Multinational Corporations: Corporate Social Responsibility and Poverty Alleviation in Thailand

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Abstract—The aim of this paper is to identify contribution from MNCs from Australia in Thailand in the form of corporate social responsibility (CSR). The key focus is given to the analysis of CSR activities from MNCs in an effort to fight poverty in Thailand. Secondary data was collected from two MNCs in Thailand. The results of this study identify two key themes: (1) climate change and poverty, and (2) social development and poverty. This study confirms that social and institutional pressures and stakeholders’ involvement influence decision-making with respect to CSR on poverty alleviation in Thailand.

Keywords—Corporate Social Responsibility, Multi-national corporations, Poverty

INTRODUCTION

The United Nations Development Program (UNDP, 2008) proposes that fighting poverty must be a shared responsibility among all stakeholders in the international community. Although the government plays a leading role in the development of social policy to improve the quality of life of their citizens, international business organizations must play a crucial role in the development of living standards for global citizens (UNDP, 2008).

The debate about the need for international business organisations to go beyond their profit motive has been ongoing. Most multinational corporations (MNCs) identify corporate social responsibility (CSR) as a business tool to promote a positive image to business stakeholders and as a way to improve the quality of life among citizens of the host countries. Caroll (1999) argues that business is expected to align and respect new (or evolving) ethical norms being institutionalised in society in response to social problems, such as poverty. In recent times, the international business community increasingly has used the concept of CSR to establish a framework for broader private sector involvement in poverty alleviation (WBCSD, 2001; Holliday et al., 2002). Previous studies in CSR and poverty (i.e. Ite, 2005; Jamali & Mirshak, 2009) carry with them built-in assumptions that international business organisations should involve poverty as part of their business mission.

To what extent do international business organisations share these ideas and assumptions in their missions? Pederson (2009) maintains that a thorough knowledge of how managers perceive their business role in society is a pre-condition for understanding current CSR practices and may ultimately help in bridging the gap between business and stakeholder expectations.

Lokshin (2001), Peinado-Vara (2006), and Reddy (2007) have discussed social performance indicators for poverty alleviation initiatives, especially for developing nations. These studies claim that CSR from international business organisations may fail to give benefits to the poor and marginalized in developing countries. This paper will explore whether current corporate social initiatives conducted
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by MNEs in Lao PDR and Thailand highlight appropriate social activities for corporate social performance in the context of poverty alleviation initiatives.

**Roles of CSR and Poverty**

Whilst CSR is significant for almost all MNCs, regardless of country of origin, size and sector (Hopkins, 2003), a number of literature in CSR has been limited to large MNCs (Perrini, Russo & Tencati, 2007; Spence, Schmidpeter & Habisch, 2003). Blombäck and Wigren (2009) criticised academic researchers for their heavy inclination to follow the generic media which has published numerous stories based on its knowledge of large, listed and widely recognized MNCs. As such, it can be argued that the CSR movement would advance if different types of MNCs actively participated in various host country activities.

The subject of academic debate includes those critics who question the greater attention of the concept application of shareholders funds to CSR community initiatives without regard for the likely effect on business financial profits and organisations’ future opportunities for research, innovation and expansion. For instance, Kapstein (2001), in his work on the “False Notion of Corporate Social Responsibility,” reiterated the ideas of the neo-classic economist Milton Friedman (1962). Business-only social responsibility uses its resources to engage in activities designed to increase profit, so long as it engages in open and free competition without deception or fraud. Friedman’s (1962) concept of business and societal relationships was strictly centred on the latter, producing the needed goods and services at prices the former could afford (Kapstein, 2001). Friedman also questioned whether managers were competent enough to engage in social issues, and saw no reason this group of individuals should carry out the role of government in society (Kapstein, 2001). Hidayati (2011) also supports that some MNCs are reluctant to apply CSR programs because they are considered a cost center and may not guarantee financial return.

