

ACY 0210 BUSINESS ISSUES & ETHICS

CORPORATE SOCIAL RESPONSIBILITIES

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Introduction

Recently, there is an increasing public awareness on the new topic of corporate social responsibility. Everyone knows that citizens bear a social responsibility to obey the laws, vote, etc. But not all of us know that companies also have its social responsibility. In order to let you know more about CSR, we will introduce and discuss CSR in details in this report.

What is Corporate Social Responsibility (CSR)?

There is no universally accepted definition of CSR, as different groups perceive CSR differently. Generally speaking, CSR is an ethical or ideological theory that corporations have a responsibility to the society, in which the corporations take further steps and act beyond the statutory obligation voluntarily.¹ The organizations hereby undertake the role of ‘corporate citizenship’² and are committed to operate in an economically, socially and environmentally sustainable manner, whilst considering the interests and impacts on diverse stakeholders.³

Stakeholders here involve those groups that can either affect or be affected by the accomplishment of the business objectives. For a typical business entity, its stakeholders include employees, shareholders, suppliers, competitors, customers, government, community and the environment.

The Rise and Development of CSR

The debate of CSR had not begun until the early 20th century, amid growing concerns about large corporations and their power. People at that time were concerned about the significant influence of giant corporations on the society, whether these corporations did repay to the society or were socially responsible to all of their stakeholders.⁴ In the very beginning, the idea of charity shaped the early thinking about CSR in the United States. People viewed companies as being socially responsible to the society if they had made donations or involved in charitable events.

Gradually, CSR came into common use in the early 1970s. In 2000, the world has increased further awareness of CSR as a result of the United Nations Millennium

¹ Cited from http://ec.europa.eu/enterprise/csr/index_en.htm

² Cited from <http://www.csrnetwork.com/csr.asp>

³ Cited from <http://www.csr-asia.com/index.php?linksid=1>

⁴ Cited from [University of New Mexico Management Presentation, Van Buren 2006](#)

Development Goals. As the United Nations noticed that there was much potential for CSR to help with development in poor countries, it coped with 192 member states to draw 8 goals with an aim to achieve them by 2015. Goals involved mainly aim to increase contribution of assistance from large organizations, especially multi-national companies, to alleviate poverty and hunger, and to enhance businesses' awareness of their impact on society.⁵

Nowadays, CSR seems to be an indispensable part in a company as it is always integrated in the business planning processes. Many large companies now issue a corporate social responsibility report along with their annual report, which concentrates on their non-financial societal activities. Most of the reports are highly accessible as they are uploaded to the internet, e.g. reports from Starbucks, Toshiba and Cathay Pacific.⁶

Evolution of Social Responsibility

As mentioned before, there are different definitions on CSR from different groups. Two different extreme views on CSR are classical views and socio-economic views, which arisen from the evolution of social responsibility. The details of these views will be discussed in the following.⁷

Social responsibility is evolved in three stages: (1) social obligation phase, (2) social responsiveness phase and (3) social responsibility phase.⁸

For social obligation phase, people reckon the obligation of a business as meeting its economic and legal responsibilities, i.e. companies are responsible to the owners' interests, making profits and obeying the law, which are the most basic requirements. This phase simply aligns with the classical views mentioned before. Example includes factories meeting pollution control standards established by the government.

Gradually, the companies reach the social responsiveness phase. Hereby the capacity of a firm adapts to the changing social conditions by responding to important social needs. They are responding to customers' needs which are not guided by law but social norms. An example is some business firms involve in charitable events out of social norms, but

⁵ Cited from <http://www.un.org/millenniumgoals/>

⁶ Please see the CSR reports on <http://www.starbucks.com/aboutus/csrannualreport.asp> (Starbucks), <http://www.toshiba.com/csrpub/jsp/home/SResponsibility.jsp> (Toshiba), http://downloads.cathayair.com/cx/press/CSRreport_en2006.pdf (Cathay Pacific)

⁷ Cited from <http://www.personal.psu.edu/kez5001/CSR.htm>

⁸ Cited from http://www.acad.polyu.edu.hk/~cctpoon/ch10_01_01.htm

not in its true intent or spirit. That is, business does only what it is mandated to do and does that with little enthusiasm.

Finally, the highest stage, the social responsible phase, is reached, and this is exactly the socio-economic view mentioned. Here, a firm's obligation as a moral agent extends beyond its legal and economic obligations. The management has recognized that the future of business is dependent on the health and well-being of the society, and they are undertaking CSR to pursue long term goals that are good for society. For example, restaurants may actively ban smoking in the restaurants before the legislation as they reckon that a smoke-free environment not only can enhance the awareness of having a healthier life of the customers, but can also provide a more comfortable environment to the customers so as to retain loyal customers and therefore boost long term revenue.

The Stakeholders Affected by CSR Policies

After introducing the term “corporate social responsibility” briefly, now we move forward to see who are being affected by CSR policies of companies. Our discussion below focuses on the customers, employees, the environment and the community.

The Customers

As it is obvious that customer is the group that is directly affected by the accomplishment of business objectives, we may start to analyze what a corporate can do towards customers in order to achieve social responsibility.

1. Quality of Products and Food Safety

A company with social responsibility should provide goods and services which are safe and in good quality and make sure the products will not cause any harm to customers. The quality of goods should also be good in order to fulfill customers' requirements and satisfaction.

Quality Management System-ISO 9000

Sometimes it may be hard for the company to maintain quality of the goods, therefore effective Quality Management System such as ISO 9000⁹. ISO 9000 is applicable to any organization regardless of size, nature of business and industry sector, with emphasizing

⁹ Cited from <http://www.hkqaa.org>

the four categories of production, which are management responsibility, resource management, product realization, and measurement, analysis and improvement.

