11th International Conference on Corporate Social Responsibility
Lahti, Finland

Disclosing the jargon of sustainability
by Shahla Seifi & David Crowther

Whether to Deregulate is a Moral Issue
by Tibor R. Machan

New accounting for Corporate Social Responsibility
by Sue Ann
Welcome to the latest issue of the Review. You will find inside a number of interesting and informative articles. The Review continues to develop – a reflection of the strength and vibrancy of the Network. For this issue we would like to thank our associate editor Lina Gomez for her hard work in improving its format.

As we write this we have just returned from our 10th annual conference, successful and enjoyable as usual and now we are preparing for our 11th to be held in Lahti, Finland in 2012. You will find details of this later in the issue. And you will also find details of our latest book – which all delegates to the 10th conference received a copy of. And Social Responsibility has moved to online submission with early electronic publication of accepted papers. So the Network continues to develop.

As usual this issue of the Review contains a varied selection of content but the number of articles we publish is continuing to increase. So too is the variety of topics which people want to write about – a reflection of the strength and breadth of issues which concern people in the field of social responsibility. As usual people who write these value the comments of other people, so when you have read the article then please take the time to send some comments to the author. It does not matter whether you are in agreement or completely disagree – any feedback is valuable to each of us as authors. Most of these authors are new contributors to the newsletter. So read their articles and think about writing an article yourself for the next issue…

That is all for now. Read the articles and look at the news of our future activity. And consider contributing to the next issue. And please distribute copies of this Review to anyone who you think might be interested – and direct them to the website for further details of our activities. We will be in touch again in the near future.

Social Responsibility Review was formerly known as the Newsletter from the Social Responsibility Research Network
The Social Responsibility Research Network Constitution

For each issue of the Review it is considered to be appropriate to print the constitution of the Network. This was agreed at an open meeting during the 2005 conference in London. But note that no Board has ever been elected. So volunteers are welcome… The Social Responsibility Research Network (SRRNet) is a body of scholars who are concerned with the Social Contract between all stakeholders in global society and consequently with the socially responsible behaviour of organisations.

1. Mission

The mission of the SRRNet is to promote collaborative, cross-cultural and international research on any aspect of its social responsibility agenda, to improve knowledge by such research and to disseminate such research globally.

2. Strategy

The strategy to accomplish the mission will be based on:
• The exchange of research through of its website;
• The promotion and organisation of a series of international research conferences, ideally in various parts of the world and each under the leadership of a named individual;
• The production and dissemination of an academic journal;
• The production of such other publications as are deemed appropriate and for which sufficient funds exist;
• The promotion and organisation of a series of international visits and collaborations (depending upon funding) to work on special projects.

3. Organization

Membership of the network is open to anyone. It is a formally constituted organisation governed by this constitution and managed by an elected / nominated board. The management of the network will be delegated to this board, which will be supplemented by a general meeting, open to all members, which will take place at each conference organised. Membership of the board will consist of:
• One member elected at each general meeting, who will serve for 3 years;
• Each conference organiser, who will serve for 2 years prior to and 2 years subsequent to the conference organised;
• The journal editor.
The board may also appoint additional members as deemed necessary, and from its membership shall nominate a chair and a treasurer.

4. Financing

To achieve the mission, the SRRNet (via its board) will seek sources of funding and sponsorship. Additionally it will receive funding via the conferences and the sale of published material.

Chairs of the Network:
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Personal impressions of the 10th International Conference on Corporate Social Responsibility
New Orleans, USA, May 2011

Lina M. Gomez¹, Young Academician Award 2011

It is a great pleasure to write about my impressions and opinions of the 10th ICCSR held at Loyola University in the beautiful and vibrant city of New Orleans during May 2011. I’m Lina and I’m a PhD candidate in Organizational Sustainability at Universitat Jaume I in Spain.

This was my first time attending the conference organized by the Social Responsibility Research Network (SRRNet), and I have to say I’m really impressed about how kind and friendly were all the attendees, I felt very welcomed.

I had the opportunity to present two papers. The first one (presented during the Doctoral Colloquium) was related to my doctoral dissertation about CSR communication through corporate websites and social media channels (such as Facebook, Twitter, and YouTube, among others). The second was about CSR and Sustainability views and leadership on Twitter. The Doctoral Colloquium is an excellent opportunity for PhD students to receive quality feedback about their work. I’m grateful to all the attendees and the discussant of my paper who gave me valuable suggestions and opinions about my dissertation to continue working towards my degree. I was also awarded as the Best Young Academician; this has kept me enthusiastic in order to finish my dissertation soon! In general the conference was a fruitful and a rewarding experience for me and I think for all the PhD students that attended.

Besides the Doctoral Colloquium, parallel sessions were also fundamental spaces for both presenters and attendees in order to learn and discuss about CSR and Sustainability themes. Around 80 people (between conference attendees, presenters, organizers) from different corners around the world (and from distinctive backgrounds) were witnesses of the CSR and Sustainability trends presented at this conference. CSR/Sustainability topics ranged from employee engagement, NGOs, economic recovery, regulation, to case initiatives from Africa, Asia, and Europe, among other issues. Different approaches and ideas about CSR were presented but one goal in common was reached: to show how and why CSR is important for all types of organizations, and for achieving a sustainable society and environment.

Another important session was about getting your paper or doctoral dissertation published in academic journals such as the Social Responsibility Journal. The editors of this journal, Dr. Crowther and Dr. Aras, gave us meaningful advices and guide us about what to do and not to during the process (before, during, and after) of publishing in a journal.

One of the advantages of attending conferences like this is the opportunity for socializing and networking. In addition to the conference sessions, other settings such as the coffee breaks, lunch and dinner time (sorry I missed the dinner at the Westin, but I heard the

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food was really good!), promote informal talking in a more relaxing environment where opportunities for collaboration and partnership always arise.

I want to thank all the conference organizers, SRRNet, and Loyola University (BTW, beautiful campus) for organizing and holding this conference. I think New Orleans (NOLA) was the perfect scenario to hold this conference for the first time in the United States. In spite of all the problems this region has faced during previous years and overcoming a natural disaster, its people have showed us an example of a responsible society. There is something about NOLA, maybe is the food, the people, the Mardi Gras carnival, or the Mississippi river, hope all of you had time to visit and explore the city like me, it was worth it.

CSR is here to stay, we as a network must continue learning, working, and discussing about CSR, so all organizations around the world can understand how fundamental and powerful CSR is for the overall business purpose. We’ll continue the discussion next time on May 2012 in Lahti, Finland about CSR and responsible risk management. Looking forward to see you all. Thank you for your attention.
Whether to Deregulate is a Moral Issue

Tibor R. Machan

There have been plenty of studies, economic analyses, investigations, and related work showing that government regulation is harmful, stifling, inefficient, very costly, and otherwise destructive. Despite this, the actual regulatory onslaught continues full force, and more is to be expected. The alleged deregulation constantly mentioned by people who blame the free market for the recent financial fiasco was minuscule. The volume of regulations was never reduced. Why is this so?

The research has shown that regulations rarely achieve the goals set for them by Congress. Studies indicate that relentless government regulation has undermined productivity and competition and increased political favoritism and corruption. Market failures or imperfections, so called, have not been eliminated by way of government regulations since the resulting political failures outweigh whatever help regulations appear to offer. Why do millions still continue to believe in the desirability of this discredited system?

Even those few prominent individuals who have come to doubt that regulation is useful consider it a proper function of government where it can achieve its goals. Many more believe that even where government regulation has proven to be ineffective and harmful, the task is simply to muster up greater effort, to "clean up" the agencies, to tighten regulatory specifications—never to abandon the task. In an article in Commentary Magazine several years ago, Paul H. Weaver pointed out that Americans overwhelmingly support "the full range of present-day public programs to which [the New Deal] has given birth. Indeed, something like half the population would like to see the government provide even more benefits and intervene in more areas of social life than it already does.... Yet by almost equally large margins, Americans also say that the institutions responsible for creating and running the New Deal state are currently in the hands of liars, cheats, frauds, and profligates." Never mind that economists and social scientists have produced an enormous body of evidence that discredits the very activity of government regulation and it has often been shown that alternatives to such regulations are possible and more desirable!

Why More Regulation?

Some solutions have been offered to the resulting puzzle about the persistent belief in regulation's desirability. Since it is mostly economists who study government regulatory activity, they are also the ones interested in why their studies fail to alter policy. The explanation usually offered is that regulation has not been discontinued because the legislators and regulatory bureaucrats are like all other people—they work to benefit

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themselves. It's self-interest that accounts for the continuation of regulatory activities. This is the story told by public choice experts.

This explanation, however, is vacuous. We can't get anything from it, any more than we can from an explanation of animal behavior by reference to instincts. It doesn't explain anything. Why do cats swim in water? Well, they have the instinct to swim in water. What does that mean? It means simply that if you throw them in water they will swim. Why do regulators continue with regulation? Well, because they want to continue to carry out their regulatory schemes. This is not at all enlightening. Of course, this misrepresents the complexity of the theory that underlies such explanations. But instead of dwelling on that here, let's consider an alternative explanation.

People often act as they do because they are guided by certain ideas and ideals. Ideas have consequences! And many of the central ideas guiding people in their personal conduct are moral or ethical ideas. Ralph Nader, for example, often makes reference to justice. He has insisted often that it is unjust not to prevent product failures via government intervention. He insists that certain people are being victimized. He argues that certain kinds of corporate activities are evil. Freely using these concepts to explain political and economic affairs, he reflects the views of millions of people in our culture.

These kinds of ideas and ideals are powerful guidelines and motivators of human action. And there is something distinctive about moral or ethical ideas—as opposed to, say, scientific, technological, or legal ideas—as principles of human action.

A moral idea or ideal is one that provides guidelines to human beings simply as human beings. Why should I be honest? Because by their very nature human beings as such ought to be honest. Why should I be just? Because human beings as such should be just; if an action, policy, or entire institution recommends itself on the grounds that it is just, any human being in the community should support it. Why? Basically because that is how human beings become decent, respectable, and so forth, what nearly everyone insists they ought to strive for.

Moral Reasons

This is very different from offering an economic explanation for what I do. "It paid well" is not comparable to "It was the just thing to do." Nor is it the same as referring to my preferences. Why did I select that ice cream? Well, I prefer it. That I selected it or that I prefer it does not imply that everyone ought to do as I did in such circumstances.

What then is the moral case for continuing government regulatory activity? It is that, despite what economists and many others have demonstrated, people believe that the goals that regulation aims to accomplish are just goals; they are morally justifiable goals to strive for. A person who believes that to defend his community or to educate his children is a matter of justice is not likely to be moved—and, if his belief is correct, he shouldn't be moved—by the fact that these will be very expensive. He will say: "I'm sorry. Those sacrifices are justified
because this is a moral goal; it is one's duty to do it. If the cost is high, one must work harder so as to provide the funds for it."

We can talk endlessly to Mr. Nader, Paul Kurgman, and Co. about how costly and inefficient government regulation is. If they believe that the goals are morally superior to the other goals that have to be sacrificed so as to pursue them, they will insist that strictly economic concerns can be discounted.

This exact view has been voiced by David Ferber, solicitor with the SEC, in a reply to free market economist Henry Manne, both writing in the Vanderbilt Law Review. Commenting on the regulations imposed by the SEC, Ferber observed, "Since I believe Congress was attempting to improve the morality of the marketplace, I think that the economic effect is largely irrelevant." Edwin M. Zimmerman, assistant attorney general with the antitrust division of the Justice Department, made the same point in his essay in Promoting Competition, a Brookings Institution volume. He denies that economic efficiency was ever the impetus for regulatory laws.

Plainly put, many who support regulation believe this to be the correct way to try to achieve valued goals. They are dead serious about this. And if they are right, they are also on target when they counter that objection based on inefficiency and high cost are trivial, if not outright callus.

So moral ideas are important in this area, so important that there are some who even feign moral reasons for supporting government regulation. When lobbyists and corporate executives appear before Congress and ask for handouts or subsidies or tariffs, often the bottom line is that these would be in the public interest, the public good, the national destiny or for God and country, as the old saying goes. Those are usually ornaments for shortcuts on the marketplace. But unless people took such ideas seriously, those asking for favors would not bother even to mention them. These are crucial moral terms that count. There are enough people everywhere motivated by just such moral ideas.

Can anyone doubt, then, that deregulatory policies would also require moral support? It's not enough to say, "Well, regulation costs too much and it's inefficient." An alternative moral perspective is needed to conclusively establish the propriety of deregulation. Economic arguments alone do not suffice. But is there anything in the way of ethics that might support deregulation?

If we look at prominent and widely articulated beliefs about what is right and wrong, we find that altruism is pervasive. Altruism literally means "other-orientedness." This morality is a sort of grab bag for all the various moral systems the bottom line of which is that one's life must be led so as to secure the welfare of others, either today or tomorrow. It is the view that every person's prime purpose is to live for others—humanity, one's country, and one's race. There are variations on this view, but they all come to this. JFK's famous utterance, "Ask not what your country can do for you, but what you can do for your country" is a clear case in point.
Just Helping Out

When made to apply to political policy, the altruist ethic implies that government must try at all costs to achieve the goal of helping people, however bungling, inefficient, or otherwise objectionable such efforts might be. In a debate in an old issue of Analog magazine (April 1975), we find this attitude well illustrated in the words of Alan E. Nourse, a fervent defender of national health insurance, a topic of considerable current interest. He tells us that it is "not a new concept nor is it a particularly efficient concept as far as health care delivery is concerned, because many many precious dollars will be dribbled away to administration."

Does this suffice to dissuade Mr. Nourse? Do such economic considerations lead to the conclusion that national health insurance or today “Obamacare” is a bad idea? No, counters Nourse, because "it is a concept that might—repeat might—meet some of the desperate health care needs that exist today." If the primary responsibility of government is to engage in helping other people, then trying, even in the face of evidence that it will not do any good, is quite justifiable. People who share those values will simply continue in the face of disastrous performance records.

But we need to consider whether altruism is really the system that should guide us in our lives. The question is not whether certain of our virtues are other-oriented, nor whether in certain circumstances we are obligated to look out for others. The question is whether we are to live our lives primarily for other people.

In a few paragraphs, all the issues involved cannot be covered. There is one interesting point to be raised against altruism, however. Why is it that everyone deserves this prime consideration from others, but not from themselves? Why is it supposed to be this daisy chain of my doing benefit to you, your doing benefit to him, his doing benefit to her, etc.? It clearly engenders meddlesomeness in human affairs. It invites more rigorous attention to other people's circumstances than to one's own; because if one is first morally obligated to benefit other people, then their circumstances, their needs, their aspirations, and their wishes must be known. One must obtain the maximum amount of information about those people, and one must do everything possible to find out what will indeed benefit them.

This explains why there is such widespread government information-intrusion in people's lives. Government, too, must know about others in order to help others. It must be able to walk into private homes, for example, to make sure that welfare recipients get the right care. It is its obligation, according to altruism.

Although altruism claims that individuals should live their lives so as to benefit others but not primarily to benefit themselves, they would, just on the face of it, seem to know much more about themselves to start with. So if people do deserve a lot, why is it that others should do it for them as opposed to their doing it for themselves? This is a puzzle, and it's worth considering. But let's leave aside the full criticism that could be offered against altruism and take up as an alternative moral theory that, not surprisingly, is going to be called ethical egoism.
Self-Help

Now ethical egoism—in ancient Greek moral philosophy known as eudemonism—is not egotism which is an excessive concern with one's image or at least with one's reputation or power. Ethical egoism, in contrast, is a rational concern with one's own bona fide happiness. It holds that every human being's prime moral purpose in living is to achieve happiness in life—the fulfillment, throughout one's life, of one's potential as a human being. Happiness is the result of excellence at being human. Here, a person's primary responsibility is not to do good for others, although it may still be true that on many occasions human beings should do what is good for others. The primary moral responsibility of individuals is to achieve their own happiness in life.

So we have an alternative ethics. Is it possible, in terms of this ethics, that in the process of regulating our commercial and many other activities, government is violating certain moral and political principles?

Government regulation usually involves the following. Some activity by some commercial agents, manufacturers, or industrialists might be of harm to someone who is going to buy their product. If it is possible—just barely possible—that these activities will produce some harm to others, the activity is prohibited or regulated. As Senator Javits once put it in a personal communication on the subject of vitamin C, the government must protect citizens against potential possible hazard.

Now watch those qualifiers: potential, possible hazards. Even a hazard is only a possible harm. A hazard doesn't guarantee harm. A lot of people have hazardous jobs, meaning that the likelihood of getting hurt in those jobs is considerable. Now imagine a possible hazard. What then is a potentially possible hazard? To be safe in life from "potentially possible hazards," one must be protected in everything.

If, however, one's primary obligation in life is to achieve happiness, and if one shares this obligation with other people—so that they should achieve their happiness—then, what must first of all be protected and preserved in a social context are the conditions that make it possible for people to strive for or to pursue their happiness. For example, the Declaration of Independence refers to the protection and preservation of rights we have as human beings—the rights to life, liberty, and the pursuit of happiness.

If these were indeed rights that we have and that ought to be protected, then in the pursuit of our happiness, someone else's interference would be wrong, morally wrong. Not just inefficient and very costly, but morally wrong—wrong because human beings should not act that way. In most of the criminal law this point is observed carefully, even if not fully consistently. The burden of proof rests with the prosecution—those who believe they have reason to impose burdens on citizens. Unfortunately, the same principle goes by the wayside when it comes to administering government regulations. If members of an industry, profession, or trade engage in "potentially possible hazardous" activities, there are now legal grounds for placing heavy burdens upon them.
A Risky Business

The most persuasive argument in support of this practice involves what Ralph Nader never tires of citing the famous thalidomide case. Many European women took the drug during pregnancy but the FDA barred its distribution in the United States. It had tragic results in Europe; but in America, almost no one was hurt from the drug. Nader constantly remarks this upon, in his numerous talks and essays in support of federal regulation of the food and drug industry.

Now it is clear that if guaranteed safety is the highest value we should aim for in life, then Mr. Nader and Co. are on the right track. If it is our prime duty to make certain that other people are safe, then we should never profit from nor allow others to profit from selling them some goods or services that just might be hazardous. But if freedom to seek our own well-being, the political and economic liberty to make our own way in life, is the highest political good, then even the tragic events associated with the thalidomide case do not suffice to give support to government regulation.

Life is undoubtedly a risky business. Those who want to accept risks may not be prevented from doing so regardless of how convinced we are that they are foolish to take these risks. We may not prevent mountain climbers, auto racers, horseback riders, firefighters, and even plain, ordinary consumers of voluntarily acquired drugs and foods from doing what they have chosen to do. Nor may we gather into majorities and legislate these wise prohibitions for them.

We can, however, point out how life can be made safer! Hazards can be overcome in a free society, even when other people pose them by their sloppiness, negligence, greed, or stupidity. Government regulations preempt a crucial human virtue: the willingness of industrialists, manufacturers, professionals, to do well at what they have promised themselves to do well-their jobs. By usurping the field of morality, by forbidding the risky business of people's developing themselves and getting on in society through mutual self-development, government regulation is a gross denigration of human dignity itself.

Altruism is the main moral game in town. The only place it is not advocated very much is in psychotherapy sessions and books on self-help therapy, because in these areas people have come to face up to the debilitating consequences of living by such a moral point of view. Entire political institutions, however, are built on the doctrine of altruism. Among these, governmental regulation of people's productive, trading, or consuming activities is just one. Others include all the victimless crime laws, "blue laws," involuntary mental hospitalization statutes; and the list could go on.

But altruism is a view that does not prepare one for coping with life on earth. It stifles personal growth, ambition, self-development; and it encourages deceit. We must claim that everything we want to do will be good for others, just so we can "get away with doing it." And it also gives perfect excuses for our failures- "I did it for you. I lied, killed, maimed, stole, and cheated only because I meant well for you."
Stopping Meddling

Without affirming, with utmost confidence, the alternative moral position—so that each person can realize that the prime moral goal in life is to excel as a person, to become the best one can become in life, given one's human nature and one's personal potentials as an individual human being—the case for stopping all this meddling in people's lives cannot be made conclusively. Sure, governmental regulation is inefficient, devours our income, breeds corruption, centralizes enormous power, stifles production, leaves people overburdened with bureaucratic trivia; but if its goals are morally superior to others, so what? We must be heroic; we must sacrifice for the great good that we might—"repeat might"—achieve. We must toss aside this materialist concern for efficiency, thrift, and prudence. We must march on the noble trail of doing good for our fellow human beings, whether they want it or not.

If, however, we should aspire to our own happiness, if this is our primary moral task, then others should abstain from interfering with us; then regulation is not just uneconomic but wrong. Government regulation violates our rights—period. And we have those rights because it is we, individually and in voluntary cooperation, who should strive to live, produce, trade, and consume. Only by realizing that this is a matter of profound moral truth—not merely of convenience, efficiency, cost, or pleasure (although not without rewards in these respects)—can we overcome the intellectual and basic moral force of the case for regulation.

