

CSR and its importance for Bangladesh

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CORPORATE Social Responsibility (CSR) may be a newly coined term but the ideas behind CSR have long been there. Economist Howard Bowen coined the term 'corporate social responsibility' in 1953. Since then, CSR and other similar-sounding terms like corporate social citizenship, corporate governance and corporate accountability have become buzzwords in the business world, even as efforts continue to define and understand them. Over the last ten years in particular, the CSR phenomenon has gathered momentum worldwide, including in Bangladesh.

In June 2005, the Bangladesh Enterprise Institute (BEI) launched its CSR Centre, which has been organising regular monthly roundtable discussions to promote CSR in Bangladesh. The BEI has designed the roundtables to bring together key stakeholders and to enhance the understanding of CSR, particularly in the Bangladesh context. Besides sensitizing stakeholders, the roundtables also serve as a platform to come to a common understanding about CSR in Bangladesh.

In July 2005, the Centre developed case studies to profile six socially responsible firms from different sectors that have good CSR practice. The sectors include Ready Made Garments (woven and knit), Financial Institutions, Pharmaceuticals, Home Accessories and Metal Industries. Besides these, the Centre has produced a short documentary to highlight successful socially responsible businesses to serve as an advocacy tool for sector-wide CSR adoption.

In Bangladesh, Corporate Social Responsibility is a business practice that seems to puzzle many and even make many critical about the necessity of such practices. CSR is frequently misperceived as philanthropy or charity primarily due to a lack of awareness and understanding about CSR practices. While there is no universal definition of CSR, one possible definition specific to Bangladesh could be "a set of business practices based on ethical norms and transparency that contributes to the sustainable development of internal and external stakeholders in the best interest of business, society and environment."

In 2000, the World Business Council for Sustainable Development described corporate social responsibility as "the continuing commitment to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large". This commitment is more associated with a 'stakeholder model' of business, in which a corporation respects the welfare of all interest groups -- shareholders, customers, suppliers, employees and their families, government, society and the environment. Put simply, corporations committed to social responsibility generally view themselves as social participants, not just profit making operations.

CSR is not philanthropy or charity. Nor does CSR mean that a firm cannot be involved in charitable ventures. Rather the idea is to redirect and rechannel the resources used in these ventures and integrate them into the firm's business strategy, thus enabling the firm to become a better corporate citizen and operate in a manner so that businesses can contribute to a better society and a cleaner environment. CSR activities are beyond a firm's financial and capital commitments to its shareholders. The concept promotes that a business must take into account the responsibilities it has towards its other stakeholders and not just towards its shareholders. Stakeholders include not only the shareholders but also the employees, the consumers, suppliers, environment and the society as a whole.

CSR is becoming increasingly acceptable around the globe and although the developing countries are lagging behind, they are gradually catching up. In the Bangladesh context, although a clear understanding about CSR may be absent, there is a volume of philanthropic activities and businesses are eager to adopt CSR practices. Business houses can hardly practise sustainable business if their only concern is making quick short-term profits. This myopic approach may reap short-term benefits for a firm but cannot guarantee achieving the desired long-term objectives. While it may be harsh to say that the lack of CSR practices will result in the closure of businesses, the absence of it definitely takes away a firm's competitive edge.

With the advent of globalisation and as national and territorial boundaries gradually dissolve, businesses are increasingly facing competition, both in the domestic as well as in the international market. The Ready Made Garments (RMG) sector is a prime example of this. With the phase-out of the Multifibre Arrangement

(MFA) in December 2004, Bangladesh now has to compete with textile giants like China and India, who have the comparative advantage of backward linkage in the industry. A way of competing with these giants could be through adopting CSR practices, which includes focusing on the development and welfare of the workforce and the environment through responsible business practices. The BEI is currently developing a voluntary CSR Code for the RMG Sector; the code will focus on the basic rights of the women working in the RMG sector.

A cornerstone of CSR practices includes a firm's commitment to develop its human resources and provide them with the necessary social benefits, in addition to the basic benefits they are entitled to. It falls directly under a firm's responsibilities to improve the standard of living of its employees thereby creating a stable, well trained and a happy workforce, which in turn is more productive. It may be relatively easier for a business to turn a blind eye on the environmental degradation and the prevailing corruption in the system due to lack of adequate enforcement of regulations and loopholes in the local legislation. However, this is the exact entry point for the private sector to become actively involved in social and community development in partnership with the government, civil society and all other stakeholders through responsible business practices.

The lack of CSR awareness, coupled with misperceptions regarding CSR, are two major impediments to practise CSR in Bangladesh. Other impediments include lack of proper regulation and transparent policies and guidelines. However, these hurdles can be easily overcome if businesses adopt and integrate CSR into their business strategies. Widespread application of CSR principles calls for an increase in transparency and reduction in corruption. CSR commitment not only increases transparency and accountability to the stakeholders but is also in alignment with good corporate governance and citizenship. As such, the private sector can play a vital role to bring about positive changes in society and significantly contribute towards sustainable economic and social development in Bangladesh.

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