2. Right to be Informed

A company should not include exaggerated information in advertisements but provide accurate information to the customers. Like *Dole Food Company*, which is the World's Most Ethical Companies by *Ethisphere Magazine*, provides detailed information including contents and nutrition facts of its products in its website¹⁰.

3. Price Reasonably

A corporate should sell goods and services with a reasonable price. Charging too high will be unfair and irresponsible to customers. In order to let customers have enough choices, a corporate should not try to eliminate competitors by charging extreme low prices and thus to monopolize the market. Good examples can be seen from *HSBC*, which ensure its charges stand comparison with competitors and promptly notify their customers before changing service fees.

4. Provide Different Ways for Customers to Complain

A corporate should provide different ways for customers to complain or give feedbacks by establishing customer services department and providing different customer feedback channels. For example, *HSBC* uses a variety of research methods including face-to-face surveys, telephone, online and paper questionnaires to get feedbacks from customers and thus to improve the services.

5. Meet the Needs of Different Customers

A corporate should try its best to meet the needs of different customers, for example, those who are disabled should be taken with special care. Specially-designed facilities should be provided at entrance or toilet etc. in order to meet their needs. *KCR* and *MTR Corporations* are doing especially well by providing special assistance to the disabled; also, we can find tactile guide paths, audible devices, and bi-directional wide gates, etc in the *KCR* and *MTR*¹¹ stations.

¹⁰ Cited from <http://www.dole.com/>

¹¹ Cited from www.mtr.com.hk

The Employees

A company with corporate social responsibility should also treat its employees with openness and respect. The company and its employees are interdependent. Treating the employees well can definitely benefit the company in return.

There is an international standard called SA8000, which addresses workers' right and set guidelines on how the company should treat its employees. It aims at improving labor conditions in the global supply chain by developing and implementing social responsibility standards. According to SA8000, there are several ways by which the companies can be socially responsible to its employees. The ways are presented as followed.

1. Working Condition

A safe and comfortable working environment is crucial to employees' health and productivity. The employees should work under an acceptable length of time each day. To ensure an excellent working condition provided, according to SA8000, companies should regularly review the working condition to see whether it needs to be improved. If there are problems, action must be taken accordingly.

2. Labor Union

To ensure the voice from employees to be heard by the management of the companies, the employees' right to form and join labor unions should be respected. Labor union works as a bridge between management and employees for the employees to express their opinions on different aspects, such as wage level. It is more effective for the employees to strive for their rights and attain mutual agreement with the companies by the collective power of labor unions.

3. Welfare

Apart from setting a reasonable wage level, some socially responsible companies carry out different welfare policy to take a better care of their employees. Examples like child-care service and medical insurance are provided to the employees for improving their lives. The Dole food company, one of the most ethical companies, builds a beautiful town for its workers and their families to live. With a great welfare policy, workers will truly love their employers in return and work 100% for them.

4. No Discrimination against Employees

When companies recruit new employees, they should avoid discriminations in terms of race, disability and religion, etc. For some socially responsible companies, they choose to employ the minority group in the society like the disabled if the job requirements allow.

The Environment

Apart from being responsible to people related to their business, corporate should also be responsible to the environment in order to maintain a sustainable growth of its company and the whole world together.

In fact, being environmentally responsible has led to various advantages to the world we all live in. As more materials can be recycled and reused, the amount of waste which would pollute the environment is reduced. Besides, using renewable resources and energy can prevent the threat of exploiting resources which cannot be reproduced. More importantly, companies can integrate environmental management tools into business plans including satisfying the environmental management standards (ISO14001 and eco-labelling). It improves their reputation and image which will in turn lead to an increase in revenue.

In general, there are several ways for a corporation to be environmentally responsible. For instance, it can reduce the use of electricity and water, recycle waste, handle the sewage properly before disposal, reduce unnecessary packaging, develop green (recyclable/reusable) products, prevent emitting pollutant gas, use biodegradable products and educate the public on the environmental issues.

Model Company for Being Environmentally Responsible

IBM (International Business Machines Corporation) is a multinational computer technology and consulting corporation. It has over 350,000 employees worldwide and it has been very environmentally responsible throughout the years. It started establishing corporate policy on environmental protection as early as 1970. The policy is then supported by a comprehensive global environmental management system. IBM has done the followings to fight against environmental protection.¹²

1. Prevent the Use of Heavy Metal

¹² Cited from http://www.ibm.com/ibm/environment/annual/ibm_crr_061505.pdf

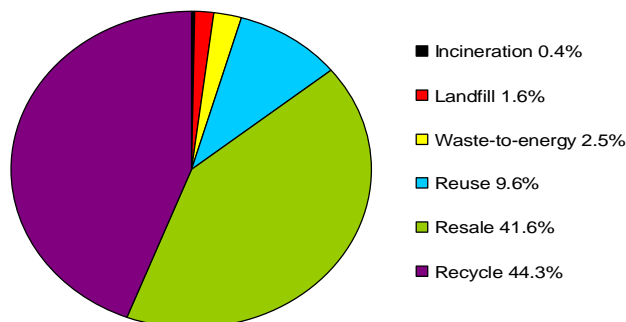
Cadmium is banned in all the manufacturing processes. Lead and chromium, which are very important elements in computer manufacturing, are only allowed for painting and plastic formation. IBM also works with universities and national laboratories to do research & development for inventing lead-free products. It also follows European Union's Directive on Restriction on Use of Certain Hazardous Substances in Electrical & Electronic Equipment (RoHS) voluntarily.