That will not lead to instant deregulation. But it will have robbed the meddlers of their most potent weapon—the appeal to people's frequent, even if not fully consistent, concern for doing what is right in personal and political matters. Even Nobel Laureate Paul Krugman of Princeton University and columnist for The New York Times has come to see that the case for interventionism needs moral backing, so he has gone out of his way—in The New York Times (Sunday, January 8, 2011) to present what he takes to be such backing. (That he doesn't succeed because no moral case can rely on coercion—men and women must freely choose to do the right thing for actions to have moral significance—doesn't seem to phase him at all.4)

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4 See Paul Krugman, Princeton University Nobel Laureate in economic science and columnist for The New York Times, has explained his "moral" position (in his column, "A Tale of Two Moralities," TNYT, January 14, 2011). He noted that he doesn't believe that when you earn something, you own it. It is unclear whether he believes we own what we haven't earned, such as our kidneys or eyes! Maybe he thinks that as with earned resources, these unearned ones, especially, belong to the government which can proceed to distribute them just as Krugman thinks it can redistribute the resources citizens have actually come by through hard work, ingenuity, luck and the like.) See my discussion of this point at http://tibormachanrationalreview.com/2011/01/column-on-krugmans-incoherent-moral-stance/
From Corporate Social Responsibility (CSR) to...Club Stakeholder Relationship (CSR): the case of football

Christos Anagnostopoulos

Although organisational and management scholars have taken an interest in CSR since the 1970s, this concept has only lately penetrated the sport management research field. Despite this late engagement, the practice seems to have a growing appeal for the sport scholarly community, and the football context has not been immune to this development. This is, perhaps, because the sport of football has become a business sector of its own. Indeed, football’s popularity is reflected not only in the enthusiasm of the several million people who follow it – in one way or another – but also in a rapidly growing literature about the business side of the ‘beautiful game’. Football is more often than not, however, deplored for its negative business practices such as corruption, astronomical transfer fees, illegal betting, poor governance, bad player behaviour and controversial take-overs to name but a few. As a consequence, questions concerning the legitimacy of football clubs and their position in society have proliferated (Slack and Shrives, 2008). It is only recently that the football world has started using parlance to denote the positive side of the sport’s business life. Corporate Social Responsibility (CSR) is concerned with grasping the power of football and channeling it into society for intended ‘good cause’ business agenda.

But again, if one accepts that modern football is inextricably linked with various business attributes, one must also mention that football differs from other, more conventional, businesses. For example, the business sector in question is characterised by a mixture of competition and cooperation. Also, the majority of football clubs’ custom is governed by a unique paradigm: it has a very high degree of brand loyalty which means that consumers are unlikely to switch allegiances even when the product on offer is poor. What’s more, and perhaps more importantly, European football has an unusually broad social and cultural element, boasting an integral connection between elite and grassroots sport.

So football business is not like any other business, and herein lies the problem with the concept of (or better saying, the acronym of) CSR. For one thing, the emphasis on ‘Corporate’ seems to be, if not misleading, certainly inaccurate. ‘Corporate’ implies that football clubs can be seen as corporations, on an equal footing with the Coca Colas, Microsfts and MacDonalds of the world. Despite various arguments that have been put forward that top European football clubs possess transnational characteristics in terms of (a) global reach, (b) corporate structures, (c) labour markets and (d) branding (Giulianotti & Robertson, 2009:82), the majority of European football clubs (if not all of them) present themselves as community and social institutions, albeit with the adoption of a more business-like ownership and management

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6 In this article the term ‘football’ is preferred to the common North American vernacular ‘soccer’ and should be read as synonymous with it.
structures (Hamil & Morrow, 2011). But again, even disregarding the shareholding pattern that characterises the big corporations (e.g. Coca Cola, Microsoft etc) – a model that City institutions no longer regard as viable for football clubs – the business actions of the latter cannot usefully be compared with those of the large transnational corporations. As an illustration, consider this: the Coca Cola soft drink alone (that is, excluding all other Coca Cola Company products) became the first brand to top £1billion in annual grocery sales, solely in the UK. Europe’s top twenty revenue-generating clubs, on the other hand, earned £3.4billion between them in 2008-2009. Add to this that the net debt in respect of the twenty Premier League football clubs at the end of the 2008-09 season was £3.3 billion, whereas the net debt of the twenty two championship football clubs for the same season was £406 million (Deloitte, 2010). As the CSR manager of perhaps the most commercially successful football club in England told the author, “we can walk round the corner into fifty other businesses that are much bigger than ours; their brand, though, isn't as big as ours and that’s what makes the difference”.

But it is not only the term ‘Corporate’ I feel uncomfortable with. What does ‘Social’ mean in the football context? Or, who do football clubs really have a 'Responsibility' to? As regards the first question, the argument has been that using the term ‘social’ appears to reinforce the ‘separation thesis’; that is that we should separate 'business' from 'ethics or society'. Well, should we? I agree with Freeman and Velamuri (2006) who put the ‘separation thesis’ argument forward and warn against its implementation, by adding that if it is a valid one, its validity cannot be stressed enough when talking about football clubs. Cowe (2004), for example, refers to some ethical issues that football clubs should not ignore if they want to be seen as ‘responsible players’ in the business arena. Environmental impact (e.g. supporters’ car travel and parking), supply chain management (e.g. liaising with replica kits suppliers/manufactures with high labour standards), diversity and racism (e.g. social exclusion, xenophobia) are some of these ethics-related matters that should go hand-in-hand with any sort of business-focused practices adopted by football clubs of any size. Moreover, the social value of sport (and for football in particular – see the recent report by Substance, 2010) has been outlined in the European Commission White Paper on Sport:

“Sport generates important values such as team spirit, solidarity, tolerance and fair play, contributing to personal development and fulfillment. It promotes the active contribution of EU citizens to society and thereby helps to foster active citizenship. The Commission acknowledges the essential role of sport in European society, in particular when it needs to bring itself closer to citizens and to tackle issues that matter directly to them”.

Of course, when the discussion comes to the second question, it is the sector’s most valuable customers, namely the fans, who will answer ‘yes, football clubs do have a responsibility; their responsibility is to give something back to the community they have emerged from’. Okay, but ‘why responsible?’ is the next question that takes its place in the discourse. The answer here is pretty straightforward. Football clubs have historically held a position at the heart of urban communities; since their formation, they have been representatives of towns, cities and suburbs as well as the focal points for the creation and expression of local identities. Just a quick look at the recent cases of Liverpool and Manchester

7 http://ec.europa.eu/sport/white-paper/whitepaper8_en.htm#6
United football clubs suffice to prove the point. But we are not talking about 'Responsibility' here; rather, 'Relationship' is the term that encapsulates the matter. The point is that it is the relationships that have been developed over the years between football clubs and other businesses, community groups and local authorities that justify the 'demand' for 'responsibilities' to be assumed. It is the relationship with a good number of 'Stakeholders' that keeps the discussion going. Note the way I refer to the term 'Social' in this context; it is the 'Stakeholders' the football clubs are liaising with that form the so-called 'Social'.

So what this (developmental) article proposes here is to replace 'Corporate Social Responsibility' with an idea I call (football) Club Stakeholder Relationship or (f)-CSR. This idea goes beyond mere semantics. 'Club' signals that every football club, no matter what its size or league status, can develop and implement CSR programmes that can have an impact on society. This 'society' is, in turn, defined by the range and mixture of the club’s stakeholders. For the Liverpools of this world, stakeholders may be found in areas ranging from the West Derby area where Liverpool’s training ground is based to the Asian countries whose football customers express an ever increasing interest in the club; with, of course, a remarkable financial return.

But here, (a) the existing relationship with current stakeholders needs to be both maintained and reinforced and (b) the development of an equally long-term relationship with new stakeholders (for those clubs with global leisure brands) needs to be established. One way to do that is through the implementation of CSR programmes. CSR in football, then, becomes a seamless process that deals with contemporary social and environmental issues (present) while looking back (past) but at the same time thinking ahead (future).

For the business of football, however, this seamless CSR process first requires the redressing of a host of issues inherent to the business side of the sport through, for example, sustainable solutions to corruption and illegal betting. But this seamless CSR process also calls for adjustments in club structure in order to better integrate existing and new stakeholders as well as to facilitate 'good cause' actions. When even the governing body for European football, admits that “it (CSR) hasn’t really sunk into the DNA of the organisation”, the long distance football has to cover until it fully exploits its strength in the matter becomes clear. Let me give you another example to illustrate the need for, first and foremost, an ‘internally-based’ CSR: when I spoke to a top-tier football club, it was the year the club was relegated (and went into administration); they were very passionate about the CSR work they do for the local community through the established charitable trust – and admittedly, that work was pretty evident during the discussion. For them, the football club is “such an integral part of the whole community”. Well, I witnessed the amazing job they do, no question about that. But we also know that the club deprived the community of something like £10-11m of tax revenue, as the club’s financial difficulties led to their non-paying of tax. It is precisely what another Premiership football club told me: “you got to be careful because CSR has become one of the sort of sexiest or buzz things in football, and in most cases the trade-off element is very common: I plant trees around the stadium, but we are not a carbon footprint organisation...”.

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8 Personal communication with the author, November 2009.
Should, and hopefully once, CSR becomes part of the clubs’ DNA, it will attract attention towards more CSR with real substance; CSR which moves away from PR campaigns and image-based initiatives. Football clubs (and football bodies) will have to convince people “that this is not just sort of window dressing”, as a football governing body emphatically told me. Rather, CSR needs to be serious, consistent and solid.

Given that football has a unique ability to engage, inspire and motivate people, other types of stakeholders – beyond the fans themselves – such as sponsors or suppliers are very keen to join forces with clubs, at local, national and international level. Having fully integrated the concept of CSR into their business operations – “CSR having become the organisation’s business ethos”, as another football body said to me – clubs can exert influence or impose certain sets of actions on these stakeholders. In doing so, the territory over which the football clubs’ power has an impact expands, and so do the benefits for both the clubs themselves and society at large.

Fostering economic and social development using the power of football can also become a decisive means for clubs to win over the increasing number of critics who claim that, once ‘the people’s game’, football has now become a ruthless commercially-based exercise. What remains for football clubs to do is simply (but neither easily nor simplistically) transform the rhetoric into substantial and sustainable CSR actions. Once this is done, writing on CSR, fCSR, or on any other acronym that refers to the impact any business has on the world we live in will become purely an eloquent pursuit.

References

Developing socially responsible management systems in Portuguese higher education: a case study

Ana Cristina Rosa, Rute Abreu & Constantino Rei

Abstract

Higher education is an imperative strategic, because neither Corporate Social Responsibility (CSR) nor quality management system will subordinate to the other. The paper is centered in the new role of corporate social responsibility practices to achieve transparency, accountability and sustainability. The empirical evidence is based on a case study of the Escola Superior de Tecnologia e Gestão (ESTG) of the Instituto Politécnico da Guarda (IPG) and it develops an exploratory analysis. The results show the application Portuguese Standard NP 4469-1: 2008 and they are broadly consistent with others international standards, showing the new public management practices.

Introduction

This research presents the implementation in a Higher Education Institution of the Portuguese Standard of the social responsibility management system to achieve its sustainable development. To understand the implementation process, it is important to remember that in September of 1988, in Bologna, the rectors of 430 universities solemnly signed the Magna Charta Universitatum Europaeum, at the occasion of the 900th anniversary of the University of Bologna. In the official document publish by Observatory of the Magna Charta Universitatum (1988a: 1) states that: “universities must give future generations education and training that will teach them, and through them, others to respect the great harmonies of their natural environment and of life itself”. Also, in the same line of research, Abreu and David (2010) clarify the concept of Higher Education recommend by the UNESCO (1993) that details: “all types of studies, training or training for research at the post-secondary level, provided by universities or other educational establishments that are approved as institutions of higher education by the competent State authorities”. In this sense, the aim of this research is an Applied Project of Master Degree in Management of the IPG. The findings of the Applied Project were the implementation process of a Social Responsibility Management System in a Higher Education Institution as a special type of organization which needs to adopt a social responsibility strategy just like other organizations, in order to meet the expectations of the stakeholders.

9 Ana Cristina Rosa, Rute Abreu & Constantino Rei would welcome any comments on this. Please contact Rute at ra_ipg@hotmail.com
FIGURE 1 - STAKEHOLDERS INVOLVEMENT

Source: Rosa (2009: 78)

Figure 1 suggests the most significant stakeholders separate in two different levels, as defined Section 3.5.2.1. of the NP 4469-1: 2008. The criteria to identify the levels were the influence, proximity, reliance and representation. The Internal Level allows to identify the staff, professors and other personal versus the academics that are identify the (future and present) student as customers, because they pay fees. The External Level identifies the local community where firms and organizations act as suppliers and employers, local authorities or municipalities. Also in the same level exists the society with their professional associations, other universities and Polytechnics, the Foundation for Science and Technology and, finally, the Ministry of Technology, Science and Higher Education. The authors used the same research design by Llewellyn and Northcott (2005). Several sources and types of documents were employed. Firstly, statistics related with Higher Education System were obtained through websites of the IPG and ESTG and other public available information. Secondly, Government documents and European Union papers and official statements were analyzed. Thirdly, academic papers were used to conceptually frame the issues under discussion. This paper is organized as follows. Section 1 presents the materials and methods used in this research, such as the literature review of social responsibility and the management system of the social responsibility. Section 2 focuses on empirical evidence of the development and implementation of a social responsibility management system. Also, it will justify their impact on the CSR principles of transparency, accountability, sustainability and social contract. Section 3 discusses the implications, including limitations and future developments.

Materials and Methods

The authors agree with Abreu and David (2010), when they argue that: “the social, educational and economic resistance to changes and innovations require large amount of time to challenge deeply attitudes, beliefs and standards of living. All of these require large amounts of resources principally the high cost of higher education would easily overwhelmed available financial resources. In particular, higher education to walk a step in the process of education for sustainable
development would have to improve the stability purpose starting on the job satisfaction of the professor in the institution of higher education.”

Literature Review of Social Responsibility

Much has changed in the last years, especially in the concept of Corporate Social Responsibility (CSR). As Abreu and David (2004) defend, there are many factors that interfere in it, so the authors of this research in the literature review of social responsibility want to promote the discussion about the differences. Also, in the sense of public and large organizations around the world, the United Nations (UN) with Kofi Annan’s Global Compact Initiative analyses CSR in a context of globalization. The International Labor Organization presents the Fundamental Principles and Rights at Work. The Organization for Economic Co-operation and Development (OECD) introduced the Principles of corporate governance (1999) and Guidelines for multinational enterprises (2000). Other important documents must be remembered as Universal Declaration of Human Rights, Rio Declaration on Environment and Development and Agenda 21. All documents were strongly reaffirmed at the World Summit on Sustainable Development of UN held, in 2002, in Johannesburg (South Africa).

The EU and, specifically, its Commission presents the Green Paper - Promoting a European framework for corporate social responsibility (COM, 2001) and more recently the Corporate Social Responsibility: A business contribution to Sustainable Development (COM, 2002: 5). In this document the concept of CSR is “whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”. The authors cannot present one definition of the CSR, but this research is in line of the concept of University Social Responsibility (USR). This concept is presented by Vasilescu et al. (2010) that states “the need to strengthen civic commitment and active citizenship; it is about volunteering, about an ethical approach, developing a sense of civil citizenship by encouraging the students, the academic staff to provide social services to their local community or to promote ecological, environmental commitment for local and global sustainable development”. Also, Reiser (2008) defends that “a policy of ethical quality of the performance of the university community (students, faculty and administrative employees) via the responsible management of the educational, cognitive, labour and environmental impacts produced by the university, in an interactive dialogue with society to promote a sustainable human development.”

Social Responsibility Management System

The main objective of the social responsibility management system promotes higher education for sustainable development that involves several characteristics, such as: interdisciplinary and holistic, values-driven, critical thinking and problem solving, multi-method, applicability, and participatory decision-making. Therefore, the authors based on the exploratory analysis of the development and implementation of the social responsibility management system in the ESTG-IPG on the three principles ofCSR proposed by Crowther and Rayman-Bacchus (2004): accountability that is: “concerned with an organization recognising that its action affects the external environment, and therefore assuming responsibility for the effects of its actions”. And sustainability that is: “concerned with the effect which action taken in the present has
upon the options available in the future. If resources are utilised in the present then they are no longer available for use in the future, and this is of particular concern if the resources are finite in quantity”. And transparency that is: “the external impact of the actions of the organization can be ascertained from that organization’s report, pertinent facts are not disguised within that report and can be seen to be a part of the process of recognition of responsibility”. This transparency objective of the future annual reports will show new measures, indicators and discourse within the voluntary nature of the disclosure practices.” Although, it is an essential quality standard, the social responsibility standard published by NP 4469-1: 2008 has been included in the National Strategy for Sustainable Development that advocates the following objectives: Prepare Portugal to be a “knowledge society”; Improve the country’s international connectivity and balanced recovery planning; Improving the environment and natural heritage; More equity, equal opportunity and social cohesion; Sustained growth, global competitiveness and efficiency.

**FIGURE 2 - MODEL OF THE SOCIAL RESPONSIBILITY MANAGEMENT SYSTEM**

In Figure 2, the model used the cycle of Deming and it is a continuous improvement of the Total Quality Model consisting of a logical sequence of four repetitive phases: Plan (P), Do (D), Control (C) and Act (A) and it is always in cycle and re-cycle. Thus, the Portuguese Quality Standard (NP) 4469-1, which entered into force in February 2008, came to meet the needs experienced by organizations in the definition of a management system for social responsibility, specifying which: “Requirements of a management system for social responsibility, which allows an organization to develop and implement a policy, objectives and actions consistent, taking into account legal requirements and other regulations which the organization subscribes”. More important in Figure 2 is the model proposed by Rosa (2009) based in the different sessions of the Portuguese Quality Standard (NP) 4469-1: 2008 that it was presented in Figure 2.
Results

Higher Education System

As Abreu and David (2010) defended “education is involved in constant changes, adopting new process of teaching, learning and promoting well-fair society where everybody has the right to have a proper education.” In this evolution, the United Nations Educational, Scientific and Cultural Organisation (UNESCO) decided to review the role of the international higher education sector. In the World Conference on Higher Education more than 180 formal representation of countries as well as representatives of the academic community, including teachers, students and other stakeholders in higher education took part in this major event held in Paris in October of 1998. At the end of the conference, it was adopted the “World Declaration on Higher Education for the Twenty-first Century: Vision and Action” and the “Framework for Priority Action for Change and Development of Higher Education”. These documents represent an agreement between all participants concerning the principal and key actions needed for the renewal of higher education. This declaration of UNESCO (1998) starts to clarify that: “there is an unprecedented demand for and a great diversification in higher education, as well as an increased awareness of its vital importance for socio-cultural and economic development, and for building the future, for which the younger generations will need to be equipped with new skills, knowledge and ideals”. Understand and ensuring the effectiveness and act efficiently in the sudden processes of changes that higher education is facing, leads to the need to do it in a sustainable development way. As Jobbins (2006) states “higher education is an essential weapon in the battle against poverty; the gains of investing in citizens' higher education are not solely or even largely personal, but accrue to the society at large; countries whose universities are neglected will be left behind”. Also, the demand for education was specify in the article 26 of the Universal Declaration of Human Rights (UN, 1948) that says “1. Everyone has the right to education. Education shall be free, at least in the elementary and fundamental stages. Elementary education shall be compulsory. Technical and professional education shall be made generally available and higher education shall be equally accessible to all on the basis of merit. 2. Education shall be directed to the full development of the human personality and to the strengthening of respect for human rights and fundamental freedoms. It shall promote understanding, tolerance and friendship among all nations.”

Evidence from the case study of ESTG-IPG

The ESTG-IPG starts to apply the Quality Management System following Standard NP EN ISO 9001: 2008 (IPQ, 2008a) in 2004 as the first formal guide of this research. Also, it will be necessary (in a near future) to develop the implementation process of the Environmental Management System following Standard NP EN ISO 14001: 2004 (IPQ, 2004) and an Occupational Health and Safety Management Systems following the Standard NP 4397: 2001 (IPQ, 2001b). The second formal guide was the “Methodological Guide to implement a Social Responsibility Plan” promoted by the Project RSO Matrix (2007a). The third formal guide is the Social Responsibility Management System following Standard NP 4469-1: 2008 (IPQ, 2008b). The ESTG-IPG is an institution that provides higher education in the areas of technology and management, which aim teaching, researching and developing other scientific and technical activities. It is a fundamental link to the local community because it promotes human
resources, unquestionable for the modernization process. The ESTG-IPG has several Higher Degrees, such as: Civil Engineering, Environmental Engineering, Computer Engineering, Topographic Engineering, Equipment Design, Management, Marketing, Accounting and Human Resources Management (Day and Evening Schedule), and Executive Secretarial Studies.

