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Impact of Globalization on Corporate Social Responsibility

VEMULA PRADEEP

ASST PROF

Unity PG College, Bhongir

ABSTRACT

This article analyzes the advent of globalization and delineates its impact on the corporation and its social responsibilities. It begins with an explanation of the concept of globalization. Next, it describes the traditional paradigm of corporate social responsibility (CSR) where the responsibilities of businesses are discussed vis-à-vis a more or less properly working nation-state system and a homogeneous moral. It describes the new situation of regulatory gaps in global regulation, an erosion of national governance, and a loss of moral and cultural homogeneity in the corporate environment. It also discusses the consequences of the post-national constellation with the help of two recent observations of business firms' behavior which call for a fresh view of the concept of CSR. Finally, it describes the necessary paradigm shifts toward a new politically enlarged concept of CSR in a globalized world.

Keywords: globalization, corporate social responsibility, nation-state system, global regulation, national governance, post-national constellation

INTRODUCTION

Organizations of the 21st century can no longer limit themselves to producing and marketing products or services without any concerns for the impact they have on society. If they want to be trusted by their customers, employees and the public at large, they have to be more socially responsible. One key issue of Corporate Social Responsibility (CSR), which needs to be addressed, is the integration of ethnic minorities in the workplace and the community.

This study will discuss the effect of globalisation on corporate social responsibility and interpret the current situation of the practice of corporate social responsibility in China.

GLOBALIZATION

Globalization is an emerging trend in business. Here you will learn the definition of globalization, examine its positive and negative effects, and be presented with real examples of globalization in the twenty-first century. This morning you woke up and put on a polo shirt that read 'made in China' on the inside tag. You then went to your garage and got in a car that had parts that were manufactured in all parts of the world. You drove that car to the grocery store where you bought grapes that were grown in Chile, sugar from Jamaica, and curry from India. You did all of this because of globalization. In this lesson, you will learn the meaning of globalization, some of its positive and negative effects, and some real examples of globalization.

While flipping through your TV channels you may stop at the various business channels, and in your brief stop at that channel you may view a panel discussing globalization in the marketplace. Even in the news, there is always a story that discusses the economic ramifications of globalization. **Globalization** is the opening of local and nationalistic perspectives to a broader outlook of an interconnected and inter-dependent world with free transfer of capital, goods, and services across national frontiers.

Corporate Effects

On a corporate level, globalization has had an effect on organizations' product or service life cycle. **Product life cycle** is the period of time over which an item is developed, brought to market and eventually removed from the world market. One such example of globalization having a positive effect on a product's life cycle would be the Kinder Egg. Kinder Eggs are egged-shaped chocolate candies with tiny toys inside and are very popular with children. However, due to the fact that the tiny toys may be a choking hazard for children, the United States banned the sale of these candies. However, due to globalization, the Kinder Egg is still a popular candy sold in Canada and several countries throughout Europe.

However, globalization could have a negative effect on corporation's balance sheets. An example of globalization having a negative effect on a corporation's balance sheet can be found in the United States steel industry. For years, steel from Asian nations has come into the United States. This steel from Asian nations is cheaper than the steel manufactured in the United States. As a result, many corporations and organizations that need steel to manufacture their goods purchase the Asian steel over the US steel in order to decrease their own production cost. This is had an ongoing negative effect on the balance sheets of US steel companies.

Corporate Social Responsibility

The concept of CSR can be divided into many and diverse domains. Sen and Bhattacharya (2001) provide six broad domains of CSR activities, based on a comprehensive summarisation of CSR domains contained in Socrates: The Corporate Social Ratings Monitor (Kinder, Lydenberg, Domini & Co. Inc. 1999), a database that describes and rates more than 600 companies in terms of their CSR records. These domains of CSR activities are:

Community Support: The company provides support to the community with the use of health and educational and housing programs for financially disadvantaged. The generous and innovative giving is promoted

Diversity: The Company provides initiatives for sex, race, family, sexual orientation and disability diversity

Employee Support: The Company promotes health and safety, ensures job security and profit sharing, develops relations with the labour unions and allows employees involvement.

Environment: The Company avoids the use of hazardous waste management techniques, uses and produces environmental friendly products, develops pollution control and recycling techniques.

Non-domestic Operations: The company prevents operations in countries where human right violations occur or unhealthy labour practices take place.

Product: The company produces safe products and promotes research and development and innovation.

Following the same line Johnson et al (2005) present a checklist of the organisation's responsibilities. Those responsibilities are divided into two categories, the internal and the external aspects of CSR, based on the areas that the organisation's activities can affect. Internal aspects of the company's activities can include employee welfare, working conditions, job design and intellectual property. External aspects of activities can include environmental issues, products, markets and marketing, suppliers, employment, community activity and human rights.

The Understanding of Corporate Social Responsibility and Globalisation

Most firms take ethical and moral behaviours and activities expressing the concerns of consumers' and shareholders' interests or increase the investment in the corporate social responsibility projects. However, the previous aspects are not the true understandings of corporate social responsibility. Baker (2003) proposed that corporate social responsibility is about how firms employ and control their business activities and processes producing a positive outcome for the whole society. Moreover, the definition from the European Commission (2011) is more comprehensive and meaning, which is that companies incorporate social and environmental concerns into their business activities and the interaction with their shareholders and consumers to benefit the whole society. These definitions on corporate social responsibility concentrate on the improvement of social welfare and society. However, the definition from the European Commission further indicates that environmental, social and ethical issues are embedded in the business processes. In this study, the true meaning of corporate social responsibility is that firms integrate environmental, social and ethical issues in business processes and decision making process with the motivation of benefiting the stakeholders.