2. Recycle, Resell, Reuse of Unwanted Products

IBM has started a Product-End-of-Life Management campaign (PELM). Under the campaign, the Product Takeback Programme was launched in Europe since 1989 to set up a worldwide remarketing network for product resale.

IBM PELM Disposition Results in 2003:

According to the graph below, we can see that most of the unwanted products of IBM are being recycled and resold, with only 2% being treated as wastes which has incinerated and treated as landfill.



3. Reducing Packaging Material

IBM has established and updated periodically the Packaging Guidelines in 1990. IBM aims to keep packaging to minimum (e.g. preventing the use of “plastic peanuts”, a free-flowing cushioning material). It will adopt recyclable and reusable material whenever feasible. IBM also spends money identifying methods and designs which can reduce packaging volume. In addition, it prohibits chemical treatment for wooden packaging (even it is legally allowed) to make sure such wood can be recycled or energy recovered. From 2000 to 2003, it has reduced 1453 tons of packaging material and \$12.8 million of packaging material and related distribution cost.

4. Energy Conservation

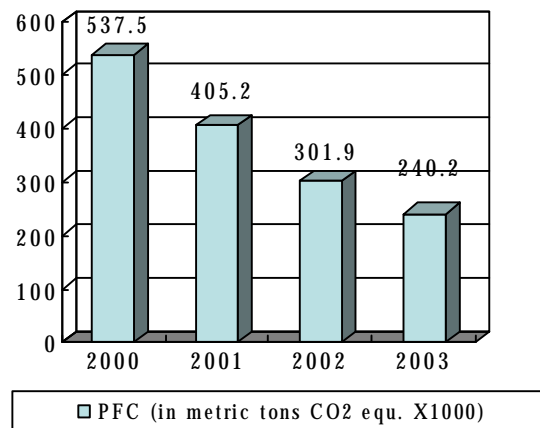
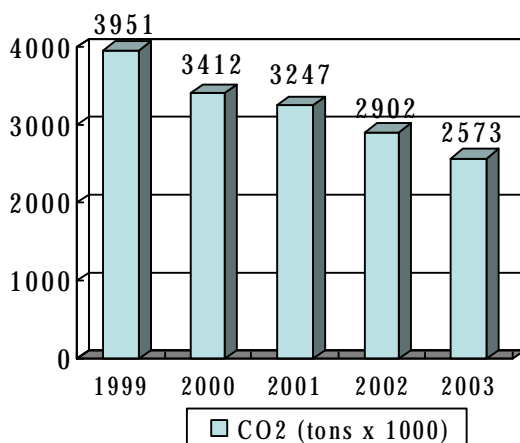
IBM reduces the use of energy by improving energy efficiency and puts renewable sources energy in priority. It has reduced 7.2% of total energy consumption from 2000 to 2003, which has in turn saved 2.38 million gallons of fuel. It also reduces 23.3% of electricity usage from 2000 to 2003.

Year	Electricity Used (million Whrs)
99	5800
00	5325
01	5228
02	5031
03	4446

5. Reduce Emission of Greenhouse Gas

IBM reduces the emission of CO₂ and perfluorocarbon (PFC) in order to slow down global warming. It joined the Chicago Exchange (CCX) voluntarily in November 2003 which aims at reducing and trading greenhouse gas emission.

Amount of CO₂ emitted from 1999 to 2003: Amount of PFC emitted from 2000 to 2003



6. Recycle Wastes through Chemical and Physical Treatment

In manufacturing companies, lots of water is used in factories for chemical reactions and cooling-off of machines. Hence, IBM has adopted special sewage treatment so as to reuse the ultra-purified water again.

Recognition

Due to the fact that IBM has done so well for being environmentally responsible, its effort is recognized and awarded by other companies and even the government. It ranked AAA in Deloitte Touch Tohmatsu Environment Corporate Ranking and No. 1 in Environmental Performance in Computers & Peripherals Sector by Vault in 2003. Moreover, IBM also got Vermont Governor's Award for Environmental Excellence & Pollution Prevention 2004.

The Community

The other very important stakeholder of a company is the community. Compared to the individuals in the society, companies have a greater power in controlling resources such as manpower, money and materials in the society. They use the resources to operate, expand and, most importantly, to make profits. The profits and resources are trapped within the company and the shareholders. Unless a company treasures CSR and is dedicated to contribute to the society, it is difficult for the resources to flow back to the society and to better the life of the people in need.

We have concluded that there are 4 areas of activities that a company can implement CSR in. Below illustrates examples of activities under each area.

Educational

In some underprivileged sector in the society, children do not have enough resources to pursue their studies. In view of this, some companies give monetary support to these children for them to go to school. CLP launched the Project Hope School Programme in 2001 with an objective to raise the literacy level of rural children living in remote areas in the Chinese Mainland. They have contributed to the construction and opening of nine primary schools. These schools together provide new classrooms and supporting facilities for more than 3,000 pupils. In addition to providing funds to build these schools, CLP also supports their ongoing maintenance and contributes to the provision of library books,

stationery and sports equipment.

Some companies also encourage the well-performed students by giving out scholarships. For example, Swire established the Swire Education Trust to sponsor graduate and postgraduate places in the UK for scholars from around the world

By educating with the companies' specialized knowledge, the community will be able to know more about the industry. Launched in 2003, Cathay Pacific's 'I Can Fly' program teaches aviation know-how and involves youngsters in community service projects, under the guidance of the airline's pilots.