**What drive CSR?**

There are numerous drivers of CSR from MNCs, including powerful institutions, such as government and stock exchanges. These drivers put requirements into place along with voluntary initiatives and standards to encourage CSR. Maignan and Ferrell (2001) identified CSR as the extent to which businesses meet the economic, legal, ethical and discretionary responsibilities imposed on them by stakeholders. Therefore, intention can be a combination of strategic, voluntary and legal moves.

In some countries, MNCs move away from voluntary approaches to CSR (and the mandating of certain activities) through law. Previous studies (Carroll, 2000; Bovens, 1998; Goodin, 1986; Lantos, 2001) in this subject area illustrate that the CSR concept is related to the societal commitment of local and international business organisations in general. Carroll (2000) defines corporate social responsibility as the economic, legal, ethical and discretionary expectations that society has of an organisation at any point in time.

One of the most important factors driving CSR activities can be public pressure from both host and home countries. Ite (2004) reveals that MNCs’ engagement in CSR activities has generally been reactive in developing countries, particularly in Asia, Africa and South America. These activities are a result of public pressure arising from MNCs’ operations related to issues such as health, education, human rights, pollution and workforce (Ite 2004). Previous studies (Rodriguez et al., 2006; Matten & Moon, 2008; Cruz & Pedrozo, 2009) have agreed that MNCs are in the middle of a public pressure debate, considering their social and environmental impact on many countries.

Another important factor driving the concept of CSR among MNCs is organizational commitment with stakeholders. Fryans (2005) notes that
factors, such as attaining competitive advantage; maintaining a stable working environment; managing external perceptions and keeping employees happy and healthy have pushed multinational oil companies in Africa (Nigeria) to engage in CSR activities. Young and Rivers (2009) observed that CSR orientations of MNE subsidiaries are affected by expectations (pressures) of stakeholders from both the home country and host country.

UNCTAD (2002) acknowledges that over-dependence on MNCs has its drawbacks. MNCs should establish backward linkages and be more embedded in local economies. ILO focuses on its “decent work” concept and sees low wages and vulnerable jobs as causes of poverty. Decent work (as described in its Declarations, see ILO, 2000) has the potential to empower the poor. Kolk and Tulder (2006) identify Guidelines for Poverty Reduction and indicate that lack of interest in longterm development, and the political and economic muscle of MNCs are seen as the main corporate influences on poverty. In response, guidelines have been drawn up to promote more foreign direct investment and build linkages with local economies. UNDP, WTO, World Bank, and IMF all have begun focusing more on the government level; they thus contribute to the discussion primarily through their general thoughts on poverty and development.

**Poverty in Thailand**

Although Thailand is perceived as one of the developing (and industrialised) nations in south East Asia, the incidence of poverty or wealth is dependent on a person’s occupation, location of residence or work, and level of educational attainment. Poverty has been a common chronic social condition in most rural parts of Thailand. From the 1970s until the mid 1990s the poor were mostly agricultural workers in the rural areas, particularly in the north, northeast, or southern regions, whose highest level of education was 6 years of primary schooling (The World Bank, 2005). It is reported by the World Bank in 2005 that over 20 per cent of Thais in the North Eastern and southern area are poor.

A thorough analysis on poverty and wealth published in *Encyclopedia of the Nations* indicates three factors contributing to poverty in Thailand. They are (1) poor economic development in rural area, (2) poor education system and (3) the failure of the government to implement agricultural land reform policies. From the three issues, land reform and entitlement for poor people is the chronic problem that affects people living in rural areas.

Equity in income has also one of the major causes of poverty in Thailand. Meanwhile, those working in the manufacturing or service sectors in the major cities or in the central region—specifically in the Bangkok metropolitan region—who completed at least 12 years of formal education, were more likely to be economically well-off (The World Bank, 2004). Due to the concentration of economic activities in the capital, such as construction of physical infrastructure and job creation, the regional disparities in income and wealth slowly began to widen. As Thailand slowly shifted from an agrarian economy to an industrialised economy, economic resources were shifted to the industrial sector and huge demand for factory workers created huge differences in wage rates between farmers and factory worker.