The concept of globalisation is described as one of the most leading thoughts considerably affecting modern business theories and practices. This concept significantly make most scholars and practitioners concentrate on its influences on every aspect of human living and modern business, such as economic restructure, firm's business operation, environment sustainability, culture, technology and governance (Bhagwati, 2004). Scherer and Palazzo (2008) proposed that globalisation is defined as a process of amplification and acceleration of social activities and economic cooperation across areas and countries. This process makes multinational corporates gain more free space and flexible to employ international business and trade for more profits. However, without more restricts on law, regulation and social influence in a specific area or country, new global problems and challenges are produced during this process, such as climate change, distribution of income and welfare and terrorism (Scherer and Palazzo, 2008).

In early stage, globalisation involves the transformation and development of technologies in host countries, information sharing in different economies or continents, human resource mobility, and foreign investment from developed economies to less developed countries.

However, both developed economies and developing economies have critically encountered religious, environmental and social issues resulting from globalisation (Elizabeth, 2005; Miles, 2007; Lauder et al., 2006). Under the influence of globalisation, economic liberalization, international cooperation between different countries and the previous aspects, such as the transformation of technologies and others, considerable countries have experienced the benefits from globalisation. Furthermore, these countries also need more efforts to be encountered with the challenges and threats created by globalisation.

The Impact of Globalisation on Corporate Social Responsibility

For multinational corporates, globalisation not only brings more opportunities and benefits for multinational corporates, but also makes multinational corporates adapt to the changing environment and accept the unprecedented challenges in the global level, industrial level and other levels. Corporate social responsibility is considered as one of the most significant aspects facing firms employing international business. In other words, multinational corporates reconsiders the fact that the moral, ethical, environmental and social issues should be incorporated into the process of decision making on business strategies and operations.

Globalisation to a great extent promotes this evolution of corporate social responsibility all over the world. In one hand, globalisation further makes the public and organizations recognize and understand the negative consequences, such as the increasing income inequality, the exploitation of labour, and environmental unsustainability (Thomson, 2002). Since multinational corporates and their business further deepen this trend of the negative consequences, corporate responsibility is paid more attention to by the public and international community. However, on other hand, the development of international business and the activities of multinational firms are considered as the solution of global problems, such as the supplier of public goods and the protection of citizenship rights and human rights (Matten and Crane, 2005). Corporate social responsibility is to some extent viewed as one of the considerable forces to solve the negative consequences of globalisation and the existing global problems. The following will give the specific discussion on globalisation and its effect on corporate social responsibility.

In accordance with the theoretical perspective, there are two aspects of the effect of globalisation on corporate social responsibility. First, economic growth not only makes the public and national governments concentrate on welfare augmentation and its benefits for the society, but also makes them recognize that economic development is the consequence of the combination of social, economic and moral implications (Friedman, 2006). In ideal environment, economic growth will provide the equal distribution of income and welfare, the respect and protection of human rights and other aspects, which all people will share. However, globalisation to a certain extent further intensifies the phenomenon on inequality. During this process, who to be responsible for the balance between economic growth and inequality is considered as the significant path of coping with the negative consequences of globalisation. This study argues that governments, firms, consumers are described as the principal undertaker. For firms, they are significant undertakers responsible for the public and social interests and moral issues. The firms incorporate social, environmental and moral issues into the process of their decision making and take the rational responsible behaviour and activities, which brings more and more profits for their shareholders and interests for their stakeholders in the long term. However, some firms made some decision and illegal and immoral and were responsible for the bad consequences. For instance, Enron scandal is considered as the most important example on illegal operation and misbehaviour making shareholders responsible for the huge loss (Healy and Palepu, 2003).

Second, during the process of globalisation, the firms can maximize the efficiency and the performance of firms' business through the worldwide allocation of resources. Nevertheless, the firms encounter the fierce competition beyond the spectrum of country or area. The competition not only brings more value and interests for their consumers, but also makes firms rethink their concerns of social, ethical and environmental issues and decision making process. There is a fact that more and more consumers concern the perception of firms' environmental and social issues and socially responsible behaviours. Furthermore, the shareholders and stakeholders also focus on the implement of the strategies on environment and social communities. They will invest in the responsible and sustainable companies that produce the benefits and profits in the long term. Based on these facts from consumers and shareholders, more and more companies concentrate on the implementation and development of social responsibility.

Conclusion

In summary, during the process of globalisation, there are the emergence of the global problems and negative consequences, such as global warming and climate change, the increasing unequal distribution of income and welfare, the abuse and invasion of human rights and others. These elements promote the focus and implement of corporate social responsibilities when multinational corporates employ international business and trade. Moreover, the worldwide competition and consumers' and shareholders' perception make the firms recognize and rethink corporate social responsibility and decision making process concerning environmental, social and ethical issues.

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