Cultural, sports and recreational

Through cultural, sports and recreational activities, people are able to relax and develop a better mental and physical health. Live music is a regular feature at Swire Properties' shopping malls. It also provides free exhibition space to local galleries and young artists, while 'Friday Fest' at Taikoo Place is a weekly event at which artists, performers and groups of musicians can showcase their talent. The company is also the founding sponsor of Shakespeare4all (Hong Kong) where local primary school children partake in drama classes working alongside theatre professionals with adapted Shakespearean scripts.

Health

Some elderly and sick people may not be able to afford the high costs of some medical devices and services. Cathay Pacific has established a Wheelchair Bank in 1996 to provide special chairs for Hong Kong children with neuromuscular diseases. Public awareness on health issues can also be promoted by CSR activities. Orbis has organized the "ORBIS Pin Day"¹³ to raise the public awareness of the health of eyes by encouraging people to wear the ORBIS Pin on the Day. Canon has sponsored the event and its logo was put on the related ORBIS promotion materials such as posters and website.

Others

Despite the advancement in technology nowadays, there are still contingent catastrophes, diseases or other crisis happening throughout the year. Social responsible corporate, such as Swire, has responded to the needs of communities and sought to help them, example

¹³ Cited from <http://www.orbis.org.hk/hk/pinday/>

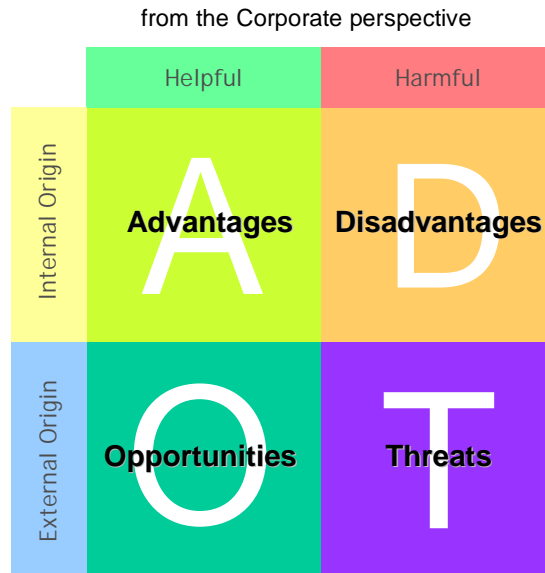
included the devastating Indian Ocean tsunami of 26 December 2004 and the Pakistan earthquake of 8 October 2005.

Means of Contributing to the Community

There are different means for the companies to implement CSR to the community. Monetary aid is definitely important. Through donations, setting up trusts, sponsorship and giving out scholarships help the people in need to get what they want. Swire Group's construction of lecture theatres in CUHK is in form of donation.

There are also other non-monetary means that companies can consider. By organizing functions and partnership with community groups, companies can encourage people in different walks of life to aware of the problems in the community. Cathay Pacific has organized the 'Change for Good' annual in-flight donation scheme to encourage passengers to donate their excess foreign currencies after trips. Non-monetary donations, such as donating the excess or obsolete inventory to the people in need, also help the community. Staff Volunteerism is definitely an important attribute in contribution to the community. People are often so busy in making money that they forget to care about the others and people in need. By encouraging the staff to contribute their time, people in different level of the society will benefit. Swire Properties' has introduced the Community Ambassadors program to encourage its employees to do community services. Setting up internal procedures is also a way to implement CSR. Cathay Pacific has developed a set of supplier qualifications that includes principles relating to labor standards, health, safety, and the environment.

ADOT Analysis – From the Corporate Perspective



After discussing how different parties are being affected by CSR, now let us analyze CSR nowadays through four aspects – advantages and disadvantages that CSR brings, the opportunities companies have in implementing CSR and the threats companies may face.

Advantages that CSR Brings

When we mentioned the stakeholders of a company above, we already discussed some benefits that the implementation of CSR policies brings to different people. Here, we would like to discuss the advantages that CSR brings to the company from a company perspective.

1. Enhancing Brand Reputation and Risk Management

Carrying out CSR policies can enhance company image and brand reputation. When businesses take the initiative to demonstrate that their operations exceed legal requirements and societal norms, they gain support from the public because they view the companies more positively and expect them to be more profitable in a long run, like HSBC. Investors are more confident in investing in their stocks, thus their stocks usually have a high price-earnings ratio. Good CSR practices can also open doors to new markets. For example, a firm may become certified to environmental and social standards so it can

become a supplier to particular retailers. Effectively managing social and environmental risks through implementing CSR in this increasingly complex market environment can improve the security of supply and overall.

2. More Competitive in the Labor Market

People are usually more likely to stay with a company which value and operation aligns with their belief. Thus, the CSR practices may result in improved employee morale, increased efficiency, and enhanced ability to recruit attract and retain ethical staff.

3. Better Access to Capital

Financial institutions such as HSBC are increasingly using social and environmental criteria into their assessment of projects. Other investors also start looking for indicators of effective CSR management in investment decisions.

4. Reducing Contingent Expenses

By practicing CSR, a company may spend less on contingent expenses. Husky Injection Molding Systems Ltd. expended considerable energy developing and implementing its Purpose and Core Values initiative, which emphasizes people, the environment, the community and ethics. The company reports that this approach has led to governments issuing various permits faster than previously. The firm also reports that a \$4.2 million investment in environmental and health and safety programs resulted in estimated savings of \$9 million, including fewer injuries and lower absenteeism among employees.