This Higher Education Institution shows constant changes, adopting new process of teaching, learning and promoting well-fair society where everybody has the right to have a proper education. For this reason, the vision of the ESTG-IPG is: “Being Recognized as a Centre of Excellency”. Also, the mission of the ESTG-IPG is: “Guidance of high level professionals that emphasize the "knowledge", the "know how" and "how to be" and stimulating the regional development”. The seven values applied to ESTG-IPG are: “1. Proximity between students and the community; 2. Motivation; 3. Teamwork; 4. Innovation and proactively; 5. Ethics and professionalism; 6. Responsibility, and 7. Proud to belong to the ESTG.” On the other hand, the seven principles applied to ESTG-IPG are:

1. Ethics and Transparency Principle, with Promoting ethics and transparency on activities of ESTG; Developing mechanisms and practices to combat corruption, bribery, traffic of influences and other misbehaviours.

2. Equality and Diversity Principle, with Ensure equal opportunity and treatment; Respect and valuing differences; Stimulate the cultural, social and ethnic diversity.

3. Human Resource Management Principle, with Developing skills, qualifications and lifelong learning; Promoting accountability, creativity and motivation of employees and management; Developing the safety and health at work area; Balancing work projects with the personal ambitions.

4. Environmental Management and Protection Principle, with Promoting projects that contribute to the environment preservation and management; Supporting initiatives to collaborate with the environment preservation and management.

5. Value Creation Principle, with Promoting Total Quality Management (TQM) and integrate social, economic and environmental processes in planning and decision making; Continually improve the effectiveness of the system; Induce R&D, especially applied to the nature.

6. Society Development Principle, with Develop projects focus on local community with involvement of stakeholders; Supporting voluntary action; Conduct solidarity activities.

7. Dialogue with Stakeholders Principle, with Talking with stakeholders in storms of ideas, meetings and other proposals; Ensure an open, transparent and trust relation with stakeholders; Establish channels of communication and consultation of stakeholders in order to integrate their concerns. Figure 3 presents the first principle detailing the actions, the programmes and the indicators that must be promoted by the ESTG-IPG.
FIGURE 3 - ETHICS AND TRANSPARENCY PRINCIPLE

<table>
<thead>
<tr>
<th>Objective</th>
<th>Actions</th>
<th>Programmes</th>
<th>Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>Promoting ethics and transparency on activities of ESTG</td>
<td>Ethical Code</td>
<td>Internal and External Consultation Process</td>
<td>Number of responses received (internal and external)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Disclose and verify the practical implementation of the code of ethics among stakeholders</td>
<td>Number of leaflets</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Transparency through the community access to information about the ESTG Ethical Code</td>
<td>Number of information boards</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Identify the manager of the Social Responsibility System, which should be responsible and free to receive and process complaints of this nature</td>
<td>Number of page views or website</td>
</tr>
<tr>
<td>Developing mechanisms and practices to combat corruption, bribery, traffic of influences and other misbehaviours</td>
<td>Internal Rules</td>
<td>Internal and External Consultation Process</td>
<td>Number of responses analyzed to measure the level of knowledge</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Disclose and verify the practical implementation of the internal rules with stakeholders</td>
<td>Number of complaints and incidents reported</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Awareness campaigns and prevention of academic fraud</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Define the forms of action and communication in case of bribery, influence peddling and unethical behavior</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>Identify the manager of the Social Responsibility System, which should be responsible and free to receive and process complaints of this nature</td>
<td></td>
</tr>
</tbody>
</table>

Source: Rosa (2009)

Conclusion

In a society of intensive knowledge, the demands in relation to the landing of qualifications and competences grew considerably, carrying out the formation and education, in general, and the one of higher level, in particular, a strategic function. The higher education is an essential need of the society and disclosure of social responsibility information that yields better policy to be promoted by all stakeholders. This research was developed with the disclosure of the Standard NP 4469: 2008 made by the Portuguese Quality National Agency. So, despite it is a limitation, because it does not have the same power and level of application of NP EN ISO 9001: 2008, the authors defend that the social responsibility management system is essential to the sustainable development of the ESTG-IPG. And all the stakeholders must be always informed and on an ongoing basis that it will allow each one to take an early recognition, timely involvement and carefully judgment of each decision. Then, transparency is strongly encouraged by the authors which will promote more social responsibility. Indeed, this research is an initial stage of the development of the social responsibility standard application. So, it needs more improvements made by all the stakeholders due to the contradictory points
of view based on their personal interests and beliefs. One limitation is that does not exist similar research in Portugal, thus it is better to have less evidence that could be improved the knowing of Portuguese reality of CSR (See for example, Aras & Crowther, 2010) than not knowing at all of the reality. The second limitation is the existence of an enormous body of laws, regulations and codes that have emerged and been enforced reform that are necessary, but the challenge is to devise a true regulatory framework that enables the banking system to be a more resilient absorber of shocks. To resume, this research is the first phase or the planning of the development and implementation of the Portuguese Social Responsibility Management System, which it is based on the Standard NP 4469-1: 2008, knowing that as UNESCO (1998) says, it could achieve the Education for Sustainable Development: “is a world where everyone has the opportunity to benefit from quality education and learn the values, behaviour and lifestyles required for a sustainable future and for positive societal transformation”.

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Corporate Social Responsibility and Corporate Performance: Evidence from Istanbul Stock Exchange

Banu Dincer & Caner Dincer

Abstract

Purpose: The impact of Corporate Social Responsibility (CSR) on financial performance has been largely examined for developed countries in recent years, but still remains as a scarce debate in developing countries context. Accordingly, the purpose of the paper is to explore the relation between corporate social performance and financial performance in the Turkish context.

Methodology: Using firms quoted in Istanbul Stock Exchange 100, we first determined the firms that integrated CSR in their corporate governance, based on an analysis of the existence of their separate corporate CSR reports and the disclosure practices. Then, we compared the stock performance and financial performance of the firms that integrated CSR and the others using the data covering 2001-2006.

Findings: Our findings show that more than 40 firms have a separate corporate CSR section in their annual reports and disclose information on a variety of social and environmental issues. They have integrated CSR into their corporate governance. But, our results revealed no statistically significant difference between these firm groups according to their stock performance or financial performance. Results also indicated that the signs of the relationship between adoption of corporate social responsibility and sales and ROE were positive as suggested in many similar works but not statistically significant; factors that drive or hinder organisations to implement socially responsible purchasing.

Research Implications: This research emphasizes the need to develop a better and simplified measure of CSR by a standardized CSR index on a country or international basis. The use of a larger sample covering an extended period is also suggested for similar works.

Value: This research will add to the understanding of the relationship between a firm’s financial performance and its CSR projects and help them identify more efficient projects that will boost their performance.

Keywords: Corporate performance, CSR, Financial performance, Stock performance

Introduction

The Corporate social responsibility (CSR) field has grown exponentially since late 90’s in the emerging economies following the developed ones. Accordingly a large number of companies engage in efforts to define and integrate the CSR concept in their management. The demand for transparency and improvements in reporting the social, environmental, and economic performance by the majority of stakeholders are forcing managers to consider social and environmental factors in commercial decision making. Accordingly, CSR can be defined as practices, and programs that are integrated into business operations, supply chains, and
decision-making processes throughout the company and usually include issues related to business ethics, community investment, environmental concerns, governance, human rights, the marketplace as well as the workplace. Surely, it is important that the CSR programs are part of the corporation's values and strategic planning and the CSR strategy is aligned with the company's specific corporate objectives and core competencies. In this way, corporate social responsibility can contribute to the financial performance of a company in the long term.

This research will add to the understanding of the relationship between a firm's financial performance and its CSR implementation, using the data of firms quoted in Istanbul Stock Exchange 100. This will add to the extant literature and help identify more efficient CSR practices and opportunities for further research.

**CSR and CSR Motives**

Adopting corporate social responsibility can be described as considering, managing and balancing the economic, social and environmental impacts of firm's activities. Certainly, adopting the CSR involves costs in the short term and these costs can also be continuous. But, these costs might generate benefits in the long term and ensure the sustainability of the business. Although the benefits of implementing CSR projects are not realized immediately as the costs, they are still important for companies willing to be successful.

The CSR implementation makes companies more transparent and accordingly this diminishes the risk of corruption. This transparency makes the companies implement stricter quality and environmental controls so the risks related to defective product line and negative social events are also diminished. The CSR practices by reducing these risks are helping marketing and PR efforts and they are also reducing the advertising campaign budgets. The companies are also building an enhanced brand image and reputation easier with the CSR related issues attracting both consumers and business partners. CSR practices offer a means by which companies can manage and influence the attitudes and perceptions of their stakeholders, building their trust and enabling the benefits of positive relationships to deliver business advantage. Thus, we can argue that socially responsible companies should have more stable earnings growth and less downside volatility. Moreover, recent surveys indicate that analysts place as much importance on corporate reputation as they do on financial performance (Hill & Knowltown 2006).

Companies with strong CSR commitment often have an increased ability to attract and to retain employees (Turban & Greening 1997), which leads to reduced turnover, recruitment, and training costs. Companies that improve working conditions and labour practices also experience increased productivity and reduced error rates. So, companies that account for the interests of their employees by offering good working conditions will achieve better performance in terms of quality and delivery. Therefore, firms may actually benefit from socially responsible actions in terms of employee morale and productivity (Moskowitz, 1972; Soloman & Hansen, 1985).
Corporate social responsibility can offer opportunities to reduce present and future costs to the business thereby increasing operational efficiency. Some CSR initiatives can dramatically reduce operating costs. The adoption of CSR principles motivates executives to reconsider their business practices and to seek more efficient ways of operating.

It is very difficult to try to quantify and measure separately the benefits of CSR practices so there are empirical methods used to identify the relationship between a company’s socially responsible conduct and its financial performance. This paper seeks to contribute to the existing body of work in this area by examining the extent to which corporate social responsibility contributes to financial performance in the Turkish context.

Literature Review

According to these mentioned benefits arising from the adoption of CSR, many researchers studied the relationship between CSR practices and the financial performance of companies. Margolis and Walsh (2002) enumerated the studies on this issue and they found 122 published studies beginning from the work of Narver (1971) until 2002. We should emphasize that the number of studies has grown exponentially during the last decade as the subject of CSR gained momentum.

In these studies, we observe that the researchers adopt different methodologies for measuring corporate social responsibility and financial performance and they present mixed results according to the used measurement techniques and the selected term.

In terms of technique an important one is the meta analysis undertaken by Orlitzky et al (2003), who integrated 30 years of research from 52 previous studies and used meta analytical techniques to support the proposition that corporate social performance and corporate financial performance are positively correlated.

The event study methodology is also used in order to assess the financial impact when firms engage in socially responsible projects. The results of these studies are also mixed. Wright and Ferris (1997) discovered a negative relationship; Posnikoff (1997) reported a positive relationship, while Welch and Wazzan (1999) found no relationship between CSR and financial performance. Other studies, discussed in McWilliams and Siegel (1997), provide also inconsistent results. Studies using long term techniques have also mixed results, Cochran and Wood (1984) found a positive correlation between social responsibility and accounting performance, Aupperle, Carroll, and Hatfield (1985) detected no significant relation and Waddock and Graves (1997) found significant positive relationships between an index of corporate social performance and performance measures.

Another issue that the researchers are facing on this issue is the lack of consensus of measurement methodology. In many cases, subjective indicators are used, such as a survey of business students or business faculty members (Moskowitz, 1972), or the rankings by magazines (McGuire, J. B., A. Sundgren, and T. Schneeweis 1988; Preston and O’Bannon, 1997), or even the behavioral and perceptual measures (Wokutch and McKinney, 1991).
Considering the financial performance is much easier. Many researchers use market measures (Alexander and Buchholz, 1978), others use accounting measures (Waddock and Graves 1997; Cochrane and Wood 1984) and some adopt both of these (McGuire, J. B., Sundgren, A., Schneeweis, T., 1988). Although, these two measures are easy to use and much more objective measures, they present particular biases (McGuire, Schneeweis, & Hill, 1986). Accounting measures are subject to bias from managerial manipulation and differences in accounting procedures (Brilloff, 1972). Market measures are forward looking and focus on future economic earnings (McGuire, J. B., A. Sundgren, and T. Schneeweis, 1988) and they depend on investor’s proper performance measure (McGuire, J. B., Sundgren, A., Schneeweis, T., 1988, Ullmann 1985).

Methodology

In this study, we aim to test the sign of the relationship between corporate social responsibility and financial performance. As it is shown in the literature review, this relation may be: Negative (Aupperle et al., 1985), as the CSR projects incur costs and reduce profits, neutral due to the existence of many other intervening variables or positive since the actual costs of CSR projects are covered by the benefits.

The first task, in order to be able to test this relationship, is to determine the companies that adopted CSR. In this research, these companies are determined according to their separate CSR reports, the companies having separate CSR reports are accepted as companies having adopted corporate social responsibility. As the reports provide information about the conduct and social and environmental performance of the company such as energy efficiency, water usage, greenhouse gas emissions, staff recruiting and retention policies and engagement with stakeholders, they imply that the management and decision makers consider social and environmental factors while taking decisions. Thus, separate CSR reporting could be an indicator of the adoption of corporate social responsibility for the above reasons.

Existing corporate social responsibility indices such as the Corporate Responsibility Index or the criteria used by socially responsible investment funds to identify appropriate investments could be both used to determine those companies but these methods are not used as there is no company taking part in this or similar indices in our context and concerning the investments there is no objective means for determining which is superior.

We examined the relationship between financial performance and corporate social responsibility using the data of firms quoted in ISE 100 index for the 2001-2006 periods. We realized that 42 firms have a separate corporate CSR reports and disclose information on a variety of social and environmental issues beyond what is required of them by the regulatory framework. So, they have integrated CSR into their corporate governance. The total of 97 firms we determined according to 2001 data remained in our sample; the three companies starting to have separate CSR reports within our time frame are eliminated from other analysis to prevent any bias. Accordingly, our measure of corporate social responsibility is a dummy variable. This variable has a value of one if the firm has adopted corporate social responsibility
and a value of zero if it has not (McWilliams and Siegel, 2000, Gujarati 1999). This variable allowed us to measure the effects of corporate social responsibility on financial performance by saying that it is either present for a particular company or it is not.

In our study, firm financial performance is measured by accounting variables. The financial data used are return on assets (ROA), return on equity (ROE), and return on sales (ROS). The source of our data is the Matriks database (www.matriks.web.tr). Each of these data provides different information about a company (McGuire, Sundgren and Schneeweis 1988). Return on assets is an indicator of the firm's profitability, Return on equity is an indicator of the firm's efficiency and Return on sales is an indicator of profit (Bodie, Kane and Marcus 2002).

Cross sectional regression analysis, using the ordinary least squares method, was used to test the hypothesis that corporate social responsibility would improve the financial performance of the firm. The independent variable was corporate social responsibility with financial performance used as the dependent variable, controlling for size (total sales and total assets) and risk (ratio of long-term debt to total assets). Because risk and size affect (Ullman 1985, McWilliams, A., and D. Siegel 2000) both the firm's performance and CSR adoption, each of these variables is used as a control variable. As big companies are more prone to adopt CSR and they attract more attention from stakeholders, size is used as a control variable. Furthermore, the ratio of long-term debt to total assets is also an important control variable.

**Results**

Initially, we realized t- test on financial variables of the two groups of firms that we obtained using CSR data (42 adopting and 55 non-adopting firms). This test showed no statistically significant difference between the two groups.

Concerning our main analysis, the value and the contributions of adopting CSR principles and realizing CSR projects are still not clear, although we can enumerate many benefits and potential benefits of these activities, they are hard to quantify and measure. So, we tried to show any possible relation between corporate social performance and financial performance. Accordingly, we tested the sign of the relationship using data covering a six year period.

Preliminary results indicated that the signs of the relationship between adoption of corporate social responsibility and sales and ROE were positive as suggested in many similar works (Waddock and Graves, 1997; McGuire, et al., 1988, Auperle, et al., 1985) and almost neutral for the ROA. Unfortunately, all of these results were statistically insignificant. We continued our analysis using the ISE 100 data on sector basis according to other indices realized by Istanbul stock exchange. The firms in both two groups of adoption in three sectors are also compared in our analysis but none of the results were statistically significant.
Discussion and Future Research

Our tests and regression analysis did not reveal any statistically significant relationship between the adoption of corporate social responsibility and financial performance. First, these insignificant results may be caused by the method used in measuring CSR adoption. Second, although we used a sample obtained from ISE 100 index over 6 year period, this can be insufficient for a similar analysis.

Finally, this research emphasizes the need to develop a better and simplified measure of CSR and the use of a larger sample in an extended period using the data from Turkish context.

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Disclosing the jargon of sustainability

Shahla Seifi & David Crowther

Standardization contributes not only to international trade but also to the basic infrastructure that underpins society, including health and environment, while promoting sustainability and good regulatory practice. (ISO central secretariat, 2006). When products and services meet our expectations, we tend to take this for granted and be unaware of the role of standards. However, when standards are absent, we soon notice. We soon care when products turn out to be of poor quality, do not fit, are incompatible with equipment that we already have, are unreliable or dangerous (www.iso.org). We soon notice also when standards do not respond to our questions sufficiently.

Let us start by reviewing a logical method for writing a text. The first step is always to provide an abstract. Then you mention your keywords. These are to help the reader understand what to expect. When you start the main part it is often required to provide a terminology. Sometimes the format prescribed for a special paper or publication defines other procedures. However, almost the same steps are taken when you formulate an international standard. By standard we mean a document provided for harmonized understanding of an experience, science or technology which is prepared through consensus. And obviously an international standard is that developed for an international purpose through a predetermined series of procedures leading to a meaningful document agreed at an international level. Certainly there have been people around the world who have been waiting for the new ISO 26000, Guidance on Social Responsibility to get answers to their questions. Some have received their answers and some have not. For sure, there can be reasons behind an insufficiently informing standard. For instance, you can put the blame on the inefficient standardization procedures which donot lead to a real consensus. Although in this particular case, there has been another blame which arose through opponent countries who regarded this standard as a potential enemy. Here it is not intended to discuss these problems. It is just intended to discuss about a missing term: a term known to all of us but somehow unclear for all of us again. It is sustainability.

Sustainability is indicated as the fashionable concept of the moment (Aras & Crowther, 2008) so much so that the ISO strategic plan 2005-2010 is entitled: "Standards for a Sustainable World". Of course there have been definitions in diverse texts that we have read and sometimes referred to in our own works. We depend on the terminology cited by the great thinkers and experts. But we expect a relevant standard to lead us to a united definition for the relevant terms.

Let us consider a list of definitions so far suggested by the scholars:

1- Life will just carry on unchanged (Aras & Crowther 2009)
2- Returning to the illusory golden age prior to industrial development (Aras & Crowther 2009 )

11 Shahla & David  would welcome any comments on this. Please contact them at shahlaseifi@yahoo.com
3- The carrying capacity of the ecosystem (Hawken 1993)
4- The effect which action taken in the present has upon the options available in the future (WCED 1987)

Still a quick browsing of the internet provides us with so many other definitions such as the following:

- an attempt to merge ecology and economy into one system.
- living a life of dignity in harmony with nature.
- renewing resources at a rate equal to or greater than the rate at which they are consumed.
- living within the resources of the planet without damaging the environment now or in the future.
- creating an economic system that provides for quality of life while renewing the environment and its resources.
- creating a world where everyone can have fulfilling lives and enjoy a rich level of well-being within the limits of what nature can provide.
- taking the long-term view of how our actions affect future generations and making sure we don't deplete resources or cause pollution at rates faster than the earth is able to renew them.

The existing definitions tend to imply that all the attempts are to lead us to the long term objective of sustainability and that you therefore act socially responsible in a company or organization aligned with the greater aim of society called sustainable development and these are all to attain sustainability. We can show this concept in a figure like the following:

![Fig 1 – Conventional view of sustainability](image-url)
A page in internet named as ‘sustainability means forever’ (http://dangerousintersection.org/2011/02/08/sustainability-means-forever/) says: Sustainability is like pregnancy– there is no part way.

At the present time the term sustainability is both ubiquitous and a controversial topic because it means different things to different people; indeed the term sustainable development is also used interchangeably with the term sustainability as if they are synonyms (Crowther, 2008). And this is a cause for a lot of confusion.

Wikipedia defines it very easily: sustainability is the capacity to endure. This definition is somehow implied in all the others and honestly speaking sustainability is nothing more than a general word that people tend to make a jargon. The problem arises when they confuse some similar words together and we hoped to find a standard definition whereas ISO 26000 has missed it.

Nevertheless, this standard or as it cautiously emphasizes this guideline has fortunately defined sustainable development and social responsibility. So for those who rely on standards to meet the requirements and hope for a globalised future market and economy, there are two reference terms already decided.

A scrutiny between the lines lets us get the purpose of ISO 26000. The sustainability of an individual organization may, or may not, be compatible with the sustainability of society as a whole, which is attained by addressing social, economic and environmental aspects in an integrated manner (ISO 26000). This implies that:

1- Sustainability is a general concept including all levels of organizations and society,
2- Sustainability is different to sustainable development which deals with the triple bottom lines in a whole societal level and even in a greater level of the world.

So let us discover what is then a logical relationship between sustainability and sustainable development and also with social responsibility.

Actually the term “social responsibility” is more recently used to substitute “corporate social responsibility” (CSR) because it is accepted that not just the business but all the other types of organizations are responsible to their stakeholders and therefore to the society.

