to consider the key concerns of each stakeholder as well as their type and level of influence on all matters that affect the enterprise and its publics.

The enterprise also needs to evaluate its key assets and capabilities with a view towards at least two things: 1) evaluating which of its key assets and capabilities can be utilized in order to address critical footprint and stakeholder concerns, and 2) evaluating which particular concerns it is in the best position to address especially in consideration of the relative capabilities of the other players in the environment. What this analysis should show the firm, as well as other players, its markets and communities is how to best allocate capabilities among different players in order to create an optimum impact.

Of course, the CSR strategy must exist within the larger corporate strategy, one that is based on a realistic foundation of long-term enterprise sustainability. Clearly, a company that sustains losses each year could not be a strong long-term partner in addressing social objectives. Clearly, any corporate approach to CSR that does not take into account financial sustainability is doomed fail over the long term.

Finally, a strategic approach to CSR must involve the creation of fit with the organization's mission and core values. An evaluation of the firm's vision, mission and core values (VMV) helps in prioritizing footprint and stakeholder issues. Even more importantly, failure to link CSR philosophy and policies with VMV could result in the marginalization of CSR. For some companies, the re-evaluation of the new realities of the global markets have, in fact, resulted in a re-examination of corporate VMV and a revision of VMV in order to reflect the new realities of the increased importance of non-market factors.

**Exhibit 1**  
**Developing a CSR Strategy**



## Embedding Responsibility

Corporations who are committed to CSR are increasingly coming to an understanding that responsibility needs to be embedded in all aspects of operations and in all layers of the organization. CSR should be neither silo nor overlay.

More and more companies are coming to believe that sustainability and hence, CSR, is good business. However, some fail to understand that the only way to create true responsibility is to make CSR itself sustainable. This will not happen if CSR exists as projects or is considered as the something extra. A true strategic approach to CSR embeds responsibility in the company's objectives, operations and values.

In this strategic approach to CSR, the integration of CSR into the business begins at the point of strategic analysis. Corporate strategy involves evaluating external and internal realities and linking them to mission and core values.

Clearly, the first step for a responsible business would be to clearly articulate sustainability and social values as part of the corporate mission and core values.

Within responsible business, the analysis of business context or external realities would include the evaluation of the non-market considerations of footprint (what Porter and Kramer call value chain social impacts) and stakeholders. The analysis of internal realities would include the acknowledgement and evaluation of social assets.

The idea of social assets is particularly important in understanding why a strategic approach to CSR makes business sense. In the current business environment of escalating use of technology and increasing connectivity, the most important assets of organizations are slowly moving away from tangibles towards intangible assets. For most companies, the most important of these intangible assets are social assets – corporate image, community support, investor confidence, strong market acceptance, strong dealer networks, reliable suppliers, and a loyal and talented workforce.

In pursuing both economic and social performance, companies create a virtuous cycle, one in which social performance feeds back to the company in the form of enhanced social assets.

Embedding the CSR sensibility into the strategic management process ensures that business strategy is aligned with social realities. In this manner, CSR becomes a natural part of business strategy and operations. This means that the company's CSR policies and activities can be embedded in decisions and choices made in developing the strategy engine of the company: Hardware (infrastructure and equipment of the company), Software (systems and processes of the company) and Liveware (organization design, policies and governance).

Integrating CSR into core business strategy and operations means that companies can ensure that the twin goals of social value and shareholder value are taken into account in all business decisions and activities.

However, true integration and embedding of CSR into an organization involves not just the formal process of developing a philosophy, integrating into strategy, operations, structure, processes, monitoring and evaluation but also the “softer” process of embedding CSR awareness into the culture of the company.

As most managers know, formal structures are not enough. In order for any philosophy or policy to be consistently implemented, the underlying values must seep into corporate culture. They must become part of the company's way of doing things.

This section an excerpt from newspaper columns written by Prof. Maria Elena Herrera, where she discusses the AIM RVR Center's definition of Strategic CSR.

## Annex 2

### CSR Framework on Influences

**Business Landscape and Fundamental Influences.** CSR activity typically responds to the landscape of its particular business. The social objectives and concerns that are priority for a business depend on the particular shape of its footprint – who and what are affected by the company’s operations – as well as the concerns of its stakeholders. For many companies, the government is a critical stakeholder and its influence is most visible in the regulatory environment. The government’s concerns as well as the concerns of other stakeholders are, of course, affected by the country’s or area’s overall social and environmental concerns. In many countries, the most important concerns are embedded in their Millennium Development Goals.

These four factors in the business landscape are in turn influenced by six critical factors of institutional dynamics. Both the business landscape and institutional dynamics are affected by the four fundamental influences.

Fundamental influences include: geography and geology, natural resources, history and, culture. Geography and geology, and natural resources affect the types of industries that are economically viable. For example, Singapore’s central location was key to its becoming a center of maritime trade in the region. History affects the development of institutions as well as societal development. In the Philippines, the years of martial law helped forge a powerful and cohesive civil society. In Indonesia, a long period of crony capitalism spurred economic and industrial development but also resulted in a large gap between the rich and the poor. Although there is a growing middle class base as a result of economic growth, their political power remains low. Additionally, Indonesia’s history has resulted in a large base of state-owned enterprises. Cambodia’s long history of conflict has resulted in generally underdeveloped institutions and few developed industries. Lastly, culture and religion also affect the development of institutions in a country. In Malaysia for example, the tenets of Islam are incorporated into laws.

**Institutional Dynamics.** The heart of this framework is the hexagon of Institutional Dynamics. These six factors are: basis of the economy, social structure, political dynamics, market structure, labor dynamics and corporate structure.

1. Basis of the Economy	Refers to key sectors and industries—e.g., agriculture, services, manufacturing that drive the country’s economy
2. Social Structure	Refers to the country’s ethnic diversity; gender ratio; presence of social, academic and religious institutions; presence of media and multilateral organizations; and income disparity.
3. Political Dynamics	Refers to types and effectiveness of governing bodies (i.e. monarchy, feudal, federal, democracy, etc.); the interaction of political actors and institutions; the ability of the government to deliver order, security, and social services; the powerful actors and influences in the political sphere
4. Market Structure	Refers to the market’s activities (free market or controlled); presence of market information and available choices for the consumers; as well as customers’ or suppliers’ influence in the company’s operations (i.e. whether the customer has influence on the products of the company or foreign customers are prioritized over local customers)
5. Labor Dynamics	Refers to the presence of labor unions and their major concerns; presence of migrant labor and overseas workers; and level of worker skill sets
6. Corporate Structure	Refers to the types of corporations operating in the country; the influence of business associations and regulatory agencies on the practices of firms; the company structure in carrying out social development programs

The relative influence of each stakeholder depends to a large extent on the institutional dynamics of a country. For example, economies that are strongly export-dependent, such as Viet Nam and Cambodia, allow international markets to have a large influence on such matters as treatment of labor.

A clear understanding of institutional dynamics and its effect on the business landscape for key business sectors can help explain the roles, interests and relative influence of key stakeholders. It can help all players evaluate the roles they play and how they can best express their roles.

This section an excerpt from newspaper columns written by Prof. Maria Elena Herrera, where she discusses the AIM RVR Center’s research framework used in this study.