Disadvantages that CSR Brings

1. Increasing Financial and Managerial Burden

Companies may have to put extra resources such as money and time in the involvement in CSR programs. The long-term nature of CSR may not provide an immediate positive effect on the financial statements of the companies. It however directly hurts the income statements and affects the current procedures. The company will also be too preoccupied in the management decisions with meeting the different requirements of the stakeholders. The company may then be required by the shareholders to justify the costs against the benefits of the CSR programs bring.

2. Creating a “trap” for the company

Failure in the execution may have adverse effects on company reputation among stakeholders. Examples of the failure are bad execution of plan, critics from media and the society, and even some accidents happen.

After taking a look at the advantages and disadvantages that brought to the corporations by implementing CSR, we now explore the external factors that encourage company to implement CSR and the potential threats.

Opportunities for Companies to Carry out CSR

1. Globalization

Globalization has increased trade across borders. For example, the corporations would produce goods in countries with lower costs and sell their products in countries which the price can be set higher. They are seen as having obligations to operate with higher regulatory standards in the different places in which they operate in order to bring a better world.

2. Growing Customer and Investor Interests

Specifically, companies' ethical conduct has evidently exerted a growing influence over the purchasing decisions of customers. Consumers are more aware of the product origin to see if the goods are produced in a socially responsible way, e.g. not by exploiting the rights of farmers. Similarly, many investors are making decisions based on ethical criteria, assessing if the invested companies are socially responsible. In addition, there is a greater demand for corporate disclosure from stakeholders regarding CSR activities of businesses. Shareholder activism through pension funds and otherwise has been increasingly common in many developed countries.

3. Burgeoning CSR Industry

There is an increased number of consultants and companies which offers CSR solutions to corporations. These atmospheres provide right opportunity and encourage corporations to implement CSR.

4. Advances in Communication Technology

As the technology is developing in a very speedy way, information can be disseminated all around the world timely. In addition to the growing number of electronic newsletters and rankings about Corporate Social Responsibility, the ability for stakeholders to track and monitor corporate activities has enhanced. Mass media nowadays are more concerned with ethical issues too.

5. Outside Recognitions - Prizes and Awards

Awarding socially responsible companies would recognize organizations which demonstrate good corporate citizenship and raise public awareness of CSR. Company gets a better image and thus has good promotional effect. Examples of these awards include Heart to Heart Project (HKFYG)¹⁴, Caring Company Scheme (The Hong Kong Council of Social Service)¹⁵ and Living Business (HSBC)¹⁶.

Threats that Companies Face When Carry out CSR

1. Critics on the Motive

CSR programs are criticized as an effort to distract the public from the ethical questions posed by company's core operations. For example, the British American Tobacco produces major CSR reports to express how socially responsible it is. But its core business is to sell cigarettes which are well-known for the disastrous effect on health.

2. Lack of Customer Commitment

Costs of production may increase if a corporation implements CSR. Customers may have a perception of the prices of products being set higher and thus choose to buy similar products offered by the competitors because of lower price.

¹⁴ Cited from <http://www.hkfyg.org.hk/yvn/heart/chi/bg.htm>

¹⁵ Cited from www.caringcompany.net/

¹⁶ Cited from <http://www.banking.hsbc.com.hk/hk/commercial/livingbusiness/awards/winner.htm>

Reflections – From the Society Perspective

As mentioned before, in today's business practice, CSR is usually entwined in many companies' strategic planning process. Yet, some critics dismiss the CSR reports as lip service as the reasons behind social responsibility is still questionable, whether it is based on genuine interest or have underlining ulterior motives. Therefore, we, as a member of the society, may have to be critical to think upon – for those corporations taking CSR, are they really socially responsible?

In the following, there are two cases for us to ponder whether the companies were doing CSR genuinely.

I'm NOT A Plastic Bag?

In 2007, a famous brand Anya Hindmarch released limited sales of bags, I'm NOT A Plastic Bag, into the market and has aroused a heated debate. The designer proposed to design the bag to promote environmental concept and encourage people to use less plastic bags. However, the situation turned out was totally not as expected. The Daily Mail in UK found out that the 'environmental friendly' bag indeed involved non-environmental issues and unfair trades.

As the bags were limited sales (20,000 bags) and not expensive (around HK\$120 per bag), people in different countries were using every mean to get the bag. In Hong Kong, in order to have the bag, people bided for it in internet for a price as high as HK\$1200, queued outside the store for a whole day, etc. The result turned out that, on the day of sale, there was an exceptionally long queue outside the store, and some people created uproar and even reported to the police simply for not being able to get the bag after long hours of waiting. What is more, those people who were waiting in the queue left a significant amount of rubbish afterwards.¹⁷

Therefore the whole incident, which was originally for environmental friendly purposes, turned out to harm the environment and harmony in people. This should not only be blamed on the scalpers who bought the bag not for environmental friendly but for scalp purpose, but also on Anya Hindmarch. The company was selling the bags on a limited quota; did it actually foster the scalp effect and switch people's focus from the genuine interest to ulterior motive? Did it help much to promote environmental friendly on other aspects other than simply selling the bags? Were they just creating gimmicks to advertise

¹⁷ Cited from http://youtube.com/watch?v=tUWtbEu_sS0

and selling the bags for extra revenue?¹⁸

On the other hand, the Daily Mail revealed that Anya Hindmarch employed child labor and cheap labor in China, who received HK\$2-3 per hour. Did Anya Hindmarch ensure the labor was well protected and received reasonable profits and benefits? Was Anya Hindmarch responsible enough for employing child labor?¹⁹

These unfair trading clues are definitely what we should think upon. It is not a plastic bag. Yet, it is neither an environmental friendly bag nor a fair trade bag.