The EU Commission [(2002) 347 final:5] has defined corporate social responsibility as: "… a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis".

ISO 26000 (2010) defines social responsibility as: responsibility of an organization for the impacts of its decisions and activities on society and the environment, through transparent and ethical behaviour that

• contributes to sustainable development, including health and the welfare of society;
• takes into account the expectations of stakeholders;
• is in compliance with applicable law and consistent with international norms of behaviour; and
• is integrated throughout the organization and practised in its relationships

This together with the notion that “the objective of social responsibility is to contribute to sustainable development” clarifies that all is done to attain a higher objective which is sustainable development. So organizations as members of a society aim at improving sustainable development. So sustainable development is defined as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. Such a famous wording which was first used in the Bruntland report in 1987 is still the most commonly used so much that even the new standard ISO 26000 adopted this.

Here as you can see there is no indication of any organization or business. The scope seems to be so broad. The sustainability of an individual organization may, or may not, be compatible with the sustainability of society as a whole (Beder 1997; Bower 2009), which is attained by addressing social, economic and environmental aspects in an integrated manner.

Sustainable development has three dimensions – economic, social and environmental – which are interdependent (UN 2005); for instance, the elimination of poverty requires both protection of the environment and social justice (Ladkin & Bertramini 2002). These dimensions are well-known as the triple bottom line.

The objective of sustainable development is to achieve sustainability for society as a whole and the planet. It does not concern the sustainability or ongoing viability of any specific organization. (ISO 26000)

This means that sustainability is a basis, a substrate and a precondition for any individual, corporate and any social and universal activity. Sustainability means exactly this: it is to sustain and nothing more. It is the first responsibility of a corporation as mentioned by the classical scientists, engineers and economists as the main responsibility of a company is to continue to exist. Inside this substrate then we introduce philosophies which may or may not lead to social responsibility of the company and therefore to sustainable development of the whole society. Here is that OPT (Optimised production technology) is based on the viewpoint that there is one and only one objective for a company which is to gain money (Fox, 1982) or Kiichiro Toyoda whose motto was that customer is at the first point then the seller and at last is the manufacturer.

All the discussion above leads us to consider sustainability as the periphery of a circle. This circle includes a smaller circle inside which is social responsibility and the outer one is sustainable development. Thus:
Fig 2: The real sustainability
So sustainability is the precondition. The first aim for a society and for a company is to sustain and exist. It can choose to be socially responsible and therefore to contribute to society or to choose the other way round.

That is so easy. No need to use the jargon. Let us forget about all the debates on a misconception leading to nothing more than a confusion; instead let us help the whole world achieve sustainable development through unified definitions of standards belonging to all human beings.

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Configuring the Productive Assets of International Pharmaceutical Firms: New Corporate Strategies

Philippe Rebiere

Abstract

The aim of the research is to build the conceptual models proposed in the literature and compare them with the choices made by the laboratories in terms of localization of R & D and production centers. From an empirical investigation of the approaches used by major laboratories (annual reports, press releases) we propose to provide explanations for the reasons behind investments by pharmaceutical laboratories. In a second part, we seek to understand where laboratories are trying to locate their productive assets to obtain the best performance. We take a dual approach: From a dissection of the concept of "geographic scope" into two components, we seek to identify laboratory practices. Then we try to identify strategies for international plant configurations. Finally, we use the matrix developed by Rugman to assess the strategies developed by the pharmaceutical laboratories.

1. Economic environment of pharmaceutical firms

1.1 A market driven by the industrialized countries

Pharmaceutical companies have focused their activities on the Triad of North America, Europe and Japan, where the pharmaceutical demand is backed by purchasing power. The top ten laboratories represent 50% of global activity. They buy their raw materials particularly in India and China, and then manufacture and distribute 7,500 drug references throughout the world. Among the major consumers of pharmaceuticals the USA market represents the first half with worldwide sales. The groups seek growth on this market with a significant creditworthy population and a policy of challenging the health system. The global pharmaceutical market is characterized by a high geographical concentration of sales. In 2004, the triad captured over 86% of global pharmaceutical sales. In 1998-2004, the USA increased its market - increasing from 38% to 47% in 2004 alone. The European market fell from 31% to 29%.

1.2 Market developments in 2008-2010

Of the countries analyzed by IMS, it is clear that in 2010 the United States is still the main engine of world growth of the pharmaceutical industry (with a contribution of 34%), now followed closely by emerging countries (33% contribution), far ahead of Europe, whose share fell strongly over time (from 30% in 2008 to 18% this year). Japan, the second largest market worldwide for many years (if we do not consider Europe-25 as a single unit), now adds a negative contribution (-2%) to the overall growth of the global market.

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1.2.1 A global market

The pharmaceutical industry, which will see further restructuring in 2010 with the implementation of mergers - Pfizer / Wyeth and Merck & Co / Schering-Plough - is also and above all faced with the challenge of patent expiry in a growing number of specialties. Historically, the pharmaceutical industry has been a leader in financial performance and value creation.

From December 2000 to February 2008 the top 15 companies in the industry lost $850 billion in shareholder value. The common explanation for investors’ loss of faith is the well-known perfect storm of trends - pricing pressures, regulatory requirements, inroads by generics and declining R&D productivity - that have increased the industry’s costs and reduced its revenues. (Garnier, 2008) While from 2004 to 2008, around 93 billion dollars in sales of patented products have fallen into the public domain, thereby affecting between 15 and 20% of annual sales in the pharmaceutical industry, the threat of the future is now more compelling. For instance, from 2009 to 2013, no less than 137 billion dollars in sales (97 billion euros) will fall into the public domain worldwide, including 91 billion (64.4 billion euros) in the USA alone. Faced with this swing, which cannot fail to strongly affect the results and turnover of big pharma, they must find new growth drivers. For now, some specialty products (in cancer, osteoporosis, and respiratory disease) are due to be launched in 2010-2011, but their numbers are low.

1.2.2 Developments in geographic areas

Developments are occurring in geographic areas. Mature markets are experiencing moderate growth. The five largest markets in Europe will remain the main markets in Europe, representing 67% of the European market. The USA remains the world's largest market. Japan is experiencing annual growth in the pharmaceutical market of between 3 and 4%. New countries are appearing. China has experienced strong growth in demand: IMS predicts that China will be among the leading players in the world market in fifteen years. Other countries show great potential. India, South Korea, Taiwan and Singapore all represent an interest. Brazil represents significant potential. Western companies’ interest in emerging markets, especially China and India, is reaching a new level of intensity. (Ghemawat, 2008). While the global giants are restructuring in Western countries, investment is directed in parallel to the emerging countries. The phenomenon was already evident in the clinical research phases, for reasons of cost and speed of recruitment of doctors, but it now involves all phases of research. Faced with slowing growth in the West, the pharmaceutical giants are organizing a spectacular increase. (See table 1)

<table>
<thead>
<tr>
<th>GSK</th>
<th>$100 million investment in 2007 - a research facility in Shanghai</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>GSK investment in a research center for cognitive and neurodegenerative disorders at Biopolis, Singapore</td>
</tr>
</tbody>
</table>
## Investments in emerging countries (R&D and production)

<table>
<thead>
<tr>
<th>Company</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>AstraZeneca</td>
<td>Construction of a research center in China between 2006 and 2009, opening in March 2007. In India, a laboratory dedicated to methods in Bangalore</td>
</tr>
<tr>
<td>Novartis</td>
<td>Construction of an R &amp; D in Shanghai, which has 400 researchers. Novartis bases its institute for its tropical diseases at Biopolis Singapore</td>
</tr>
<tr>
<td>Roche</td>
<td>In 2004 the company created the Roche R &amp; D center in Shanghai, China. In 2010 the group opened its Shanghai Research Center for Asia Pacific</td>
</tr>
<tr>
<td>Pfizer</td>
<td>First factory opened in 1989. Pfizer established its China Research and Development Center in Shanghai in 2005. The first Pfizer plant in China opened in Dalian in 1989. In recognition of the pool of highly-skilled and talented scientists in China, Pfizer established its China Research and Development Center in Shanghai in 2005. In India, Pfizer and Wyeth Pharmaceuticals Inc. are planning to integrate their operations since Wyeth has been acquired by Pfizer globally. Wyeth, too, has a listed subsidiary in India, Wyeth Ltd. The integration program is looking at business structures and products. But Pfizer is looking to expand its reach in the Indian market. Following the Wyeth acquisition, Pfizer is expanding in India, both organically and through acquisition. In India, Pfizer and Wyeth Pharmaceuticals Inc. are planning to integrate their operations since Wyeth has been acquired by Pfizer globally. Wyeth, too, has a listed subsidiary in India, Wyeth Ltd. The integration program is looking at business structures and products. But Pfizer is looking to expand its reach in the Indian market. Eli Lilly's Asian venture has made 6 investments and deployed more than $40 million.</td>
</tr>
<tr>
<td>Eli Lilly</td>
<td>Eli Lilly invest aggressively in China * China market to have annual sales of $40 billion by 2013 * Eli's venture capital fund invested more than $40 million Eli Lilly's $100 million venture capital fund focused on life sciences and healthcare in China is one of the most active venture capital investors in China's biopharmaceutical industry, Eli Lilly had established positions in the fastest growing therapeutic areas in China including oncology and diabetes and was investing in the education of Chinese doctors so they would be ready to pursue future roles in clinical trials. In the two-and-a-half years since it started, Lilly's Asian venture has made 6 investments and deployed more than $40 million.</td>
</tr>
</tbody>
</table>

AstraZeneca states that in 2009 emerging markets delivered strong growth, up 12%, with emerging European sales up 7%, emerging Asia Pacific up 15%. One of the most significant changes worldwide in the last two decades has been the increasing globalization of markets and industries. Many forces have contributed to increasing globalization including reducing trade barriers, lower transportation costs and communications, and more intense global integration of capital markets. The consequences of globalization are reflected by streamlining of the industry and increased regional and global competition and a rise in mergers and acquisitions. The process of globalization, particularly the changing competitive conditions faced by firms, markets and industries, are significant economic phenomena that may lead to changes in business strategies. Such influences may impact the firm’s international diversification strategy (defined as the decision to extend the scope of the activity of the firm beyond its home market). Indeed authors such as Buckley and Ghauri, 2004; Buckley PJ, Ghauri PN 2004: have recently suggested that the impact of globalization on the industrial strategies of multinational firms represents the "unanswered question" for researchers in international business. Pharmaceutical industry seeks to optimize its supply chain. There are multiple

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13 Annual report AstraZeneca 2009
constraints on the pharmaceutical industry: strong regulatory requirements. The example of Roche's cancer drug illustrates the complexity: the raw material comes from Germany, is fed to a plant in Italy where it is transformed into the active ingredient, which is then shipped to the factory that finally manufactures the drug in Basel, in a formulation and packaging suitable for 27 markets in EU countries. Base I provides storage and distribution by country, through a specialized logistics provider. The laboratories are trying to reconfigure their supply chain: Upstream, laboratories are seeking to streamline their overall production activities in factories, such as AstraZeneca. The laboratories are moving towards a merger of their production units by large geographical areas, or even continents and dosage forms. In the United States, AstraZeneca only has two packaging facilities. In fifteen years, Roche has reduced from 57 to 16 sites in the world. Merck has reduced the number of sites where the same operation is performed to a minimum, to reduce inventories and shorten delivery times. Downstream, the laboratories are able to outsource their supply chain: they rely on custodians - wholesalers’ wholesalers – responsible for distribution by country. The custodian then delivers to wholesale distributors to the pharmacies.

1.3 Globalization of industry

The globalization of markets and industries is a significant economic phenomenon that has fundamentally changed the competitive conditions faced by firms and will have a significant impact on the strategy of international diversification of firms. The globalization of the pharmaceutical industry is a process characterized by the growing links among national markets in terms of patients, production activities and the extent of the particular market in which the firms are operating. Pharmacy is a global industry in which competition between firms takes place on a global basis and where the competitive position of the firm in one country is affected by its position in other regions. Porter 1998. Key elements in the evolution of an industry towards globalization include the standardization of products and services due to homogenization of patient expectations, and development of global economies of scale in manufacturing and pharmaceutical research and development.

The globalization of the pharmaceutical industry provides opportunities for expansion in both sales and profits but also poses significant threats; companies must achieve economies of scale and scope to compete against other “global players”. Faced with the rise of globalization, leaders are forced to reconsider their competitive position in a holistic way and consider geographical expansion as a legitimate strategic alternative. Pressures from globalization can fundamentally transform how competitors perceive the overall market and how the players compete on it. So gradually, as the extent of globalization increases in respect of a firm’s industrial activity, international expansion becomes a strategic priority for the firm. In line with globalization of the industry, firms adopt a stronger international strategy to achieve competitive advantages to be more competitive on a global level, by exploiting differences in location of national resources, balancing strategic resources, achieving economies of scale among the markets.
Table 2  The global concentration of laboratories

<table>
<thead>
<tr>
<th>First 10 laboratories</th>
<th>Turnover Billion $</th>
<th>Nationality</th>
<th>Market share</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>282 billion of turnover and 46.1% market share</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pfizer</td>
<td>46.1</td>
<td>United States</td>
<td>7.6</td>
</tr>
<tr>
<td>Glaxo Smithkline</td>
<td>37</td>
<td>United Kingdom</td>
<td>6.1</td>
</tr>
<tr>
<td>Novartis</td>
<td>31.6</td>
<td>Switzerland</td>
<td>5.2</td>
</tr>
<tr>
<td>Sanofi-Aventis</td>
<td>31.1</td>
<td>France</td>
<td>5.1</td>
</tr>
<tr>
<td>Johnson &amp; Johnson</td>
<td>27.3</td>
<td>United States</td>
<td>4.5</td>
</tr>
<tr>
<td>Astra Zeneca</td>
<td>26.7</td>
<td>United Kingdom</td>
<td>4.4</td>
</tr>
<tr>
<td>Merck and co</td>
<td>25</td>
<td>United States</td>
<td>4.1</td>
</tr>
<tr>
<td>Roche</td>
<td>23.5</td>
<td>Switzerland</td>
<td>3.9</td>
</tr>
<tr>
<td>Abbott</td>
<td>17.6</td>
<td></td>
<td>2.9</td>
</tr>
<tr>
<td>Amgen</td>
<td>17.1</td>
<td></td>
<td>2.7</td>
</tr>
</tbody>
</table>

Source IMS health LEEM

Interregional differences in factor costs may require a complete reorganization of the value chain activities of the firm, including where to locate the various activities as well as re-evaluating whether certain activities should be performed in-house or outsourced (Kogut 1983, Porter 1986), while economies of scale in manufacturing and R & D can reduce costs substantially for internationally oriented firms.

Product Diversification

The level of product diversification can be expected to influence the degree and scope of international diversification of firms. Both the RBV (Resource Based View) approach and savings on transaction costs suggest a substitute relationship.

1.4 Methods
International diversification refers to expansion of the firm beyond its home market, in other regions or countries (Ghoshal 1987) or the extent of international operations (Delios and Beamish 1999).

1.4.1. Measuring international diversification
Since the nature of international diversification may be multifaceted, we examine strategies and research in international affairs to measure the concept of international diversification. The measurement most commonly used is the foreign sales ratio, defined as the ratio of foreign sales to total sales.
Other measurements are used, including the number of areas in which the firm sells, the ratio of foreign to total employees and the ratio of export sales to total sales. We can use the share of sales of the firm in different geographic areas to capture the scope of international diversification of the firm.

Also, as suggested by Hitt et al (1997), we can identify four geographical areas for an understanding of the geographic distribution of a firm’s sales.

1.4.2 Four geographical areas
Domestic: USA
Asia and Pacific
Europe
Other regions

Since the mid-80s, it has been stressed that the global nature of competition in industries is pushing multinationals to set up and coordinate their production activities on a global basis. Authors such as Porter 1986, Ohmae 1985, Bartlett and Ghoshal 1987 have seen a trend toward networks of decentralized and interdependent plants. Overall coordination was to allow firms to benefit from economies of scale and scope associated with shortened product cycles and increased development costs. However, increased global competitions as well as the desires of firms to acquire foreign technology are considered the main reasons why firms expanded their manufacturing operations among regions. (Bartell and Ghoshal 2000).

Although the literature has suggested a trend towards global presence and global manufacturing strategies, there have been few empirical studies on its current importance and the conditions under which global manufacturing occurs. In their article, the authors argue that the choice of specific international plant configuration is determined by competitive drivers at both firm and industry level in interaction with location factors. Specifically, the authors develop and test hypotheses regarding the impact of the domestic competitive environment and technological and market position at home.

This change gives rise to questions: What are the reasons behind the decision to locate production sites and R & D centers overseas? How are internationalization activities perceived? What entry modes are adopted by the major laboratories to penetrate foreign markets?

1.4.3 The aim of the research

The aim of the research is to build the conceptual models proposed in the literature and compare them with the choices made by the laboratories in terms of localization of R & D and production centers. From an empirical investigation of the approaches used by major laboratories (annual reports, press releases) we propose to provide explanations for the reasons behind investments by pharmaceutical laboratories. In the first part, we try to identify the reasons why a firm decides to locate its activities abroad. What conceptual framework?
Then we describe Dunning’s eclectic approach, which seems appropriate to assess entry modes.

Part 1 is structured as follows:

1. What factors lead a firm to invest abroad? What elements can be used to explain the FDI?
2. What conceptual framework, what theoretical literature on FDI? What model can be applied to a country’s investors investing in a host country?

The choice of entry mode: Dunning’s eclectic approach. In a second part, we seek to understand where laboratories are trying to locate their productive assets to obtain the best performance. We take a dual approach: From a dissection of the concept of "geographic scope" into two components, we seek to identify laboratory practices. Then we try to identify strategies for international plant configurations. Finally, we use the matrix developed by Rugman to assess the strategies developed by the pharmaceutical laboratories.

Part 2 is structured as follows:

1. What approach does a laboratory choose when relocating its production resources to achieve better performance?
2. We then try to identify strategies for international plant configurations, based on input by Belderbos and Sleuwaegen.
3. What configuration strategies do laboratories define? Based on the Rugman matrix, we examine the conditions under which an overall strategy or regional manufacturing is preferred by the leaders of multinational pharmaceutical firms. By expanding the field that limited the analysis of decisions to locate plants in one specific country, taking the FDI decision as given.

1.4.4 Methodology
Empirically, we analyze foreign investment decisions and the choice of international plant configurations by 10 European and USA laboratories active in the pharmaceutical product markets.

2. International location of production activities: the theory of FDI and the eclectic paradigm

Why does a company locate its operations abroad? What are the determinants of FDI? This first part is structured as follows. We focus on the determinants of firms' decisions to produce a given product in a foreign country by building on the theory of FDI.

The various theories of foreign direct investment, i.e. the internalization theory (Caves 1996, Dunning 1993), resource-based theory, (Chang 1995, Delios and Beamish 1999, Song 2002), the international product cycle theory, (1979 Vernon Kalish et al, 1995), the theory of oligopolistic interaction (Knickerbocker 1973), (Yu and Ito 1988) and the steps in the internationalization theory of Johanson and Vahlne (Johanson and Vahlne 1977) are well-established in literature. They can be considered as partly overlapping in relevance in explaining foreign investment patterns. They have been tested in various empirical ways, but in determining foreign investment decisions in specific countries rather than in global plant
configuration. The conventional theories of MNE involvement explain the entry abroad by firm as comprising three closely linked sequential stages:

The export mode where the firm produces at home and sells abroad through direct sales channels, direct or indirect followed by contractual modes such as licensing agreements and technology, franchise agreements, management contracts culminating in Foreign Direct Investment mode, where the firm establishes a joint venture, a local partnership (Vernon & Wells 1968). More importantly, many MNEs appear to pursue different entry strategies in different markets and for different products at any given time Ghoshal and Bartlett 1990.

What are the determinants of FDI (Foreign Direct Investment)? Three factors determine the location of FDI: location, governance and strategic factors. Theorists of transaction costs (Hennart 1982, 1981 Dunning 1991) perceive FDI as the result of two sequential decisions (see Figure 1).

![Figure 1](image)

The first decision concerns the choice between manufacturing products at home and export or manufacturing abroad (location decisions). After the decision on foreign manufacture, the second decision is whether the firm will draw the revenue, or if it will sell its own specific advantages to local firms or whether it will internalize their transfer (governance decision). Thus there are two types of factors which will simultaneously affect a firm’s decision to manufacture abroad: those determining the optimal location of production (location factors) and those determining a governance structure to exploit the advantages (governance factors). These factors apply to decisions made to build laboratories abroad.

2.1. Location factors

The optimal location of assets depends on economies of scale, transportation costs, tariff and non tariff barriers and the presence of a foreign market demand. Economies of scale: In some cases it is useful to centralize production to exploit economies of scale and serve foreign markets through exports. Transportation costs: high transport costs increase distribution costs and encourage production through exports. Non-tariff barriers: a firm can bypass non-tariff barriers by establishing manufacturing facilities abroad. Production costs: production abroad will be preferred when production costs are lower abroad than on the domestic territory.
2.2 Governance factors

The propensity of firms to produce abroad is related to intangible factors. The market for intangible assets (knowledge assets as property and reputation) is often imperfect.