A report by the World Bank (2005) on poverty analysis in the South East Asian region confirms that the key strategy that helps Thailand to resolve poverty problem is increasing community participation in governance and social policy. Social institutions such as business organisations and academic institutions also play an important role in poverty alleviation in rural Thailand. In the same study, it is reported that communications between the poor and the government agencies are sometimes deficient and often overlooked, resulting in misalignment of politics at the national and local levels. Bringing in the poor to...
participate in poverty reduction would strengthen process and make it more sustainable (World Bank, 2005).

Methods

The key data for this paper came from secondary sources from 2 Australian MNCs operating in Thailand. The researcher collected the data from key annual reports, corporate analysis, publications, websites, media releases and literature that included social and economic impacts of the selected companies. MNCs which are originated from Australia are selected in this study because of Australian significant contribution to South East Asian region. ASEAN is an important market for Australian goods exports. It accounted for 11.5 per cent of Australia’s total merchandise exports in 2006, placing it above many of other key export markets, including the United States (6.2 per cent), Republic of Korea (7.5 per cent) and New Zealand (5.5 per cent) (DFAT, 2010).

Both MNCs were selected because of their ongoing business strategies on economic and poverty development in Thailand. The first company is a financial and banking organization operating in the region. This organization also operates in Laos (but on a larger scale than its Thai operation). This case was selected due to its strong initiatives in CSR and development in Thailand.

The second company designs, develops and manufactures a wide range of hand and arm protection solutions, clothing and condoms for various businesses in the global market. Thailand has been the manufacturing hub for this company for over a decade. This company focuses its CSR strategies on environmental and social development in the local area.

Data Analysis

This study has adopted a qualitative data analysis approach from Eisenhardt (1989). In the first step, the researcher carried out a within-case analysis for each case in each country (industry and involvement within the community). The secondary data was collected from various sources and then categorised by key activities implemented in each location. From these analyses, specific CSR actions and characteristics of each case emerged, which helped the researcher to identify the MNCs’ idiosyncrasies.

In the second step, the researcher carried out a cross-case analysis. Considering the specific CSR actions and characteristics of each MNC, the researcher identified some general elements to embrace different challenges identified in the first step. The researcher then identified concepts and themes that could help one to cope with these idiosyncrasies. In this process, literature reviews on CSR and MNC were also conducted and compared with existing data from the first phase.

Findings

Theme 1: Climate Change and Poverty

Climate change is likely to become a key component of sustainable business strategies for all companies in this study operating in Thailand. They have mentioned (and accepted) the benefits of contributing to the global effort to combat climate change and have actively engaged in activities to reduce poverty from climate change in the host countries. All MNCs in this study stated climate change as the key international and local problem that they must actively engage in because it poses potentially serious risks and may lead to long-term poverty, not only to the host countries, but also to their clients and partners worldwide. Some examples as stated by MNCs.

“...we are also developing policies on issues related to climate change, including forestry, water, mining and energy to ensure our lending and investment decisions in these areas are transparent and align with internationally recognised social, economic and environmental standard...”
“Our offset projects are primarily based in developing countries where we have a presence such as India, China, Cambodia, Thailand and Indonesia.”

In Thailand, the focus is given to short- and long-term business strategies and operations. They establish a need to develop strategy to address issues such as greenhouse gas emissions, emissions trading schemes, resource and production management, and climate change and employment. MNCs in this study identify ways to fight poverty by integrating various strategies for environmental solutions. Most of them address the idea that environmental and effective climate solutions must empower global development by improving livelihoods, health, and economic prospects, while poverty alleviation itself must become a central strategy for both mitigating emissions and “reducing global vulnerability to adverse climate impacts” (stated in strategic plans of both MNCs).