Are the Giant Supermarkets Socially Responsible Enough?

There are two giant supermarkets in Hong Kong, and they do well in being responsible to the community and the environment. For example, they collect donations from customers and transfer the money to charitable organizations, and they also promote 'No Plastic Bag Day' successfully.

Nonetheless, it was found that they have abused their dominant positions in the market to dispel new entrants from the market. In the video shared in class,²⁰ the giant supermarkets threatened the suppliers not to supply the new entrants any goods. As the giant supermarkets had considerable market shares, the suppliers followed their command for fear that their relations with the giant supermarkets would be ruined. Eventually, though one new supermarket still survives until now, some rush-sales companies wound up because of the supply cut off.

The giant supermarkets have abused their power to reduce competition of the whole industry, though they did well in respect of environment and community aspects, were they responsible to other stakeholders? Were they acting fairly to the competitors? Was the reduction in competition for the sake of the consumers?

Despite that some organizations carrying out CSR were out of genuine interests, which is very encouraging to the whole society, we should somehow be critical on companies' motives to take CSR. Are they advertising? Are they seeking for extra revenue? Or are they responsible to one stakeholder while depriving the others' rights?

¹⁸ Cited from http://edu.singtao.com/article/article_detail.asp?id=534

¹⁹ Cited from

http://www.dailymail.co.uk/pages/live/articles/news/news.html?in_article_id=451004&in_page_id=1770

²⁰ Cited from <http://library.cuhk.edu.hk/search/c?DS796.H7+X66+2006-1008,+etc>

Implementation of CSR

For a company to be a successful social responsible corporation, like every other strategy, it needs a well-developed implementation plan.

Implementation Scheme

Below is an example flow of the implementation scheme of CSR implementation. To illustrate the “matrix of proposed CSR action” under “Develop a CSR Strategy”, an example is followed after the implementation scheme.

When? (Conceptual phase)	What? (Task delineation)	How? (Checkpoints on the journey)
Plan ↓	Conduct a CSR assessment	<ul style="list-style-type: none"> ▶ Assemble a CSR leadership team ▶ Develop a working definition of CSR ▶ Review corporate documents, processes and activities ▶ Identify and engage key stakeholders
	Develop a CSR strategy	<ul style="list-style-type: none"> ▶ Build support with senior management and employees ▶ Research what others are doing ▶ Prepare a matrix of proposed CSR actions ▶ Develop options for proceeding and the business case for them ▶ Decide on direction, approach and focus areas
Do ↓	Develop CSR commitments	<ul style="list-style-type: none"> ▶ Do a scan of CSR commitments ▶ Hold discussions with major stakeholders ▶ Create a working group to develop the commitments ▶ Prepare a preliminary draft ▶ Consult with affected stakeholders ▶ Revise and publish the commitments
	Implement CSR commitments	<ul style="list-style-type: none"> ▶ Develop an integrated CSR decision-making structure ▶ Prepare and implement a CSR business plan ▶ Set measurable targets and identify performance measures ▶ Engage employees and others to whom CSR commitments apply ▶ Design and conduct CSR training ▶ Establish mechanisms for addressing problematic behaviour ▶ Create internal and external communications plans
Check ↓	Verify and report on progress	<ul style="list-style-type: none"> ▶ Measure and verify performance ▶ Engage stakeholders ▶ Report on performance
Improve ↓	Evaluate and improve	<ul style="list-style-type: none"> ▶ Evaluate performance ▶ Identify opportunities for improvement ▶ Engage stakeholders
Cross-check: One cycle completed		<ul style="list-style-type: none"> ▶ Return to plan and start the next cycle

Example of matrix of proposed CSR actions

	Environmental activity		Social activity (e.g. workers, communities)		Economic activity (e.g. quality assurance, customer satisfaction)	
	Current	Proposed	Current	Proposed	Current	Proposed
Processes	Registered to ISO 14001*	Kyoto emission reductions?	Certified to OHSAS 18001*	SA8000* or Fair Labor Association (FLA)	Registered to ISO 9001*	Integrated management systems (IMS)?
Products/ services	Some products use Environmental Choice logo	Could products be certified to Energy Star?	None at present	Possible SA 8000 or FLA product certification	Use of ISO 9001 logo on company letterhead	Keep abreast of ISO work on IMS?
Impacts	Internal impact assessment undertaken	Supply chain/ community impacts?	Internal impact assessment undertaken	Supply chain/ community impacts?	Internal impact assessment undertaken	Supply chain/ community impacts?
Responsibility centre	Environmental Affairs Department		Human Resources Department		Manager, Quality/ Customer Satisfaction	

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Notes to the Implementation Scheme

“Plan” Stage

In the planning stage, the company must understand why are they doing CSR and be determined. Without a strong mind, a company is easy to fail in the corporate social responsibility as it is voluntary and failure may not lead to great adverse impacts on the company.

To design the CSR actions, companies can consider aligning them with their business objectives. For example, an advertising firm which plans to implement CSR can design innovative activities to raise the public awareness on drug abuse. Thus, it conveys a creative image of the company to the public and improves the brand image while contributing to the society.

A company should decide how much they would like to spend in the CSR strategy. They can set a minimal budget to ask their staff to volunteer in community service event. On the other hand they can also implement a nationwide campaign to help the people under the poverty line. It is all up to their discretion.