Knowledge: The problem with the transfer of knowledge is a problem of asymmetric information. Knowledge is often difficult to codify in patents. Thus, laboratories which invest in the generation of knowledge find it necessary to exploit this knowledge abroad by internalization (insourcing).

Reputation:
Reputation is another type of firm-specific advantage. The ability of the pharmaceutical company to exploit its reputation and ensure its success hinges on its ability to obtain and maintain patent and other intellectual property rights. The pharmaceutical company is facing multiple threats: 1 if it fails to protect its intellectual property rights (patents, know-how, brand) it cannot be competitive. 2 the group's competitors may infringe its patents and circumvent them through design innovations. 3 to produce and distribute its products, the group depends on property rights held by third parties.

2.3 Strategic Factors

The strategic logic of FDI can be explained by types of strategic behavior. If laboratories in various countries are involved, the strategic interaction is either avoidance or collusion or exchange of threats: strategic interaction theorists, such as Graham 1978, Knickerbocker 1973, assert that firms act for themselves and can respond to competitive dynamics.

For example, Pfizer acquired Wyeth in response to competitive threats. These theorists argue that the decision to embark on FDI is based on the current or expected behavior of rivals. The big pharmaceuticals have penetrated the biotech world. Take the giant Roche, a $22 billion organization. Roche has a majority shareholding in Genentech, the company which epitomizes biotechnology success. In general, Roche avoids micromanaging at Genentech. Instead, it provides counsel and importantly, ready access to drug testing and distribution channels abroad – these are the kinds of sophisticated skills the big pharmaceuticals do best. The Swiss drug company Novartis has a different biotechnology strategy. Through its Novartis Bioventures investment arm, it is investing in many cutting-edge biotech companies, fostering mutually. In this second part, we analyze eclectic theory and attempt to provide explanations in the choice of pharmaceutical companies. A dominant paradigm that explains the final stage of evolution of the MNE is Transaction Cost Economics (TCE) (Rugman 1980, 1988, Teece 1983) and its variants with Dunning's eclectic theory, (Dunning 1979), or those based on appropriability theories (Klein, Crawford & Alchian 1978)

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What conceptual framework?

According to TCE logic, an MNE uses the hierarchy of direct equity involvement to produce and sell its output in situations in which arms-length contracting modes (export or contractual modes) are prone to failure. In particular, the firm will internalize based on the FDI entry mode when the investment in knowledge-based assets such as technology, managerial skills, corporate culture and shared values, organizational structure and so on result in high asset specificity. TCE does not adequately explain different entry modes simultaneously, since the asset-specificity factors that favor internalization must be the same the world over. A plausible explanation is provided by the eclectic theory of MNE entry as developed by Dunning 1977, who argued that the type of entry is determined by the trade-off between factors specific to the firm (which should support internalization) and factors specific to location (which may militate against internalization). But the specificity of the site / location is only an insufficient explanatory variable because it would only account for differences in country environments and not the results that come from the intersection of differences.

The eclectic paradigm is an explanatory model for the international strategies of pharmaceutical companies. For a laboratory, should the focus be on the specific advantages of the firm, or is it better to locate activities abroad while internalizing functions? Is the country advantage a determining factor?

Eclectic theory

Eclectic theory specifies a set of three conditions that must be met if the firm engages in international business: firm-specific advantages, internalization advantages, location advantages. Specific benefits may take the form of intangible assets that are unique or specific to the firm that possesses them. Specific benefits are close to the competitive advantages identified by Porter: those derived from cost leadership which are focused on the reduction of production costs, technological innovation and the costs of production factors, and those related to a differentiation strategy, intangible, such as brand, patents and the communications approach. Sources of FSA (Firm Specific Advantage) Technology, marketing management, product differentiation Large size, giving rise to economies of scale.

Internalization

The firm has an internalization advantage and can either use this advantage itself (internalize it) or sell it to other firms. Can the eclectic paradigm be applied to explain the choices made by laboratories? Choice of FDI? Where to make licensing agreements? There is a continuing interest in internationalization of R & D activities by multinationals. Two basic motivations can be identified. Exploitation of the firm’s foreign technologies, based on adaptation of technologies to local conditions, and technology creation based on access to foreign expertise and technology.

The choice of locating production facilities in such countries can be explained by this paradigm. For example, Astra Zeneca is favoring outsourcing (ownership advantages) in a strategic approach. The idea is to maximize the efficiency of its supply chain by maintaining
high standards of quality at every stage of the supply chain. This approach involves a reduction of manufacturing steps and lower levels of stock (ownership advantage). This perspective requires a review of manufacturing assets to ensure they are objective-based in order to respond to fluctuating demand. The group has spent ten years planning access to global outsourcing (ownership advantage). While respecting aspects enhancing the value delivered to patients? (Ownership advantage) Among the access paths identified, Astra Zeneca mentions the establishment of sourcing centers in the vicinity of the demand (location advantage) to identify high-quality suppliers to support the growth in demand (location advantage). Astra Zeneca seeks to achieve operational excellence by making adjustments to its manufacturing base and to be efficient in the use of its approach to strategic sourcing to maximize supply chain efficiency while maintaining high standards of quality and safety at each stage of the supply chain. The supply chain is structured to be flexible and to respond to changing needs in local markets. The improvement to its system has led to considerable research advantages in recent years, including reduced production time and lower inventory levels.

In keeping with its commitment to strategic outsourcing in order to maximize the efficiency of its supply chain, the group plans to outsource all of its active ingredient pharmaceutical manufacturing within 5 to 10 years (location advantage). In 2008, the group closed a packaging facility in Canada and sold factories in Germany. The pharmaceutical group has announced the development of regional offices to optimize supply chain activity.

This included sourcing centers in Shanghai, China, and Bangalore, India (location advantage) established to identify suppliers in these regions to meet increased local demand. Astra Zeneca has also established a regional packaging strategy to improve its ability to meet customer demand. The introduction of new manufacturing processes (internalization advantage) has led to wider opportunities to achieve overall supply chain efficiency. This orientation towards efficiency and effectiveness has led to reductions in staffing requirements within the organization, which will result in the closure of three sites.

In a similar way, Pfizer has implemented some strong cost reduction initiatives. Source annual report 2008. Pfizer said the company has generated cost reductions from rationalization of R & D and manufacturing facilities, streamlining its organizational structure and increasing outsourcing and procurement sourcing. These actions have allowed Pfizer to cut costs in many services and in factories (ownership advantage).

Pfizer cost reduction initiatives
In 2008, Pfizer achieved a reduction of $ 2.8 trillion in costs.

Changing the business environment
Pfizer continues to revise its approach to R & D activities. The group is focusing its efforts on improving the productivity and flexibility of its research and development teams. Pfizer is seeking additional opportunities in production and technology that have the potential to leverage its capabilities and are in line with its health improvement goals.

Pfizer Global R&D
In 2007, the group consolidated each therapeutic area of research on a single site and focused its research network by closing R & D sites. Since then, Pfizer has closed six sites dedicated to pharmaceutical R & D operations. The group has announced that it is continuing to focus on reducing product cycle time and improving compound survival in the drug discovery and development process.

Part 2

Which approach should be taken to locate productive assets? The decision of where to locate productive assets is a key element of a firm’s international strategy.

The concept of geographic scope has become important in the study of MNEs. We are using the concept of geographic scope for this study. To understand the ramifications of the concept of geographic scope on MNE performance it is important to isolate the specific factors that may have an impact on an MNE. Geographic scope is divided into two distinct components of international asset dispersion (i.e. the extent to which MNE assets are spread across foreign countries) and country environment diversity. (i.e. the range of political economic and cultural differences among the MNE foreign operations). These two elements of geographic scope combine to lead to MNE performance.

3. Theoretical contributions: the concept of geographic scope

In general it appears that geographic scope is positively related to performance, but not necessarily in a linear manner. (Hitt, Hoskisson and Kim 1997) Paradoxically, others argue that geographic scope is not related to the performance of the firm. For Dess et al 1995 it is more ownership of the assets - driven by foreign direct investment - which is the ultimate source of superior performance. The question is whether there is intrinsic value in extending the geographic scope of operations. Ansoff 1965, Andrews 1971 have articulated the strategic decisions faced by leaders in growing companies at corporate and business levels. These decisions include the choice of product and geographic scope of the firm. In their 1972 pioneering study on the management of MNEs, Stopford & Wells identified the extent of diversification of a domain (i.e. geographic scope) and product diversification as the two critical determinants for the successful growth of a multinational firm. The work of Edith Penrose refers to both these forms of growth. (Penrose 1959) The optimal path of expansion of a firm is governed by factors internal and external to the firm.

3.1 Geographic Scope and Performance

Studies examining geographic scope and performance argue that the superior performance of a multinational firm is the result of its ability to achieve high returns by exploiting assets owned, such as brand value, patents, or processes that are unique in many markets. The benefits also come from increased market power, the ability to source inputs at lower cost and risk sharing among a large number of host countries. (Kim et al 1993) Consequently, multinational companies capitalize on market imperfections by internalizing the market for their assets and thus achieving higher returns than normal when the asset is applied to international markets. (Caves 1971)
In addition, MNE theories do not specify the limits of a firm's optimal geographic scope (Caves 1996). A positive relationship was observed between the geographic scope and performance (Hitt et al 1997).

3.2 Geographic Scope

The expansion of new geographic markets is also driven by operational motives. The results from the Delios and Beamish study emphasize that there are intrinsic benefits to international operations. These benefits are seen as extending beyond the holding of property assets, effectively offsetting the disadvantages found in operations in foreign markets. (Hymer 1960)

The benefits of geographic scope may be partly centered on lower production costs, when firms move production activities in response to factors such as price differentials or to take advantage of other benefits from a specific location. Dunning 1993. Alternatively, benefits may come from the development of new technologies when firms are seeking innovation opportunities (Hitt et al 1997) and they expand these opportunities in order to search for technological expertise in a host country through investment in that host country. Development of new technologies Johnson & Johnson has opened centers dedicated to improving patient care in Brazil and Russia, The Johnson & Johnson Medical Innovation Institute, which opened in Sao Paolo. An important question concerning a firm's internationalization involves the relationship between the geographic scope and performance.

This question is particularly relevant in a world where Multinational Enterprises (MNEs) are increasingly contributing to global production (UNCTAD 1997)

Delios and Beamish wrote in 1999 "There is an urgent need for managers to expand their geographic scope to increase their competitiveness and their profitability." In 1999 Delios and Beamish explored the antecedents and consequences of geographic scope, defining it as the extent / scope of international operations of a firm, and corporate performance. They demonstrate that the geographic scope was positively associated with a firm's profitability. In 2003, deepening their theoretical understanding of multinationals, Beamish and Goerzen (2003) find that the relationship between economic performance and international asset dispersion is positive but that country environment diversity was negatively associated with performance. Research studies in strategic management and international business take different approaches to geographic scope and performance but share the common objective of identifying the nature of their relationship. The decision to locate productive assets is a key element in the international strategy of the firm's geographic scope. Goerzen and Beamish 2003. The concept of geographic scope has become an important concept in the study of multinational firms. Research has provided conflicting results on the relationship between a firm's geographic scope and its performance. The theoretical contribution of this paper is to examine the ways in which geographic scope is associated with a firm’s performance.
The authors use the two concepts of international asset dispersion, in other words, the extent to which the assets are dispersed over foreign regions and the diversity of the country environment. The most important argument proposed by the literature is that international diversification provides the opportunity to exploit the benefits of internalization (Rugman 1976, 1979). Sundaram and Black 1992 suggested that two of the key considerations in the analysis of MNEs are the number of geographic locations in which the firm operates and the extent to which these country environments are diversified.

Based on this approach, geographic scope will be analyzed using two discrete components: International Asset Dispersion (IAD) and Country Environment Diversity (CED).

International Asset Dispersion and economic performance: IAD is defined as the extent of an MNE’s investment in foreign markets

3.3 Country Environment Diversity and economic performance

CED is defined as the variance of country-level conditions in which the MNE operates. In addition to increasing the sheer number of different environments, international investment would create an exponential complexity at the corporate level depending on the extent to which these environments vary. Thus the more divergent the country profiles, the more difficult it would be to understand the demands of operations as a whole and to respond appropriately to these demands. Thus MNEs with different operations in different environments would have to pay costs for internal translation (to comply with local expectations) and costs for external translation (to ensure standardization of practices at the subsidiary).

3.4 The combination of dispersion and diversity

It is important to examine the ways in which elements from the geographic field combine to affect a firm’s performance. As shown in Figure 1, IAD and CED can be dichotomized into a simple matrix to highlight the interactions between these two constructs. At low levels of IAD and varying levels of CED an MNE could be characterized as being far flung where the firm has few but ranging foreign investments (i.e. cell 1 in figure 1). In contrast, an MNE may also be anchored through a small number of foreign operations within countries environments that are quite similar (cell 2). Replicator MNEs may have invested widely across nations although these foreign operations may be situated in country environments that are relatively homogenous (cell 3). Finally a transnational MNE may invest not only in a great number of foreign environments but these may also constitute a very wide range or diversity of national environments. An analysis in terms of geographic scope and its two components seems appropriate to help our understanding of the strategies of pharmaceutical firms.
Indicators to measure geographic scope

The extent of the geographic scope may be measured by two constructs: Counting the number of foreign direct investments made by a firm and counting the number of countries where FDI has been observed. Country Environment Diversity has been assessed from clusters. For example, the same cluster may include different countries presenting relatively similar cultural-political systems.

His reasoning suggests that there are benefits associated with locating certain activities in particular countries where there is potential to make savings on transaction costs by reducing risks and also from exposure to advantageous factor inputs. (Rugman 1990).

Transnational MNE

An MNE may have made investments in many foreign countries and these locations may also represent a great diversity of national environments. The key is to develop company-wide efficiency, flexibility and learning on a global scale. This approach requires capacities which are concurrently dispersed, interdependent and specialized. Roche has 9 production sites in Europe, 6 production sites in America and 8 sites in Asia

Novartis All group activities are based on the capacity for innovation, ie to develop new active ingredients but also to devise new strategies for R & D. Novartis\textsuperscript{15} is divided operationally on a global basis, into four divisions: Pharmaceuticals, Vaccines and Diagnostics, Sandoz and Consumer Health. These divisions, which are based on an international management structure, are run separately because they manufacture, distribute and sell different products requiring different strategies. For example, the Pharmaceuticals division conducts research, develops, manufactures and sells branded pharmaceutical products in the

\textsuperscript{15} Annual report 2008 Novartis
following therapeutic categories: CardioOncology Neuroscience and Ophthalmics The Pharmaceuticals division is organized into global business franchises responsible for developing and marketing multiple products and a business unit responsible for global product development and marketing. GSK has 41 manufacturing sites in Europe, 24 in Asia Pacific and 18 in North & South America.

Replicator MNEs

MNEs have invested heavily across the world even though these foreign operations are located in country environments that are relatively homogeneous. Example: Sanofi-aventis has 34 production sites in Europe and 14 R & D sites in Europe. There are 10 production sites and 10 R & D sites located in France. The group has 4 production and 3 R & D sites in the USA.

Example: Astra Zeneca has 10 manufacturing sites in Europe; 6 sites in the USA and 2 in Asia Pacific. Astra Zeneca has 6 R & D sites in Europe and 4 sites in North & South America. Example: BMS has 8 manufacturing sites in Europe of which 4 are production sites for Europe and 12 sites in North & South America, compared with 5 in Asia Pacific. BMS has two R & D sites in Europe and 4 sites in North & South America.

Johnson & Johnson

The Company structure is based upon the principle of decentralized management. The Executive Committee of Johnson & Johnson is the principal management organ responsible for operations and allocating the Company's resources. This Committee oversees and coordinates the activities of the Consumer, Pharmaceutical and Medical Devices and Diagnostics business segments. In all its product lines, the Company is competing with local and global companies all over the world. Competition exists in all product lines regardless of the number or size of the competitor companies.

4. Configuration of productive assets

Global strategic variables play a decisive role in a company’s market entry decisions. The decision to enter a foreign market cannot be viewed in isolation. It is more an issue of examining the decisions on global factory configuration rather than examining those on direct investment.

It may be useful to consider the internationalization decisions and the factory configuration decisions from an empirical model, picking out the factors leading to or encouraging the firm to invest abroad, and the competitive drivers pushing towards a specific factory configuration and location factors pushing the firm towards investing in a particular region or a group of regions. Since the mid-1980s, it has been widely argued that the increasingly global character of competition in the industry was pushing multinational firms to configure and coordinate their activities on a global basis. Schools such as Porter 1986, Ohmae

16 Annual report 2008 BMS
17 Annual report 2009 Johnson and Johnson
1985 and Bartlett and Ghoshal 1987 saw an emerging trend towards decentralized but interdependent firms. Belderbos and Sleuwaegen 2005 support the idea that the choice behind a specific international factory configuration is determined by drivers competing at the enterprise level and at industry level factors, in interaction with local location factors.

Simultaneously, analyzing the internationalization strategy and location strategy reflect the important strategic role overseas subsidiaries can play (Ferdows 1997) and the notion that global location decisions are an essential part of the wider strategy of a firm (eg McCormack Newman and Rosenfield 1997)

Their analysis broadens the scope of previous empirical work that has restricted analysis to the location decision for plants in a specific country or region, taking the FDI decisions as given and studies that have analysed the FDI decision for a specific host country only.

4.1 International plant configuration

The authors examine the conditions under which a specific global or regional manufacturing strategy is preferred from the viewpoint of Japanese multinational firms.

Three major foreign factory configurations are considered:
- Asia bound configuration:
  Foreign manufacturing investment in Asia alone
- West bound configuration:
  Manufacturing Investment in the U.S. and / or Europe
- Global configurations

Manufacturing Investment in all regions. Thus the authors identify investments in industrialized countries attracting a major share of Japanese investment. Multinational firm theory suggests that only firms with a competitive advantage based on proprietary assets such as technological strength, a brand name or expertise in manufacturing will be able to invest abroad and compete successfully. (Dunning 1993. Caves 1966). In order to reduce market transaction costs, the coordination of activities related to the generation and exploitation of proprietary assets is internalized within the firm through foreign direct investments. (Hennart 1992).

Other authors found domestic market share to be closely related to foreign market success. Caves 1996 suggested that the propensity to invest abroad rises predictably with domestic market share. Dominant firms have the resources and competitiveness to expand in all regions and to benefit from the scale economies of global factory configuration. In addition to the firm's position in the home market, the position of the home industry on world markets is an important driver behind global configuration decisions. On the other hand, the dominance of the global industry is not necessarily the strongest driver of west bound configuration. Caves (1996) Kalish et al (1995) and Motta (1992) have shown that it is the credible threat by foreign firms to capture market share in overseas markets that may prompt
firms to engage in defensive investments abroad. Foreign investment may act as a strategic commitment to increase market presence and dislodge/ detach the efforts of foreign competitors entering the market. It may also facilitate the adaptation of products to local consumer demand, increase brand recognition and enable faster responses to the activities of local competitors. These considerations play an important role in the USA and Europe where rival firms pose serious threats or large markets are a challenge. A kind of competitive interaction brings a strategic role for foreign subsidiaries, fighting competitive battles with rivals to the beneﬁce of the corporation but often sacriﬁcing the proﬁts of affiliates. This requires ﬁrms to exert control over their foreign subsidiaries to coordinate global competitive interaction and to align incentive schemes. A presence in all potentially attractive regions increases the number of strategic options for a ﬁrm to grow its competitiveness with regard to its rivals. Once a ﬁrm has established a subsidiary in a new location other ﬁrms are likely to follow and maintain the existing competitive equilibrium. Besides a ﬁrm’s competitiveness of ﬁrms and market position in various product lines, holding intangible technological assets on an international scale is a nature follow-on to ensure successful overseas manufacturing. (Caves 1996; Hennart 1982). The results showed that the choice of a particular spatial conﬁguration of factories was not purely determined by the characteristics of localization but was also affected by the ﬁrm’s competitive drivers and those of the industry. Applying the ﬁndings made by the authors, we seek to align their calculations with observations on the practices of pharmaceutical groups. It is possible to deﬁne a set of conditions from which a global factory conﬁguration could be chosen. We rely on the authors’ approach to qualify the pharmaceutical companies. The table shows the three stylized cases in which speciﬁc conﬁgurations are most likely to be chosen.