MNCs in this study use terms such as ‘local alignment’, ‘governance for climate change’ or ‘climate change stakeholders’ to address collaborative roles among MNCs and local actors in climate change and poverty strategies. Obviously, climate change and other environmental issues are related to activities such as energy, resources. Although climate change is not directly linked with poverty, MNCs in this study address the links among climate changes and issues such as standard of living, sustainability and employment, and income and food.

**Theme 2: Social Development and Poverty**

Social development is a significant issue for all MNCs in this study. They identify social ‘development’ as the way to contribute back to the local citizens. Most MNCs in this study see the long- and short-term value in contributions to local, regional and national economies directly through the payment of taxes and royalties to governments, and payments to their local workforce and suppliers. The ways to contribute to social development are presented in various forms and ideas.

MNCs in this study identify a strong link between social development activities and poverty alleviation in Thailand. They identify their operations as a way to improve living conditions among local people. These are some examples of their social development ideas.

“The reduced contributions have been refocused away from sponsorships and donations in favour of longer term investments such as education and training and business development.” (Company E, Thailand)

All companies in this study indicate their CSR practices on poverty eradication as ‘open’, ‘sharing’, ‘mutual respect’, ‘active partnership’ and ‘long-term’ commitment to the community. The last point that all MNCs in this study identify as a key aspect of social development is searching for ways to support local businesses. They are aware of their roles as the contributors to the continuous growth of local industry by exchanging resources and supporting local suppliers and contractors. This on-going support is addressed among key strategic moves by all MNCs in this study.

“Four local businesses commenced work with us in 2009. Indirectly, our operations support local businesses through preferential purchase of local goods and services.”

(Company E, Thailand)

The collaboration among local and international business in the forms of trade, economy and social development is not new. It can be assumed from the data that MNCs in this study are aware of the reactions from local stakeholders and international governments towards their performance in Thailand. They, therefore, provide different forms of supports to show their
responsibilities to the local businesses and citizens.

Discussions and Conclusions

The key findings from this study confirm that there are various forms and levels of MNCs social responsibilities in Thailand that attempt to fight against poverty. Having identified CSR issues as global and local in nature, MNCs in this study started from the identification of key issues in the host countries. As CSR requires long-term collaboration from various stakeholders, MNCs in this study invested in financial and technical support to build relationships with key local stakeholders, such as local government, community leaders and educational and training institutions. This study also confirms that most CSR strategies require time to establish and continue.

In this study, the relationships between poverty and business responsibilities have been reported by the participants from MNCs in this study. Almost all CSR activities are created to improve the quality of life of the citizens. MNCs stress country-specific CSR over generic CSR strategies. A key finding suggests avenues for research in CSR and social development theory. What is missing in this study is the role of other key stakeholders in this study. Previous studies (Husted & Allen, 2006; Ragodoo, 2009; Jamali and Mirshak, 2010) confirmed that the local government and local community leaders can play an important role in working with MNCs in identifying problems related to poverty in the area, aligning people in the community with MNCs and supporting the legislation and technical issues that support the poverty eradication process.

This study also confirms that the types of MNC businesses can motivate their CSR activities. MNCs in this study may be perceived as the ‘takers’ of natural, human and financial resources from local citizens in Thailand. The obvious way to give back is by contributing to improvements in the local natural environment (theme 1), by enhancing the local capital and financial situation (theme 2) and by promoting human rights (theme 3).

Regarding this study’s methodology, a number of concerns may arise. The first point is the use of secondary data from MNCs to analyse their CSR activities. Since we aim at understanding CSR activities focusing on poverty eradication, secondary data is considered appropriate for the key objective of this study. However, primary data would be useful for identifying country-specific factors affecting success in poverty eradication. Although this study identifies CSR themes from MNCs in Thailand, future studies should consider dynamics among local stakeholders in Thailand in promoting poverty eradication in conjunction with MNCs. As confirmed by Ragodoo (2009), stakeholders play a significant role in supporting (or demolishing) CSRs activities, and this issue is still under-investigated in the Thai and Laotian contexts.

REFERENCES


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