²¹ Picture extracted from [http://strategis.ic.gc.ca/epic/site/csr-rse.nsf/vwapj/CSR_mar2006.pdf/\\$FILE/CSR_mar2006.pdf](http://strategis.ic.gc.ca/epic/site/csr-rse.nsf/vwapj/CSR_mar2006.pdf/$FILE/CSR_mar2006.pdf)

“Do” Stage

How to get the employees to involve is an important issue in CSR strategies. Without the support of the employees, it is difficult for the company to convey a CSR image to the public and to be successful in the CSR actions, especially in staff volunteerism. Companies can encourage the staff by communicating management support in the CSR plan. Top management is advised to be the role model and show enthusiasm in CSR activities.

Apart from the top-down approach of CSR strategy, companies can also adopt a bottom-up solution to avoid conflicts in management and lower level staff. By empowering the lower level staff to plan, organize and enjoy the fruits in CSR activities, employees are easier to get involved and devote to the strategy.

Getting the public attention is another concern in CSR. Raising the public attention is the key to success in some activities such as the Orbis Pin Day mentioned above. The company involved can help to bring up discussion among people of the activity by media exposure and promotion through the Internet.

“Check” Stage

A company can use both financial and non-financial measures to check the progress of the CSR actions. An example of financial measures can be the reduction in cost in collecting and disposing of the waste when a company proposed an action to eliminate a waste-generating process.

For non-financial measures, a company can build a scorecard to evaluate the progress of the CSR action. Below is an example of key performance indicators summary and highlights to present the non-financial aspects of CSR actions developed by Starbucks.

Key Performance Indicators Summary and Highlights for Fiscal 2006

	INDICATOR	2005	2006	2007 TARGET
COFFEE				
Coffee and Farmer Equity (C.A.F.E.) Practices	Pounds of green (unroasted) coffee purchased from C.A.F.E. Practices approved suppliers	77 million pounds (goal: 75 million pounds)	155 million pounds (goal: 150 million pounds)	225 million pounds
	Percentage of total green (unroasted) coffee purchases	25%	53%	
Fair Trade Certified™ coffee	Pounds of green (unroasted) coffee purchased from Fair Trade Certified™ cooperatives	11 million pounds (goal: 10 million pounds)	18 million pounds (goal: 12 million pounds)	Fair Trade Certified™ green (unroasted) coffee purchases to support forecasted sales.
	Percentage of total green (unroasted) coffee purchases	4%	6%	
SOCIETY				
Charitable contributions	Total cash and in-kind contributions	\$30.3 million	\$36.1 million	Do not currently set targets for future charitable contributions.
	Percentage of pre-tax earnings	3.8%	4.0%	
Volunteerism (Make Your Mark)	Number of hours volunteered by partners and customers in the U.S. and Canada	299,000	383,000 (goal: 375,000)	421,000
ENVIRONMENT*				
Electricity	Kilowatt-hours per square foot of retail space per month	6.40	6.57	Target has not been established.
Water	Gallons per square foot of retail space per month	24	26	Target has not been established.
Paper	Percentage of post-consumer fiber (not including hot cups)	49.5% (goal: 48%)	66.4% (goal: 50%)	66.9%
	Percentage of unbleached fiber (not including hot cups)	85.9% (goal: 90%)	86.3% (goal: 86.5%)	87.1%
WORKPLACE				
Partner satisfaction	Percentage of satisfied or very satisfied partners	87%	86%	We continually strive to strengthen our workplace practices in ways that make Starbucks a great place to work.
Partner engagement	Percentage of engaged partners	73%	69%	
Health and safety	Injury rate per 200,000 hours worked – retail	7.05 ¹	5.46 (goal: 6.5)	5

CSR in SMEs

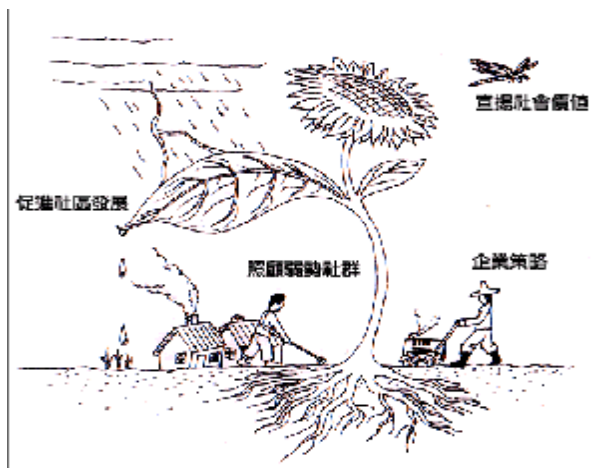
Some small and medium sized businesses strive to fulfill their corporate responsibility despite their lack of resources. There are examples of a hair salon and a nursing home give back to corporate social responsibility²². They have obstacles such as insufficient money and manpower to organizing larger scale CSR activities. However it is worthwhile for them to give small scale CSR activities a try. It does not only benefit that small group of people involved, it is also essential in conveying the significance to the general public and the popularization of CSR.

²² From the video of Money magazine, the 23 August 2006 episode

Social Enterprises

As our society is more and more concern about maintaining a sustainable growth for the company and our society together, and companies are taking a more important role on corporate social responsibility, a new concept of “social enterprises”, which is something in between a very socially responsible corporate and charity, is getting more popular.²³

Social enterprises are social mission driven organizations which trade in goods or services for a social purpose. Apart from meeting financial targets just like other corporate does, they also focus on other social targets which aim to contribute to the community and improve it. Their main purposes are to build up social capital and advocate social value through running businesses which empower participants to become self-reliant. Entrepreneurial strategies are also used in running such enterprise.