<table>
<thead>
<tr>
<th>Conditions</th>
<th>Global Investment Configuration for manufacturing and R &amp; D in all regions</th>
<th>West Bound Configuration for Investment in manufacturing and R &amp; D – Nth &amp; Sth America + Europe</th>
<th>Europe Bound Configuration for Investment in manufacturing and R &amp; D - Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Typical global</td>
<td>Example: Pfizer, world No 1</td>
<td>Dominant position in USA, numerous manufacturing and R &amp; D sites worldwide</td>
<td></td>
</tr>
<tr>
<td>The ﬁrm has a dominant position in its home market</td>
<td></td>
<td>Novartis Group has a global presence in manufacturing and R &amp; D, strong growth in Asia, Slovenia, Eastern Europe</td>
<td></td>
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<tr>
<td>The group is diversiﬁed globally.</td>
<td></td>
<td>Search more focused on</td>
<td></td>
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<tr>
<td>The group strategy includes acquiring companies to facilitate access to new geographical areas</td>
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<tr>
<td>The product is a key product for the ﬁrm</td>
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<tr>
<td>Competitive advantages</td>
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<td>Complementarity in</td>
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<tr>
<td>portfolio, proven financial strength</td>
<td>USA and Switzerland</td>
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<tr>
<td>Proven expertise in leading edge technologies</td>
<td>Roche has 6 production sites in Europe, 6 in America, and 8 in Asia</td>
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<td>Geographical proximity to its research centers</td>
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<tr>
<td>Ability to drive partnerships</td>
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<tr>
<td>Successful management team</td>
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<tr>
<td>Typical West Bound</td>
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<tr>
<td>Typical West Bound chosen by firms with intermediate levels of competitiveness for non-core products but high global technology.</td>
<td>Bristol Myers Squibb Johnson &amp; Johnson</td>
<td>Large network of industrial operations Sites mainly in USA or Canada</td>
<td></td>
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<tr>
<td>Typical Europe Bound</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Production centered on home territory</td>
<td>Example: Sanofi-aventis</td>
<td>Key production sites in France, Germany, Hungary Other sites in Canada</td>
<td></td>
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<tr>
<td>Only manufactures its active substance</td>
<td>In Brazil, its output is mainly destined to supply local markets</td>
<td></td>
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</table>

### 4.2 Choosing a global configuration

We consider that Pfizer, Novartis and Roche are choosing such specific spatial patterns by determining characteristics of location and establishing competitive drivers at firm and industry levels. The global configuration is the preferred approach when the laboratory has competitive advantages on a product market, with relatively little foreign competition and the strategic interaction between firms takes place in a loosely oligopolistic home market and when the product is a core product for the firm and has strategic importance. The structure of an industry grows from a set of technical and economic characteristics determining the intensity of the competition. We can identify the bargaining power held by suppliers as one of the major competitive drivers. In the pharmaceutical field, laboratories offering proprietary products with distinctive medical benefits have more power over hospital purchasing groups, drug purchasing organizations and preventive healthcare organizations than generic
producers offering me-too products. Example: Roche has a key competitive advantage thanks to its technological advancement in Biotechnology. This advancement gives it a major advantage over its competitors. The Pharmaceuticals and Diagnostics divisions invested very early in molecular biology and the resulting expertise has given the group a strong position. The expertise that the group has built up over time has given it a strategic competitive advantage. This cannot be easily or quickly duplicated by competitors. West Bound Configurations are chosen by firms with intermediate levels of competitiveness for non-core products, but high global technology. We believe that BMS and Johnson & Johnson are West-Bound configurations.

And Sanofi-Aventis is a Europe-bound configuration.
10 active production sites in France
9 pharmaceutical production sites in France
2 vaccine production sites in France
4 production sites in Germany
1 production site in Spain
4 sites in Hungary
4 sites in Italy

Part 2

The strategic approaches of pharmaceutical companies (Rugman) Much economic activity took place in clusters located in major regions of the Triad. Rugman argues that the MNEs act as flagship companies to lead, coordinate and run their high added value activities within a business network. This argument suggests that there are benefits associated with locating certain activities in specific countries where there is potential to save transaction costs by reducing the risks and also from exposure to beneficial input factors (Rugman 1990)

Recent research has highlighted a particular type of inter-organisational process, called geographic clustering of firms. Work has shown that in addition to the collective passive efficiencies that co-localized firms may tap into (reduction of transport costs, better access to suppliers), 'clustered' firms could also benefit from active collective efficiencies. In other words, better access to knowledge and other intangible resources through collaboration with other cluster members. Although Porter has popularized the concept of cluster, the roots of the concept were observed by Alfred Marshall in 1890. There are many risks in the pharmaceutical industry (Risks associated with the market competition: laboratories operate on a global scale. Local competitors may develop products which are more effective and less expensive. Risks associated with failed R & D: laboratories invest large sums in R & D and the amounts cannot be recovered if the product does not receive regulatory approval. Risks associated with disruptions in sourcing: laboratories are faced with disruptions in sourcing.

Risks in product liability (some drug companies have had to withdraw products from the market following substantial claims based on product liability)

4.4 The reality of the regions

The extent and persistence of regionalization in economic activity reflects the importance not only of geographical proximity but also economic, cultural and administrative
proximity. As Ghemawat notes, some countries are relatively close to each other. The author states that four factors are inter-related and these are geographic, cultural, economic and administrative. Countries that are relatively close to each other may also share commonalities in other dimensions. A new regional strategy is described by the author, the strategy instructs firms that adopt this strategy recognize certain regions by appointing a supply of certain products for the entire organization. Some global firms such as Novartis, Roche have acquired this "strategy mandate" and are characterized by "reservoirs" of specific knowledge and skills, which are responsible for making this knowledge available to the rest of the company.

The operations of the laboratory in each region are not simply trying to provide independent activities in response to local market needs, but also act as reservoirs of ideas, technologies and managerial approaches that the firm must be able to apply in other global operations.

These centers are often centered on one geographical site, around a small group of people so have geographic mandates that are broader than their geographic footprints. The regions as depicted by Ghemawat do not just represent a way to regroup from the borders to achieve higher efficiencies that could be achieved with a country by country. The implicit assumption is that underlying and specific benefits to the firm are not limited to location and are easily transferable across borders as an intermediate product.

Specific benefits to the firm that are limited to location may reflect either a proprietary asset used in production, which would be manufacturing technology knowledge, marketing knowledge or one which could be related to an organizational capacity to efficiently coordinate and control the asset base of a multinational (Dunning and Rugman 1985) Based on the theory of Internalization, it has been assumed that in general the specific benefits to the firm in the form of assets related to production may be dispersed internationally among foreign affiliates fairly easy without too many concerns about problems of adaptation and coordination.

Basic analysis of regionalization

The model distinguishes between country effects and effects at the firm. There is a set of factors specific to the firm: FSA (Firm Specific Advantage). An FSA allows the company to obtain a competitive advantage. This is a unique capability possessed by the firm. The FSA owned by the firm is based on the internalization of production assets: knowledge, skills or marketing where the firm has control.

The CSA are the Country Specific Advantages

The CSA are variable factors including economic, cultural parameters that are exogenous to the firm. They are related to the country of origin and refer to the extent of natural resources and the labor force and other cultural factors. CSA may include demand conditions, regulatory systems and infrastructure systems.
The CSA / FSA matrix Laboratory managers can use strategies that are built on the interactions between FSA and CSA. To help formulate strategic options for an MNE, it is useful to identify the strengths and weaknesses of FSA and CSA. Rugman proposes building a matrix crossing the geographical scope of FSA. (The strategic advantage held by the firm can be considered as regional or global) and the geographic scope of any strategic advantages of location. (May be considered as regional or global) In the pharmaceutical industry, for example, a strategic advantage can be based on tangible or intangible assets.

<table>
<thead>
<tr>
<th>FSA</th>
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<td>Weak</td>
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**Cell 2 Home regional firms'**

Firms have the regional geographical scope of their FSA and a range of regional strategic advantages from their location. These laboratories have specific advantages that are based on their region of origin. These laboratories have a range of benefits with a reach within their area and the extent of their localization lies in this region. For example, Sanofi-Aventis highly concentrated its manufacturing operations in Europe and particularly in France. Sanofi-Aventis owns 34 production sites in Europe including 15 sites in France, 14 locations for R & D in France against four production sites in the United States and 3 R & D centers and five manufacturing centers in Asia and 3 R & D centers. In addition, Sanofi-Aventis manufactures its chemicals in France 97% of chemicals are manufactured in interne. sanofi Vantis seeks to preserve his "legacy chemicals", a legacy of four main "pillars" that gave birth to the group's industrial base: France's Sanofi, Roussel-Uclaf and Rhone-Poulenc and Germany's Hoechst. Many risks and constraints are imposed on pharmaceutical companies. Tendency of governments to advocate drugs through generic laws The replacement generic. Through legislation pertaining to the substitution.

**Cell 3 Global Firm**

Firms benefit. an extension of their global geographic FSA and an extensive global geography of their location advantages. Thus GSK, UK nationality, could be described as a global firm, with 39% of its sales in the United Etas 31% of its sales in Europe and 30% of the world. GSK has a balanced geographical distribution at the three regional blocs. On the supply side, GSK has 41 production sites in Europe, 18 sites in the USA and 24 sites in Asia Pacific. GSK is a company described as bi-regional level of the offer. The group has a global geographic scope of FSA but the geographic scope of the strategic advantage of location is regional.

**Cell 4**
Bi-regional Firms. The firms have a worldwide geographical coverage of their FSAs and they have a geographic scope of their regional location advantages. Astra Zeneca is an example of bi-regional company.

BMS
Roche makes 41% of its sales in North America and 29% in Europe. Rugman believes that while most pharmaceutical companies believe that they hold for their FSAs overall ethical pharmaceuticals, in practice it is clear that local laws prevent the development of a standardized distribution system. Even within Europe there are strong differences between countries in health systems et they will prevent a regional approach. These local pressures are forcing pharmaceutical companies to stay in the cells 4.

In recent work Kao (2009) argues that countries in the world are designing new approaches to innovation strategy. From Singapore to Finland from Chile to China countries around the world are designing novel approaches to innovation strategy. What does this new “innovation world “ mean for companies? Executives can now weigh different national approaches to innovation in terms of their firm’s requirements.

The author retains the pattern of innovation "focused factory", which combines a strategic intention clear with a concentration of infrastructure and talent in an effort to discover and deploy new solutions. Thus innovation such as "focused factory" was adopted by countries such as Singapore and Denmark, which focus their investments in innovation on a number of industries such as life sciences. Thus Singapore has allocated resources in important research fields of life sciences center creation in 2003 Biopolis biomedical research center. Glaxo Smithkline Beecham founded its Center for Research in Cognitive and Neurodegenerative Disorders at Biopolis. Novartis based its Institute for Tropical Disease at Biopolis and other international pharmaceutical companies.

Conclusion

In past research the decision to invest in particular region has often been narrowed down to a comparison of conditions in the home country vs those prevailing in that particular country or region without considering alternative consideration.
Some conceptual framework described in this article adopt a more comprehensible model in refining the analysis to foreign investment at the product level considering global or regional plant configuration strategy. The study of the conceptual framework focus on the scope geographic adds to our understanding of MNEs and also provide a bridge between the mixed findings of prior research on multinationality by disentangling the unique effects of the latent subcomponents of geographic scope on firm performance.

Organizations are creating a center to participate in Biopolis relations with governments, global pharmaceutical companies, laboratories’ research. New centers are built excellent and emerging hot spots for innovation. The executive must understand these emerging models considering or have their direct investment. The theoretical frameworks shed light on the choices made by pharmaceutical. New Territories attractive please remember to be integrated into decision-making leaders driven by shortening of product life cycle pharmaceuticals and rapid technological developments multinational firms need to ‘tap into’ world excellence in given fields (Bartlett and Ghoshal 1989).

The challenge is to utilize local technologies learning in geographically dispersed sites by communicating and integrating into the firm’s global organization and leveraging it in other markets. Belderbos 2003 In this context, it seems imperative to reflect upon new theoretical concepts products likely to provide aid on the international strategies of firms.

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New Accounting for Corporate Social Responsibility

Sue Ann

Introduction

Let’s challenge what the future holds!

Why are we here at this conference, academics and practitioners working together in the field of Corporate Social Responsibility? Why do we think this is work that is worth doing? Is it that the ultimate fear that many of us are facing is that in a relatively short space of time planet earth will no longer be a fit place for human beings and we will become extinct. We know that there have been dramatic climate changes in the past leading to total extinction of species so perhaps nothing can be done to change the outcome. Some claim that we ourselves are causing the dramatic changes we are experiencing whilst others refute this. However it is only if we assume both responsibility and a positive attitude that we will have even a remote possibility to challenge what the future holds. Therefore let us take responsibility and assume that these claims are correct and that we are responsible, at least in part. Let us take a positive attitude and assume that we can do something about it. Let’s try!

Problem Summary

The specific problem we are addressing is the lack of an effective means of accounting for the activities of corporations. The scale of modern corporations far exceeds the capability of governments to effectively control their combined impact on planet earth. The tools of organizational governance, especially accounting, developed in the early days of modern business and financial have been outgrown by the scale and speed of developments. Totally new information technology, which did not exist when the economic models, which still underpin organizational governance today, were originally designed, has transformed corporate activity in ways that could not even have been conceived. Economic models that permitted the concept of externalities, items excluded because they were at the time perceived to be insignificant, are now considered by many to be fatally flawed and a root cause of some of the worldwide problems we are facing. From the 1970’s …there has been a growth in concern with accounting for externalities (Crowther D & Rayman-Bacchus L 2004). It is time for a fresh approach. We need a solution, a net or framework, a multi-faceted seamless, networked solution (Ann S & Crowther D 2005) without holes, this time. We can only be sure that there are no missing pieces of the jigsaw if we have a picture that includes all the impacts of all the people on planet earth.

Problem Investigation

Do we assume that if the corporate sector was to put its house in order a significant proportion of environmentally damaging human activities would be eradicated. Are we right

18 Comments welcome. Contact Sue at luckofthewind@gmail.com
to make this assumption? If not, what else needs to be done? How can we assess the problem and progress if there is any?

**How significant is the corporate sector?**

The people who make up the corporate sector are clearly one of the groups that is significant with respect to the total human impact of on our planet Earth. We all know of many disasters that were directly caused by corporations. We all know many examples of environmental degradation that are directly linked to corporate activity. The consequences of the activities of the corporate sector that fall outside the scope of traditional economic and financial models are the target of our academic field, Corporate Social Responsibility. However, there are other important sources of impacts on our planet Earth apart from the corporate sector. For example, the cumulative effect of the activities of people not engaged in corporations, either in the non-work related activities of corporate workers or in those not working for corporations at all, is also having an impact on the planet. Another massive source of impacts on planet Earth is the agricultural sector, and assessing its relative scale with respect to the corporate sector must be fundamental to grasping the relative impact of corporate activity.

**The need for accounting for Total Human Impact**

The first question we need to address is just how significant is the corporate sector? Also what relative contribution can accounting for Corporate Social Responsibility make and what else needs to be done? Unless we know the Total Human Impact on our planet Earth of the activities of all people we will not be able to assess the relative importance of the corporate sector, or answer crucial questions that will help us focus our efforts effectively. Currently there is no universal method of accounting for the total impact of all people's activities on planet Earth. We will call the mark that we are making on the whole natural world that is our planet earth together with the impact we are making on each other, the total combined impact of all our activities, Total Human Impact.

**Currently there is no accounting for CSR**

How useful are existing accounting methods for answering the wider questions about Total Human Impact on our planet Earth? Perhaps we need a new accounting model, or perhaps a “Counting Model”, to enable us to assess this. Much work is being done to expand accounting methods to provide a wider concept of accounting to include natural resources and human consequences of corporate activity. All good work but perhaps starting from a fatally flawed financial model is not helpful. If we start instead from a bird’s eye position that looks at the problem as a whole we can see that a “catch all” solution is needed. A net so vast with a mesh so fine that nothing escapes our attention. Here we explore the frameworks that are needed to ensure that this time around, the models we use will not have fatal holes.
New Accounting for CSR: Overview

Characteristics of a new accounting model
What might a new accounting model be like? What are its success criteria?

Universal Unit of Measurement

First what is accounting? The term “accounting” is familiar throughout the corporate world however it means different things to different people, depending on their education and experience. Most people though, would assume that accounting was something to do with money. It is this basic assumption that I am challenging in this article. I was a Management Accountant. To clarify, a Management Accountant works within a corporation and counts all sorts of things apart from, and as well as money. A management accountant would be interested in the underlying sources of cash generation from working practices. Counting units of production rather than the money value of production separates problems relating to money as a unit or measurement such as fluctuating costs per unit. The unit information can readily be converted into money information using a money conversion rate, later.

I am proposing to ignore money, for the time being as a useful unit of measurement for Corporate Social Responsibility. Instead, I am seeking a different unit of measurement that can be used equally at macro, planet level, as at micro, the level of the individual person. This will avoid many weaknesses of money as a unit of measurement. The workshop, “A Counting Model for CSR” explores some of these money model weaknesses and looks at possible alternatives.

No externalities

The concept of externalities is fundamental to the whole field of Corporate Social Responsibility. This is because the term “externalities” refers to items that are external to the economic model that underwrites modern corporate activity. If there were no externalities, there would be no need for our work in trying to hold corporations to account for their actions outside of the core money making activities. The norm would be for all corporations to be accountable for all consequences of their activities. If this had been the case since the beginning of modern economics we would perhaps not be facing our current problems. The world could have been a different place! In this way, then, we could see the field of Corporate Social Responsibility as an effort to minimize the consequences of externalities. The aim of a new accounting model perhaps then should not be for Corporate Social Responsibility alone but to account for all consequences of the activities of corporations with no externalities. A model of accounting that addresses the issues of Corporate Social Responsibility alone is likely to suffer from the weakness of not being integral with the main accounting systems, creating possibilities for errors through which corporations can continue to evade some of their responsibilities.
Simple concept

Accounting can be seen to be very complex. Accountants of all types train for many years to learn the detailed regulations and their application in practice. This myriad of details masks the underlying simplicity of basic accounting models and can make it difficult for the layman to understand the key issues. In addition, all human beings have a limited capacity to absorb quantitative information at any one time, and to use it actively for comparison. Some say that a person can only absorb seven pieces of quantitative information at a time. My own experience is that this is so, perhaps even less. For this reason I would only ever present a very simple quantitative analysis on one page, with plenty of explanation, when communicating accounting results or information. Of course, trained individuals, accustomed to a particular model are able to read the quantitative information much like a foreign language.

If we are to develop a new effective accounting model for corporate social responsibility we must take to account the limitations of human beings to absorb quantitative information and simplify the information in ways that make it accessible to all people whatever their level of education of experience. This is a massive challenge. Most important of all, is that any new model that we develop is simple, and intuitively understandable by everyone. Even with this underlying robust simplicity the challenge of communication will still remain immense but with time and education the models strength must aid international and inter-disciplinary communication.

Trail

A feature of accounting methods is the audit trail. The original source of all data is recorded at the time that the data is collected. It is as important as the processing of the data that the information that allows its source to be identified throughout every stage is kept correctly. This allows any calculation, at any stage to be deconstructed to its original data. This is bookkeeping and is fundamental to the usefulness of accounting information because it can be verified.

Any new model of accounting will similarly need to generate a trail of responsibility that will allow the sources of human impacts on the planet and on other people to be identified. Without this trail there will be no basis for holding perpetrators to account. This issue is distinct from the development of a simple effective counting model and will need thorough investigation.

Summary: characteristics of a new accounting model
Success criteria include
1. Universal unit of measurement
2. Includes everything – no externalities
3. Simple concept: able to be used and understood by individuals
4. Trail between cause and effect
Elements of a new accounting model

What assessment aims should we have? What elements will best achieve these aims? What unit of measurement might we use? How can the elements be combined to provide an accounting model that produces a robust solution? If we want to calculate the change in Total Human Impact© over a specific time period we must decide what elements we need to measure.

Elements for quantifying change in Total Human Impact

The first element to measure is the total impact all humans combined are having on our planet Earth’s natural systems. We can look to the environmental professions for help here. The second element we must measure is the impact that some people are having directly on other people without necessarily impacting at all on Earth’s natural systems. Here we will need to look at those professions who understand populations, their growth and movement to identify the numbers affected. Understanding how they are affect is far more subtle and problematic and will lead us into issues of the quality of life of humans. Finally we need to identify just who is responsible for the impacts we are witnessing. Once we have done this we can think about how to hold them to account. These three elements will be a start to enabling us to assess the Total Human Impact© over a specific time period.

Unit of measurement for Total Human Impact©

Traditionally accounting models use money as units but we have discounted the use of money for this new, Total Human Impact© model that we are investigating. We can use the same principles used in accounting models and methods but change the unit of measurement to something that will provide us with a universal measure of Total Human Impact© on planet Earth. I am proposing that the unit that we could use as the basis of this work is one human being. Human beings are a more consistent unit of measurement than money, because the concept of one person is exactly the same throughout the world. If we use human beings as the basic unit we will find that we have available a lot of information both about individual people and populations. This rich resource would enable us to relatively quickly construct a simple model for accounting for Total Human Impact©.

Traditional financial models

Traditional Financial models: profit and loss, balance sheet

Despite much work over many years accounting models are not yet harmonized throughout the world. In the USA and UK there has been convergence in the use of GAAP (Generally Accepted Accounting Principles) but other countries use different models. Although details of producing final accounts for corporations are extremely complex, the basic profit and loss model used in the USA and UK and many other countries to calculate increase or decrease in wealth over a specific time period, is simple and robust in principle. There are two ways to calculate change in wealth over a specific time period, the transaction method and the
balance sheet method. The transaction method is, incoming earnings less outgoing expenditure is the profit (earnings > expenditure) or loss (earnings < expenditure) for the period being measured, plus or minus various adjustments. This is the change in wealth over the time period, often for example one year. As a cross check, the change in wealth over the same time period can also be calculated by adding up the value of all the assets and liabilities on the balance sheet, to produce a valuation. When this is done at both the beginning and the end of a time period the change in the valuation over the period is equal to the profit and loss calculated by the transaction method.

**New model for Total Human Impact© over a time period**

The basic principles of traditional accounting can be applied to each of the elements of the new Total Human Impact© model to calculate change over a period for each element by the two methods, transaction and balance sheet. In this way we can build a robust method for accounting for Total Human Impact©. This is the simple concept underlying this proposal. Developing this into a fully functioning accounting system is going to lead us into vast areas of complexity, as discussed below, but the underlying concept is simple. The simplest problem you can solve the essential starting point for a social web application (Bell G, 2009). For example, the change in numbers of people either responsible for (cause) or affected by (effect) Total Human Impact© on planet Earth could be calculated by the two methods outlined above, either the transaction method, assessing changes over the period, or the valuation method calculating the difference between the beginning and the end of the period. This would give a simple robust basis for the development of a new accounting model for Total Human Impact©.

**Summary of elements of a new accounting model**

The overall aim is to assess the Total Human Impact© and create a trail between its causes and its effects.

1. **Cause:** Those people responsible for all activities causing an impact
2. **Effect:** Those people affected by the activities of others
3. **The human impact on planet Earth’s natural resources**
4. **The human impact of some people on others.**

**Scale**

How can we combine data at planet level with an accounting trail to individual people responsible? How can we combine data on individuals in such a way as to build up a view of the total impact on people?

Traditional accounting models are built up from the micro bottom up position. Data is collected and combined to produce information at every level in the corporation. Level by level the data is effectively compressed, so that higher-level information provides an overview without excessive detail. It is an additive hierarchical model. This approach is continued when building industry wide views and finally national accounting information. The focus is
on accuracy and ability to reproduce results, that is, objectivity. In order to reach planet level information, many tiers of information would need to be added.

The macro view, top down, would instead require information on the whole of planet Earth as a starting position. In terms of people, for example, this would mean starting from the total population at a point in time, between 6 and 7 billion approximately, and then allocating the population to causes, on the one hand, and effects on the other, of the Total Human Impact©. It is an analytical approach, dividing responsibility on the cause side to appropriate groups of people. On the effect side, dividing the Total Human Impact© among those affected.

These are the two extremes, an individual person and Total Human Impact© on planet Earth. Connecting these two extremes of scale will require an accounting model that applies equally at both ends of the scale, a truly scaleable model. When this criterion is met, it will be possible to connect data at both extremes, and at every level in between. If this criterion is not met, as is in the case of accounting models as they move up the levels, there will be the potential for error, for holes through which corporations will be able to evade their responsibilities. This would mean that our new model would be as fatally flawed as existing models. We would fail.

Except that we have the world-wide-web, the idea of all of us being able to impact on these issues in union would be unthinkable. We do however have this amazing tool which enable corporations to become part of a greater network (Mraović B, 2004). The problem is that the scale and complexity of the tool is so great that it may seem impossible to use it for the purpose of influencing the activities of every human on our Planet Earth. In addition, many people are not yet connected. Apart from these issues there are many other reasons why we would fail in practice, but here we have the luxury of considering the theory alone.

Summary of scale

Apply equally between planet level and the level of an individual person.
1. Micro
2. Macro
3. In between macro and micro

Complexity

How can we provide solutions that are understandable by individual people?

Under a title of complexity expect to find complications. Here I briefly cover some of the complex problems that will need to be addressed before Total Human Impact Accounting© could begin to be a viable method.

Issues of complexity

1. Measuring quality of lives of people
The Total Human Impact® will be assessed by its effect on people. This will be the number of people affected but also the way in which they are affected. This will require the development of a “quality of life” model that allows changes in quality of life to be assessed.

2. Measuring planet level human impacts on natural systems
This requires that changes in air, water, earth and energy at planet level are measured. There will need to be separation between changes caused by humans and those that are natural. This work has been started. Even though the many areas there are unresolved issues we do have a lot of information available, some of which has broad consensus across the scientific community.

3. Measuring human impacts on other people
It is clear that the actions of some people have a direct effect on others. A framework that utilizes the quality of life model mentioned above in section 1 will be needed. The most dramatic example here would be war, with some people impacting on large numbers to the extent of taking their lives. At the opposite end of the spectrum are the amazing work by the medical professions to eradicate disease.

4. Converting impacts on natural systems to impacts on groups of people
As this is an accounting system, ideally we would achieve a single bottom line. It is possible to convert the impact of humans on natural systems into their subsequent impact on the quality of lives of people. In this way, these environmental impacts can be added to the direct impacts of humans on other people in a combined result.

5. Grouping person or people responsible
We are most interested in the group of people that are working in corporations, the corporate sector, their daily habits and behaviour and its impact is distinct from, for example, that of a group of humans living isolated in pristine Amazonian forest. Perhaps this grouping will develop along cultural divides, grouping people with similar habits and evaluating the consequences.

6. Linking planet level impacts to those responsible
There is no doubt that this is an extremely complex issue and likely to provide grounds for much debate. Only when we start will we start to see the problems we face. In time we can develop improvements at least, even if solutions always evade us.

7. Quality control of information
This issue is about the delivery of results to individuals in a usable form. Without quality control there will be no assurance that best practice is being recommended. This is an important and ongoing issue relating to identifying high quality research from the also ran and the, quite frankly, wrong.

8. Delivery of simple understandable information to individuals
Information must be delivered to all. Many people lack education but they cannot be excluded from access to this information. This is a key subject for education and it will require
the use of all forms of multimedia, video, music, audio, visual imagery as well as academic papers and written material. Managing and delivering a comprehensive solution will be a huge challenge.

Summary of complexity

My view is that with a tool for handling complexity all of these issues can be resolved. At this time I do not know how exactly each of them, and probably others too that emerge later, will develop. I am convinced that most of the information, models and tools needed already exist in one form or another. What is needed is joined up approach that utilizes them for the purpose of providing an accounting system capable of assessing the impact of corporations on the planet and on the people living on it.

Solution Specification

Total Human Impact Accounting©

Our goal is to develop a new type of accounting, let’s call this Total Human Impact Accounting©. Traditional economic, financial and accounting models focus on money impacts and fall far short of the “Total Human Impact” approach that we require so we are going to discount money as universal language capable of describing Total Human Impact© (see workshop “A Counting Model for Corporate Social Responsibility” for further information on the usefulness of traditional accounting). If we are not going to use money as its unit of measurement, we will need an alternative counting method. The activities of people cause an impact on our planet Earth, for example, when natural resources are consumed, when products, and bi-products are produced and released into use, or into the environment. In addition, the activities of people can have a direct impact on others. We need a way to assess the characteristics and scale of consequences of all the activities of all people on planet earth and its natural systems, as well as their impact directly on others, the “Total Human Impact©”. Perhaps the Total Human Impact on People© is a possible contender as a universal measure and we will investigate it.

Total Human Impact On People©

The point about a system of accounting is that there is a universal measure. The unit of measurement must be able to represent any aspect of all activities and of all impacts. In this way, fundamentally different concepts can be added together to make a final total. We are not going to use money. Instead, we are looking for some other way of combing the total impact on the planet of all the different activities of people and all their different consequences. People, their numbers or populations, are widely used throughout the world, to describe the scale of natural disasters. Perhaps we can use this method too, to assess the scale of people’s activities on others. If we are going to use the number of people affected by any given activity as a universal measure of assessing total impacts, we will need to also consider how the people are affected. If the Total Human Impact on People© was used as the unit of measure for a type of accounting, it would need to address the qualitative issues of the impact on the lives as peoples as well as using the quantitative measures normally associated
with accounting. We will call the effect that people’s activities have on other people the Total Human Impact on People®.

**Direct And Indirect Human Impact On People®**

The proposal is that the activities of humans have an impact on people and it is these impacts that need to be assessed in a new form of accounting. We would need to identify the Person or People Affected® (PoPA®) as well as the way they were affected, for example by changes in their quality of life to assess the impact. Some activities of people have a direct impact on others. The most dramatic example must be in the case of war, where people lose their lives as a direct result of the actions of others. There are many other examples where the quality of life of some people is directly affected by the actions of others in some way or other (Direct Human Impact on People®). In addition activities of people can affect the quality of the environment, which could then subsequently affect the quality of life of people. We could call this, Indirect Human Impact on People® but its mode of measurement would be the same. Environmental impacts would be translated into an equivalent mode of assessment including both quality of life and of numbers affected. The Total Impact on People® would then be the sum of both Direct and Indirect Impacts on People®.

**Person Or People Responsible®**

The problem we are addressing in this article is the lack of an effective means of accounting for corporate social responsibility. In fact, isolating the corporate sector is part of a bigger issue of identifying the Person or People Responsible® (PoPR®) for creating any of the impacts on our planet. The wider context is therefore the lack of an effective means for accounting for the impact of all people on Planet Earth. It is likely, perhaps oddly, to be easier to account for all human impacts than to isolate those impacts solely accountable to the corporate sector. There are several reasons: defining the corporate sector, for example which types of business industry are included? are sole traders operating independently corporate workers?; separation of individual responsibility from corporate sector for corporate workers, for example who is responsible for impacts from activities outside of work?; division of responsibility for impacts between the corporate sector and other causes and allocation of responsibility between corporations. Accounting for responsibility will require making connections between Total Human Impact at planet level and the Person or People Responsible® at individual level. Measurement at the level of whole of the planet, the macro level, will need to be linked with individual people, the micro level. This will require the resolution of problems of measurement at both the macro and micro level as well as devising a robust method of meshing the two approaches in the middle to provide a seamless solution.

**Complexity And Scale**

Last but not least, the problem we have outlined is immense. It is complex and enormous far beyond the possibility of resolution by one person. It will need teams of people throughout the world to work together in harmony to provide a cohesive solution. The results must be accessible and understandable to individual people. Tools to address the
problems and complexity and scale will be needed, as will a means of communicating the results.

**Problem Summary Conclusion**

All human impacts on the planet will be assessed by their consequent impact on the quality of lives of people and the number of people affected (Indirect Human Impact on People©). All human activities that impact directly on the lives of others will be assessed by their impact on the quality of lives of people and the number of people affected (Direct Human Impact on People©). The Total Human Impact on People© is the sum of direct and indirect Human Impact on People©. Responsibility for all human impacts identified will be traced to the Person or People Responsible© (PoPR©). In order to do this scaleable solutions will be developed that apply equally at the level of individual person as at planet level. In this way a big net can be constructed to catch everything (Total Human Impact Accounting©).

**Conclusion**

The vision set out in the solution specification above is of a new type of accounting that cuts free from the constraints of money as the fundamental language. Instead, people will become the basic unit that will be used to build the framework for assessment. There will be two “people” frameworks: the first will be used to assess the activities of people and their consequences; the second will be used to assess the impact or consequences on people of these activities. Impacts will be assessed, even if they are not measurable quantitatively, by using descriptive language. This will be called Total Human Impact Accounting©.

Before we get carried away, this is a vision, not a tried and tested solution. The solution is envisaged to include the use of the internet to develop a worldwide social network of people cooperating to combine existing and new models from many different fields of work. In order to produce something other than chaos there will need to be underlying frameworks. These frameworks could be models, regulations, conventions, systems, methods, structures or perhaps tools that will help us to coordinate our efforts on such a vast and complex undertaking.

**References**


**Appendix 1**  
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<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
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<tr>
<td>Total Human Impact Accounting©</td>
<td>Method of accounting for the effect peoples activities have on other people.</td>
</tr>
<tr>
<td>Total Human Impact on People©</td>
<td>The effect that people’s activities have on other people.</td>
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<td>Person or People Affected© (PoPA©)</td>
<td>People affected by the activities of other people.</td>
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<td>Direct Human Impact on People©</td>
<td>The effect caused directly on a person or people by another person or people.</td>
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<td>Indirect Human Impact on People©</td>
<td>The effect caused indirectly, for example by damaging the environment, on a person or people by another person or people.</td>
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<td>Person or People Responsible© (PoPR©)</td>
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Corporate social irresponsibility (CSI)
A conceptual framework

Kristijan Krkač

Abstract

The discussion encloses a conceptual research of the phenomenon and the concept of corporate social irresponsibility and it has nothing to do with significant falloff in corporate charitable contributions (corporate philanthropy), at least not directly. It is composed of two parts. In the first part (1), in two subsections, a certain tension between (1.1) the culture of irresponsibility and (1.2) daily implicit concept and practice of responsibility which is present in the contemporary society is presented. The second subsection (1.2) presents basic concepts of a business. It is showed how these basic business elements include rudimentary and integral moral duties (unwritten ethical codes, and implicit corporate social responsibility) which are implicit to them and essentially manifested by a business process. In the second part (2), and in the light of the tension explicated in the first part, some concepts of CSI and their basic types and elements (2.1) are presented, and instead of conclusion (2.2) some elements of CSI prevention are outlined. The whole discussion is intended as a conceptual framework or a model for useful CSI prevention (not so much for its detection and sanction).

Key words: business ethics (BE), core business, corporate social irresponsibility (CSI), corporate social responsibility (CSR), CSI prevention, ethical codes, implicit and explicit BE and CSR, job description, standard operating procedure (SOP), types of CSI

Paper type: discussion.

The 1989 Exxon Valdez oil spill, a classic in corporate social irresponsibility casebooks, gave rise to, or should we say oiled, the corporate social responsibility movement. In short it all started with a bit of oil and irresponsibility and continues to be so as far as the BP is concerned. If one searches the internet for corporate social responsibility (CSR), one will get approximately 36.900.000 results most of which include self-advertisement of companies in terms of their alleged CSR, or web pages of various international, national, regional, professional, NGO, or academic institutions, while if one searches for corporate social irresponsibility (CSI), one will get approximately 1.440.000 results most of which include particular cases of CSI, from classical cases to the newest. This difference can be interpreted in various ways, yet it is the fact that much of CSR marketing is done by companies and research and activities by various institutions promoting CSR and much of CSI is done in the same time. However, the topics here are not particular cases of CSI, rather the very concept, types, elements, and standard practices of it.

1. Origins of irresponsibility – corporate social irresponsibility contextualized

Humans are irresponsible which means that irresponsibility is a part of general conditio humana of Homo Sapiens Sapiens. They are irresponsible privately and publicly, toward themselves, other individuals (human and non-human), groups, society, and the whole generations. If they are parts of companies or corporations they can act irresponsibly in...
numerous ways, and then they are executing irresponsible actions of a company as a legal person carrying activities for profits. These irresresponsibilities are the topic of the present discussion.

Corporate social irresponsibility (CSI) is a phenomenon related to legal persons acting for profits or corporations/companies but not to physical persons (human individuals), at least not directly. Such legal persons can be of private and of public ownership. Further on, CSI is related to social sphere and not to non-social spheres (political, legal, etc.), at least not straightforwardly. It can be related to physical persons but only indirectly. Finally, CSI is related to common and extraordinary irresponsibilities done by corporations, not to their responsibilities. However, there are two perhaps conflicting sides of the story about responsibility, namely:

• (a) the one which says that it is impossible to be responsible, and the other which says
• (b) that it is irresponsible to believe, claim, and act upon the first one (a), no matter if it is hard to find out what responsibility really is and toward what or whom do we have it in terms of particular duties or obligations.

Some of the elements of the conflict between (a) and (b) will be addressed hereafter.

1.1. (a) Impossibility of responsibility

Nowadays responsibility seems to be a strange and dubious phenomenon. First and foremost it is closely related, perhaps even dependent, on freedom. A person cannot be accused for an irresponsible action if the person was not free while choosing the course of action and performing an action. However, freedom is often understood as freedom to choose and to act without responsibility. This phenomenon, so common among members of Homo Sapiens Sapiens was so vividly described by Pascal Bruckner in his book “Temptation of innocence” (1995:12) where he writes the following:

“The temptation of innocence is a sickness of individualism which is founded on the effort to avoid consequences of one’s actions, and attempt to enjoy advantages of freedom without suffering any of its difficulties or troubles. It branches in two directions, infantilism and victimization, two ways of escaping the burdens of Being, two strategies of blessed irresponsibility. In the first case, the innocence should be conceived as a parody of youthful carelessness and ignorance; it reaches its climax in the character of an eternally immature. In the second case, it is a variation of an angelic feature, representing an absence of guilt, incapability to perform evil, and it is incorporated in the character of self-proclaimed martyr.” (emphases are added).

Now, this seems to be the cultural context in which any irresponsibility should be understood nowadays, individual, social, or corporate-social irresponsibility as well. To proclaim and to defend a kind of “ethics of responsibility” (Jonas 1984), in the presented cultural context, seems to be at least a naïve thing to do, since there are no responsibilities,
and no one is responsible before and for no one else. This stands for all aspects of responsibility, namely:

- descriptive, in terms of the aspect of the relation between a doer, an action, and consequences of an action; normative, in terms of stating a moral duty or obligation for something or someone while performing an act, and prescriptive, in terms of imperative (a duty, a command, or an order) for certain obligation toward something or someone (Koprek 2009:150-1).

In short, one cannot be individualist and a responsible person in the same time without ending in some serious perplexity which can manifests itself as a contradiction or a paradox on the conceptual level, as a rationalization on the psychological level (in terms of solving a cognitive dissonance), and finally as a nice private idiosyncrasy (or as a private irony, Rorty 1989). This idiosyncrasy is private since if one has any responsibility whatsoever, then it must be subjective that is to say, being responsible in the light of one’s own conscience, being true and sincere to oneself. Now this last point raises a serious objection so correctly formulated by H. G. Frankfurt:

“Moreover, there is nothing in theory, and certainly nothing in experience, to support the extraordinary judgment that it is the truth about himself that is the easiest for a person to know. Facts about ourselves are not peculiarly solid and resistant to skeptical dissolution. Our natures are, indeed, elusively insubstantial, notoriously less stable and less inherent then the natures of other things. And insofar as this is the case, sincerity itself is a bullshit.” (Frankfurt 2005:67; see also Debeljak, Bušljeta Banks, Krkač 2011:5-22).

It is hard to reply to this objection but the fact is that this does not make the description of the temptation of innocence in any way less correct.

1.2. (b) Irresponsibility of believing, claiming, and acting in accordance with (a)

On the other hand, responsibility is a common daily phenomenon. Teachers are responsible for teaching. Pupils are responsible for learning. Parents are responsible for their children and for their old parents, etc. Here some basics of human action will be outlined with clear emphasis on business aspects of human actions. One of the most famous attempts to do this but from the economic perspective was the work “Human Action” by L. von Mises (Mises 1963). Humans act. They do things in order to survive, and to live in certain way, sometimes even with certain quite sophisticated style of life. By learning, and that mostly by imitating, humans know-how to do things. Consequently, there are standard ways how things are done.

Among human practices there are daily basic practices, say working, sleeping, eating, learning, engaging in social interactions, leisure, etc. In business sphere such basic practices are called core business (CB).
The core business of a company is the business that it is primarily in. The core business of an organization is an idealized construct intended to express that organization's main or essential activity. It is generally considered good for a company to focus on its core business and get rid of other businesses unless it has strong synergies or strategic reasons to justify operating other businesses. Companies are usually run by managers who understand the core business best (because that is what is most important) so they can generally run the core business better than non-core businesses. Core business process means that a firm's success depends not only on how well each department performs its work, but also on how well the company manages to coordinate departmental activities to conduct the core business process. (Prahalad and Hamel 1990).

Every human practice has its basic standard actions which define the practice (in any activity and in business these are called standard procedures, SP). Now, all of these practices are well described, their standard procedures, and even standards of actions in typical exceptional situations (in any official job this is called a job description). Therefore, what we have here is a standard in which a human who has know-how is performing a job which via job description corresponds with human’s knowledge.

Analogy in business would be the following: a person knowing standard procedures is performing a job with its description which corresponds to the procedures and the whole of that process is a core business.

A core competency is a specific factor that a business sees as being central to the way it, or its employees, works. It fulfills three key criteria: it is not easy for competitors to imitate, it can be leveraged widely to many products and markets, and it must contribute to the end consumer's experienced benefits. A core competency can take various forms, including technical/subject matter know-how, a reliable process and/or close relationships with customers and suppliers. It may also include product development or culture, such as employee dedication. Core competencies are the collective learning in organizations, and involve how to coordinate diverse production skills and integrate multiple streams of technologies. It is communication, an involvement and a deep commitment to working across organizational boundaries. Few companies are likely to build world leadership in more than five or six fundamental competencies. A standard operating procedure (SOP) is a written document or instruction detailing all steps and activities of a process or procedure. ISO 9001 essentially requires the documentation of all procedures used in any manufacturing process that could affect the quality of the product.