Social Enterprises vs Ordinary Corporations

The major mission of an ordinary corporation is to maximize profits for its shareholders. While a social enterprise needs to fulfill financial, social and also environmental targets. In addition, the amount of money for the distribution of profits for a social enterprise is limited.

Social Enterprises vs Charity

Unlike charity, a social enterprise must gain profit through performing continuous activity through production and sale of goods or services in order to maintain sustainable development. In general, it is assumed that at least half of its income must be derived

²³ Cited from <http://www.socialenterprise.org.hk/chi/>

from trading rather than from donations

There are 2 main strategies for social enterprises:

1) Resource Mobilization Strategy

The business earns profit from normal trading of goods or services and uses the revenue to support related or unrelated social aims

2) Empowerment Strategy

The business itself accomplishes the social aim through its operations

Disregarding the type of strategies a social enterprise uses, it generally has the following mission and brings advantages to our society:

1. Satisfy Social Needs

Service provided by the social enterprises could meet community needs and fill the existing service gap. These services include postnatal caring, escort service for patients and health care service for the elderly.

2. Create Job Opportunities

Social enterprises usually hire and generate employment opportunities for workers who are less competitive, such as those with low educational levels, low-skilled labors, middle-aged women and disabled persons.

3. Empower Participants

Social enterprises encourage workers to become more self-reliant and assist them to integrate into society through giving job opportunities and supports to them, especially for the co-operatives which need a greater workers' involvement and collective efforts among them.

4. Advance Sustainable Development

Social enterprises also help to raise eco-awareness, advocate social harmony and prevent discrimination or attain other missions on social development and environmental protection.

Current Status of CSR in Hong Kong

In the newspaper article below, it was stated that the Hong Kong government are emphasizing more on Corporate Social Responsibility. Corporations should not only focus on profit-maximizing, but should also be socially responsible. The government also hopes that such acts can be self-motivated, rather than enacting laws to enforce the corporations to do socially responsible acts.

施政報告:企業應兼顧社會責任 (星島) 10 月 10 日 星期三 11:23AM

曾蔭權在立法會發表連任後首份施政報告。曾蔭權表示，至於企業，它們在現今社會已不應只扮演純經濟角色，而應兼顧社會責任。政府可以通過與企業協商，共同實現社會目標。立法規管應該是最後的方法。在工資保障、環境保護、文物保育及關懷社會各層面，他今後都會動員企業積極參與。

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However, according to another newspaper article, it was found that corporations in Hong Kong do not know much about Corporate Social Responsibility. Only 23% of them know the concept of “Corporate Social Responsibility”, while just less than 10% of corporations have established policies to fulfill and monitor acts about “Corporate Social Responsibility”. This is very different from other European countries, which has government bodies especially for promoting Corporate Social Reasonability. Hence, we believe that the Hong Kong government should do more promotion and education to corporations in order to let them realize the importance of being socially responsible.

企業社會責任 履行港商不足一成 (明報) 11 月 13 日 星期二 05:05AM

【明報專訊】雖然港府近年一直鼓勵大小企業履行企業社會責任，公民教育委員會一項調查發現，只有不足一成的受訪公司了解「企業社會責任」的概念並落實機制推行，有企業更認為交稅已是貢獻社會。研究人員認為，香港比歐美等國家較遲推行企業社會責任，應努力教育企業。

認為交稅已算貢獻社會

公民教育委員會委託香港大學公民社會及治理研究中心和政策二十一有限公司以問卷、小組調查等訪問了萬多間公司，當中大部分為中小企。調查顯示，只有 23% 的受訪公司知道「企業社會責任」的概念，另外，只有 9%、即不足一成的受訪公司設立機制推行及監督「企業社會責任」，如跟持股份者對話、匯報企業社會等。

香港大學公民社會及治理研究中心主席陳祖為表示，香港在企業社會責任起步較其他國家慢，因此要努力追近其他國家。以英國為例，當地有部長級官員專門負責推廣企業社會責任，企業亦會發表社會責任報告。

近九成期望由政府帶動

企業社會責任包括四大範疇：以符合道德規範的方式辦事、減低不良影響、對社會作出貢獻及改善

²⁴ Cited from <http://hk.news.yahoo.com/071010/60/2h950.html>

員工的狀況。受訪企業最注重做生意要符合道德，88%受訪機構認為有責任向顧客提供安全及優質貨品或服務。不過，認為要為社會作出貢獻的機構只有 62%，部分更認為交稅便等於對社會作出貢獻，**84%受訪機構期望政府能夠帶領推動社會責任，78%盼政府可給予公眾表揚。**

公民教育委員會主席彭敬慈表示，要企業履行企業社會責任，應培養企業對概念的認知，同時亦要以內在誘因，例如增加員工福利以提升工作效率、參與義務工作可增加團體精神等，以吸引各機構實行，委員會亦會在本月 24 日與企業舉辦研討會²⁵

Nevertheless, there has been a trend of increased awareness and involvement in corporate social responsibility in Hong Kong. In future, CSR is expected to be more self-motivated and regulated by the public due to the advantages and opportunities mentioned above.

Conclusions

When more and more companies realize the importance of implementing CSR and carry out these policies in their operations, many parties are benefited, like customers, employees, the community and the environment. Although there are critics about the genuine motive of implementing CSR policies, it cannot be denied that CSR really benefits the society much more than the disadvantages it brings. It is hoped that in the future, with greater concerns on CSR, companies can truly place social responsibility on the top of the list when they are making business decisions. With the cooperation of the companies, our future life should be much better.

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²⁵ Cited from hk.news.yahoo.com/071112/12/2jb5x.html