A job description is a list that a person might use for general tasks, or functions, and responsibilities of a position. It may often include to whom the position reports, specifications such as the qualifications or skills needed by the person in the job, or a salary range. Job descriptions are usually narrative, but some may instead comprise a simple list of competencies. Job description is usually developed by conducting a job analysis, which includes examining the tasks and sequences of tasks necessary to perform the job. The analysis considers the areas of knowledge and skills needed for the job. A job usually includes
several roles. There are important limitations of a job description: job descriptions may not be suitable for some senior managers as they should have the freedom to take the initiative and find fruitful new directions; job descriptions may be too inflexible in a rapidly-changing organization, for instance in an area subject to rapid technological change; other changes in job content may lead to the job description being out of date; the process that an organization uses to create job descriptions may not be optimal.

Now, if any action falls under this description, for a human performing a job in this way can be said that he/she performs it professionally. In order to be a professional, not just for instance to perform a job professionally as an amateur, is to be confirmed as a professional by official body which acts applies certain rules for professionalism for a given job.

A professional is an expert who is master in a specific field. A professional is a member of a vocation founded upon specialized educational training. In western nations, such as the United States, the term commonly describes highly educated, mostly salaried workers, who enjoy considerable work autonomy, a comfortable salary, and are commonly engaged in creative and intellectually challenging work. Less technically, it may also refer to a person having impressive competence in a particular activity. Main criteria for professional include the following: expert and specialized knowledge in field which one is practicing professionally, excellent manual/practical and literary skills in relation to profession, high quality work in (examples): creations, products, services, presentations, consultancy, primary/other research, administrative, marketing or other work endeavors, a high standard of professional ethics, behavior and work activities while carrying out one's profession (as an employee, self-employed person, career, enterprise, business, company, or partnership/associate/colleague, etc.), the professional owes a higher duty to a client, often a privilege of confidentiality, as well as a duty not to abandon the client just because he or she may not be able to pay or remunerate the professional, often the professional is required to put the interest of the client ahead of his own interests, reasonable work morale and motivation, having interest and desire to do a job well as holding positive attitude towards the profession are important elements in attaining a high level of professionalism, participating for gain or livelihood in an activity or field of endeavor often engaged in by amateurs, having a particular profession as a permanent career, engaged in by persons receiving financial return, appropriate treatment of relationships with colleagues (Freidson 1986, Dezalay and Sugarman 1995).

Now, there are some responsibilities which are implied and manifested by such descriptions and more to that, by such practices. A professional has certain duties: toward the understanding of a core business, toward the job, toward him/herself and peers. For a professional, to perform a job professionally is the basic duty.

Yet, such statement is not a part of the description of a core business, nor it is a part of a description of a standard procedure or a job description. Such statement is not a part of say a code of conduct stricto sensu, because a code of conduct is conceptually and practically much closer to standard procedures of a core business.
• The only possibility is that any core business, its standard procedures, its jobs descriptions, and professionals performing the job by doing just that and nothing else manifest implicit moral aspects of the whole phenomenon and practice in question. This can be called a costume, a culture, or an implicit ethical code (which is the essence of business ethics, BE).

• Now, if any kind of misconduct appears while performing a core business by a professional, and if it connected not just to business or to legal aspects of a job, but to its moral aspects as well, then some duties and obligations, ordinarily implicit, should be explicated. Since such misconducts are mostly standard as well, it is possible to have a written or explicit ethical code.

Any ethical code should be short, clear, applicable, and above all educational meaning that it describes a culture. It always should be an explication of implicit moral duties and obligations closely connected to a core business, standard procedures, job descriptions, and professionalism.

However, in many if not in all professions, there are jobs which include not just performance of a particular standard procedures, but managing parts of a core business and therefore managing professionals of various sorts. For all jobs or professions of this kind an ethical code includes a specific feature which comes down to a decision making process which on daily basis is performed by such professionals. When a professional of this sort performs such action it is in fact a process of social responsibility (in business sphere this would be a corporate social responsibility, CSR). It is social because a professional is in fact dealing with various stakeholder groups as groups which have some interest in a core business. Similar to simple professional ethical code here too there is an implicit and explicit CSR procedure (meaning reaching balanced business decisions between interests of various stakeholder groups included).

How these elements relate of CB, SP etc. relate to BE and CSR of a company is best presented by a diagram (as shown in Table 1). The relations are simple and obvious, namely CB and SP (in the following order): manifest business theory, govern business practice, create business facts, and exemplify businesses BE and CSR in terms of professions’ ethical codes and in terms of balanced decision making process. Now concerning the CSI, if a CB and a SP of a CB of a company does not manifest, govern create, and exemplify, then it must be that some of CSI is going on in a company. This last point is not intended as a kind of criterion or a test of CSI, rather as a symptom.
Here we will stop explicating BE and CSR. There can be various good reasons to do so. One, at least partially convincing, is that there are many confronting ideas about BE and CSR many of which are relative to external variables such as business cultures, legal requirements, political systems, social stratification, cultural context, etc., and to internal variables such as a business sector, different professions in different sectors, different dominant corporate cultures, etc. More to that, many definitions and descriptions of CSR goals sound like wish of new Miss Universe, like for instance by leading expert in the marketing Philip Kotler: “We have a common agenda. We all want a better world and are convinced that communities need corporate support and partnerships to help make that happen.” (Kotler and Lee 2005:x) Therefore, it seems practically more convincing to define the opposite phenomenon, namely CSI. This will be done hereafter yet, always in the context just described, namely the confrontation between (a) and (b) from the beginning.

2. Concepts, types, and prevention of CSI

2.1. Concepts and types of CSI

Corporate social irresponsibility (CSI) is a fact. The previously explicated tension between the temptation of innocence and ordinary responsibility connected a business’s core exists among individual legal persons carrying activities for profits as well as among individual physical persons. The result of the tension is that there is much of CSI going on.

Now, it is not impossible that one as a private person can accept (a) as a part of private irony or idiosyncrasy, and in the same time as a public person (official of a company) accept (b) as a part of one’s public professionalism. This possibility is founded on certain cultural
difference between privacy and publicity in terms that one's private life (beliefs, claims, actions) do not have anything to do with one's public life (as a official and a professional) as long as one's actions in private life do not include violations of positive laws of the land.

Therefore, in the most basic form, a CSI activity can be defined as an intentional violation of a core business, standard procedures, professionalism, explicit code of ethics, and SR procedures. However, this definition seems to be trivial, and therefore one need to research types of CSI in order to see that CSI includes formal and substantial CSI activities. Accordingly, all types of CSI can be divided into formal and substantial types. The criterion of the division is CSI connection to violations of functional requirements of business such as core business, standard procedures, and standards of a profession on one hand, and to violations of substantial requirements of a business meaning particular practices, tactics, and strategies on the other hand (as shown in Table 2). More to that, formal types are connected to some or all stakeholders, while substantial types are connected to specific nature of a business sector or a profession.

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<th>Basic types of CSI</th>
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<tr>
<td>1. Formal types of CSI</td>
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<tr>
<td>1.1 Partial CSI and partial CSR</td>
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<td>1.2 Occasional CSI and occasional CSR</td>
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<td>1.3 Internal and external CSI</td>
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<td>1.4 Particular and overall CSI</td>
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<tr>
<td>2. Substantial types of CSI</td>
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<tr>
<td>2.1 Ideological and omission/mistake CSI</td>
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<tr>
<td>2.2 Typical and extraordinary CSI</td>
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<td>2.3 Amateur and expert CSI</td>
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<td>2.4 Tactical and strategic CSI</td>
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Let us start with formal types (1).

(1.1) Partial CSI and partial CSR are the most common activities of majority of companies. Namely, a company is CSR toward one group of stakeholders while CSI toward the other. The most common subtype is territorial that is to say that a company is CSR in one country while CSI in the other (a nice example is Coca Cola in India (CSI), and Coca Cola in Croatia (CSR), or Nike or Nestlé for instance).

(1.2) Another formal type is so to say temporal in its nature, and this type is also very common. A company is being CSI from time to time due to some other reasons and most often these are reasons of fast profit. Now, from time to time doubts are cast on such companies so a company in question does some CSR (here examples are numerous).

(1.3) Third type is connected to stakeholder groups. A company is CSI by all means but it switches its CSI from internal to external stakeholder groups and back.

(1.4) The last type is questionable. For one thing one should exclude illegal businesses or genuinely dirty business from the list of overall CSI. Yet, a dirty self-conscious business while knowing that it is overall CSI can claim that it is CSI only toward some particular business segment, or at some particular time (BP is a fine example). Overall CSI can also be an
issue of complete fabrication of CSR reports by companies (for instance by McDonalds, see Hawken 2002).

Surely, there are other formal types considering different variables, but these seem to be the most frequent. Let us move to substantial types (2).

(2.1) Ideological CSI is connected to real business procedures of a legal business. A company has hidden agenda of complete and continuous CSI (such cases often include grey areas in legal requirements of a business in which the company operates). The legality of such businesses is highly questionable. However, these are more often connected to particular practices in particular stages of a completely legal business process (say irresponsible marketing), or a profession (say inside trading). This last subtype can often be a case of CSI by accident, omission, or mistake. Such things are natural part of a business process due to the feature of general human fallibility. The crucial difference between ideological CSI of a particular practice or a particular profession and CSI by mistake is the element of intention and premeditation.

(2.2) Typical CSI actions are connected to particular spheres of business, namely they fall under the following chapters: conflict of interests (bribery, corruption, etc.), honesty (lying, cheating, stealing, etc.), communication (mostly in marketing sector but inside of a company as well), and business relations (non-professionalism, misuse of authority, plagiarism, etc.). Further on, some particular CSI activities are specific to certain business spheres, say management, marketing, accounting, auditing, banking, etc. (for instance mobbing, deceptive pricing, misinformation in financial and auditing statements, money laundry, banking frauds, etc.). On the other hand, there is extraordinary CSI which in mostly connected to new developed business tools, new business situations, circumstances, and environment. This last subtype is connected to particular inventions of particular CSI practices (some CSI activities are really invented by certain inventive people).

(2.3) Amateur and expert CSI is interesting difference namely because amateur will be easily caught in CSI action while expert will act “professionally”. A company can decide to do something which by itself is CSI activity or at least has obvious CSI consequences. It can do it by itself and it can do it by outsourcing the job to some experts (say to make a nice advertisement for a perfect product which is in fact of low quality).

(2.4) Tactical and strategic types are CSI activities which are not planed in the first case and planned long-term in the second case. Tactical CSI refers to CSI practices which are taken in particular circumstances as a response to certain business difficulties, while strategic CSI is designed in long-term. For instance, a company can predict that some CSI will be needed in future in respect to some neglected segment of the business process or the stakeholder group. Paradoxical situation is that expert and strategic CSI actions can produce less damage to business community and society in general then amateur or tactical CSI actions. Of course, all of these basic types (1.1 – 1.4; 2.1 – 2.4) are in fact combined especially in real situations. Therefore, these can be considered as elements of CSI.
• The important thing to notice is that any real CSI activity is a complex made of these elements and that it violates some basic elements of a business process: core business, standard procedures (in operations, marketing, management, finance, accounting, etc.), professionalism, ethical codes, or CSR procedures toward specific stakeholder groups. Therefore these elements should be checked if one is trying to detect CSI within a company or a business sector.

2.2. Instead of conclusion: CSI prevention

Here, instead of conclusion, it seems appropriate to make a note on CSI performance in terms of its conditions and its prevention. CSI cannot be completely eliminated from the business world as well as criminal actions cannot be completely eliminated from society or immoral actions from private and public lives of individuals. Some research even suggested that certain percentages (commonly rather small) of particular CSI activities (such as grey economy) are generally good for economic system.

There are various to fight irresponsible practices. The most common way is their detection and sanction. Now, this produces some results indeed, however, these are of minor significance if not joint with other ways among which CSI prevention seems to be the most promising.

Contrary to the opinion that the most of immoral deeds are performed by genuinely immoral humans (almost evil) which is based on mistaken interpretation of datum which says that there is certain percentage of criminals in any given society, it can be presupposed that a vast majority of us will perform a CSI action if certain conditions are satisfied. These are the following:

(a) Know-how to perform a CSI action,
(b) Motivation for performing CSI action, and
(c) Opportunity to perform CSI action.

Now, (a) and (b) are hard to eliminate while it is possible to eliminate (c), yet there is no or little consensus about how this should be done.

Opportunity means that there are circumstances in which a skilled and highly motivated company would perform a CSI action. Such opportunities (on particular market, nationally, and internationally) can be created by the lack of:

• legal requirements or their poor implementation and political compliance, various agencies controlling the market and companies, NGOs activities, media research and coverage of CSI actions by companies, academic research, various business centers and institutions research, and finally and perhaps the most important, a kind of sensitivity and knowledge of CSI in society and general public.
Perhaps some combination of all these tools should be applied. The goal considering the CSI prevention is somewhat similar to the goal with for instance corruption and bribery, namely to limit the amount of CSI action to some acceptable level which does not harm a whole business system in the way that it produces an economic crisis. And to do that, one needs to limit the success of CSI poetry behind CSI typical actions (in terms of “the temptation of innocence”) explicated at the beginning of discussion.

References

11th International Conference on Corporate Social Responsibility
8 – 10 May 2012
Lahti University of Applied Sciences, Finland

For our 11th conference in this series we will be visiting Finland where the conference will be held in Lahti and hosted by Lahti University of Applied Sciences. It will be organised by Faculty of Business Studies, Lahti University of Applied Sciences and in conjunction with the Social Responsibility Research Network (SRRNet).

Call for Papers

As usual the conference is intended to be interdisciplinary and welcomes contributions from anyone who has a perspective on this important issue. This time we will be focusing on one of the most urgent issues of the present. So at this conference there will be a focus on the theme of

CSR and Risk Management

In the CSR literature, Corporate Social Responsibility is often associated with the risk management. In practice, CSR has become increasingly important part of the corporate risk management. For example in The Ernst & Young Business Risk Report 2010, social acceptance risk and CSR was mentioned as one of the top 10 risks for business. From corporate risk management point of view, it is important that we do responsible things but also that we do things responsibly. Thus the conference is not focused only on risks associated with different CSR dimensions and activities but also CSR as a part of responsible management, especially a part of responsible risk management. The key question is not only how negative CSR impacts can be minimised but also how CSR opportunities can be maximised and CSR used as a value enhancing concept. Additionally there will be a special focus on the relationship between CSR, business ethics and management related criminality.

Although the conference will be focused on CSR and Risk Management, papers addressing all other areas of CSR are welcome. Thus papers are welcome on any topic related to this broad theme and suggested topics for papers include:

- Risks and different dimensions of CSR
- Risks associated with CSR activities
- CSR and business risks (e.g. compliance, financial, strategic and operational threats)
- CSR and business ethics
- Responsibility management
- CSR and management systems
- Reputation management and risk
- Corporate governance and risk management
- Risk assessment and management
- Evaluating CSR activities
- Risk communication, communicating CSR risks
- CSR reporting and risk management
- Responsibility assurance and auditing
• Risk of irresponsibility
• Relationship between CSR and corporate performance
• CSR and value creation
• CSR and management related criminality (e.g. grey economy and corruption, white-collar crime)

Offers to run workshops, symposia, poster sessions, themed tracks or alternative events are especially welcome. Please contact Ulla Kotonen (csr.conference@lamk.fi) with suggestions.

Although preference will be given to full papers, abstracts of 200-500 words will also be considered. All papers and abstracts should be sent by 10th January 2012 by email to davideacrowther@aol.com. No more than 2 papers will be accepted from any author. We will publish proceedings and full details concerning other publishing opportunities for the papers presented at the conference will be provided during the conference.

**Doctoral Colloquium**

This year we will again be running a doctoral colloquium on one day of the conference. The aim will be to give detailed feedback to doctoral researchers concerning their papers. Feedback will be specific to each person and their research, and will be given by an experienced academic in the field. The colloquium will be an integral part of the conference and all delegates will be expected to participate fully in the conference but the sessions will give extra time to presenters – to allow for discussion and formal feedback. This colloquium will be organised by Professor Dr Güler Aras and abstracts of 200-500 words should be sent by 10th January 2012 by email to guleraras@aol.com. In order to allow detailed feedback full papers will be required in advance of the conference – full details will be given to participants upon acceptance.

Following the tradition established at the 6th conference in Kuala Lumpur, a Young Academician award will be made during this colloquium.

**Venue of the Conference**

The conference will be held in the Lahti University. The conference fee will be announced later and will include accommodation, meals and conference materials. An optional sightseeing tour will be organised at the end of the conference; full details will be available later. We look forward to welcoming you to Finland in 2012 for the 11th conference in the series.

Full and updated details can be found at the conference website: www.davideacrowther.com/11csrhome.html

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International Consortium for Entrepreneurship Research (ICER) organizes the first international conference on

**Entrepreneurship and new venture creation:**
**International models and benchmarks**

8 – 10 December 2011
Bangalore, India

The First International Conference on Entrepreneurship and New Venture Creation is being launched by ICER, a cross-continental network of 5 leading academic institutions across Italy and BRIC countries, supported by Fondazione Cariplo, Italy. The network is headed by Milano-Bicocca University (Milan, Italy) in collaboration with Indian Institute of Management Bangalore (India); Fudan School of Management, Fudan University (Shanghai, China); Moscow International Business School MIRBIS (Moscow, Russia) and Institute of Economics, Federal University of Rio de Janeiro (Rio de Janeiro, Brazil). The ICER network, set up in 2010 is jointly researching and collaborating on studying the key elements of the entrepreneurial ecosystem facilitating the growth of Knowledge Intensive Entrepreneurship in the ICT Sector across Italy and BRIC countries.

The Conference will be held from 8th to 10th December 2011 in Bangalore, India, hosted by Indian Institute of Management Bangalore.

The aim of the Conference is to bridge the gap between research and practice by bringing together Entrepreneurs, Academicians and Policy Makers across the world. The endeavor is to facilitate sharing of research findings and successful business practices on “Entrepreneurship and New Venture Creation”.

The main theme of the conference is entrepreneurship and its facilitation by various environmental conditions, with special reference to the policies and practices in BRIC countries as well as other benchmark countries. Accordingly, we specify a few sub-themes (as broadly mentioned below), on which papers may be submitted in any of the following three categories, namely: (1) Academic papers, (2) Reflective practice, and (3) Case-studies. All submissions should be in English.

- Emerging Economies
- Culture/Diversity
- Gender/Age and Entrepreneurship
- Innovation and R&D
- Socio-cultural Factors
- Financial Support
- Entrepreneurship and Economic Development
- Government Policies & Programs
- Entrepreneurship Education
Abstract and Paper Submission

Abstracts and, after its acceptance, full papers should be submitted by email to the conference administration before their respective deadlines of 31st July and 30th September 2011. The conference has the first right of publication on the papers presented. Abstracts (maximum 500 words) should contain information on the paper as well as the author(s), such as the title and content of the paper, authors' names, designations, affiliation/address, telephone number and e-mail id. The substantive part of the abstract explaining the content should briefly specify the need for the research, objectives, theoretical perspectives, hypothesis, methodology, data analysis and expected findings.

The full paper should also have similar contents. Moreover, it has to be written in a specified format (see guidelines available on the http://www.iimb.ernet.in link), as it is necessary to ensure uniformity across papers in the proceedings. All full papers will be double-blind refereed by the peer experts for their selection for publication in the edited volume and special issue of the journal. However the acceptance of a paper for presentation in the conference will be based on the double blind review of the abstracts.

Three “Best Paper Awards” - one each from the three categories of papers, namely, Academic papers, Reflective practice, and Case-studies will be presented in the concluding ceremony of the conference. Selected papers from the conference will be considered for publication in a special issue of the South Asian Journal of Management (SAJM). Discussions with other journals for special issues are in progress. It is further proposed to bring out an edited volume of selected papers from the conference, which will be published by a reputed international publisher. The selections will be based on the combined criteria of quality of the papers as well as the suitability of the theme for the particular journal or edited volume.

Important Dates
- Conference Dates: 8–10 December 2011
- Last date for submission of Abstract: 31st July 2011
- Confirmation of acceptance of Abstract: 31st August 2011
- Last date for submission of full paper: 30th September 2011

Conference Registration & fees
All participants should register for the conference by completing the Registration Form available at the Conference Website.

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Conference submissions and all correspondences/queries should be addressed to:
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Governance in the Business Environment

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Synopsis

Governance is very much a current concern in the public interest. The global economic recession, from which we are just emerging, has highlighted failures in governance and regulation with much blame being laid at the feet of regulators and demands for perpetrators to be sanctioned accordingly. A key to managing the prevention of future financial crisis is concerned with the recognition and regulation of a truly global market for finance, trade, labour etc. and accepting that there are different perspectives from different parts of the world. Published in association with the Social Responsibility Research Network, Volume 2 in this new and exciting series recognises these issues and takes a global interdisciplinary perspective to the matter of governance in the business environment. Contributions range from the UK, Portugal and Belgium to Brazil, Japan, China and Malaysia, and topics of investigation include: governance and the management of global markets; governance mechanisms of strategic alliances in the Japanese car industry; multinational corporations and democratic governance; market governance to governance in the market - a return to old order; and a socio-legal framework for governance.