

CHAPTER VI

CONCLUSIONS AND RECOMMENDATIONS

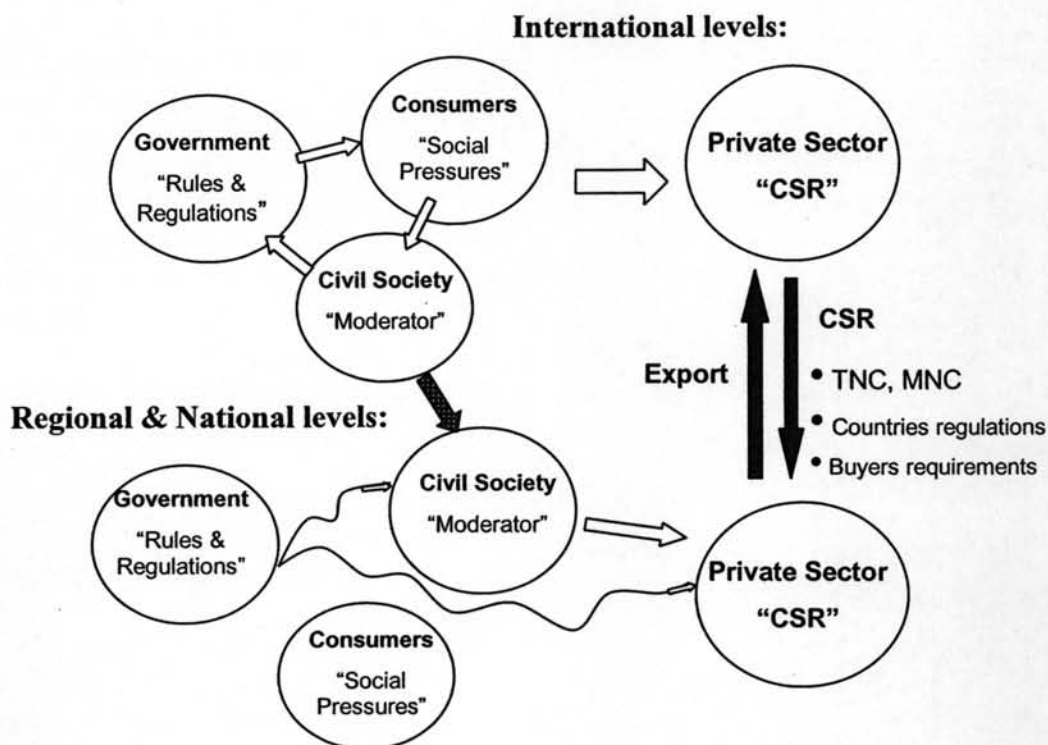
6.1 Significance of the Research

Research on CSR, particularly case studies, is scarce in Thailand. There is an urgent need to raise awareness of the core principles behind the concept as well as to improve knowledge of this concept in the private sector. This research contributes to the scarce examples specifically in the electrical and electronic (EE) industry. This research described industrial corporations rational in advancing CSR by attempting to identify main driving force of CSR in Thailand, to explore and highlight obstacles to its advancement in Thailand.

6.2 Conclusion

The research data revealed that global market pressure from importing countries and international buyers is the main factor affecting CSR decisions for Thai manufacturers. The requirements of importing countries, as well as buyer product specifications, significantly influence corporate CSR and environmental policies that govern manufacturing activities. Furthermore, the difference in the level of influence of each key player also reflects the normative values of society and economic functions. Such values are important contributing factors determining individual preferences, the rationale behind consumer behaviour, government roles and responsibility, and the ways in which the private sector operates. Diagram 1 below illustrates the relationship between each key player and how export mechanisms connect the structured international system with regional and national developing systems.

Diagram 1 Conceptual conclusion of CSR driving forces



At the international level, government, civil society and consumers together create a systematic sphere in which key players support and influence one another. This results in a solid governing system that requires the private sector to be socially and environmentally responsible. Unfortunately at regional and national levels such a system does not exist yet, but the outlook is promising insofar as the government and civil society are gradually increasing their involvement with the private sector in promoting CSR.

The crooked lines above represent weaknesses in the relationships between key players which require the strengthening of both individual functions and effective communication. Most importantly there is an urgent need to place greater attention on consumer awareness and purchasing power. This is because consumer preferences and purchasing power determine consumer purchasing behaviour, which is fundamental to the nature of the market. Public collective choices and efforts

therefore, create social pressure that influences business strategies, products and the availability of services.

Data from Cases A and B, which both demonstrated strong social and environmental practices, revealed that corporate policies of TNCs and MNCs are an effective mechanism to promote CSR in Thailand. Coherent corporate CSR and environmental policies as well as COD with financial support, enables manufacturing plants in Thailand to operate efficiently while being the most socially and environmentally-friendly. Management's vision is the key that determines a manufacturer's readiness to invest in environmentally-friendly infrastructure and management systems, as well as complementary human resource management. Nonetheless, corporate vision and policy remain subject to the market and its mechanisms, specifically customer demand and competition with regards to price and quality. Case C asserts that it's MNC governing policies which are pushing the company to be socially responsible and to produce environmentally-friendly products, are in response to the demands of end-market consumers.

The expectations reflected in global market pressures are spontaneously incorporated in TNC and MNC policies where extensive stakeholders are involved in decision-making processes. This involves an effort to synchronize the diverse perspectives, objectives and values of individual and corporate investors, with the demands of various consumers from different parts of the world. In contrast, the findings of Cases D and E revealed that Thai corporate CSR and environmental responsibility are driven by global market pressures in the form of non-tariff barriers from buyers and the requirements of importing countries.

Although market pressures direct environmentally-friendly production processes, the level of implementation and effectiveness depends largely on manufacturer awareness, corporate resolve to administer CSR, environmental policies and COD, as well as employee cooperation with such initiatives. The increase in natural disasters and the rapid depletion of natural resources worldwide has sent a strong message to corporations about the importance of environmental sustainability

as it relates to industrial growth and development. However, the private sector also has to be concerned with other market factors such as increasing oil prices, the rise of China and India as serious industrial competitors, and the global economic downturn. The private sector must acknowledge the fundamental principles of an interdependent world economy¹ involving both the shared necessity for vital resources like food and fuel, as well as competition for market domination (Carlos 2001). Corporations face rising production costs in combination with growing market competition, plus increasing CSR pressures requiring business operators to make rational choices according to circumstances. In this respect, complying with CSR has emerged as a way in which companies can promote their products by accentuating the socially and environmentally-beneficial aspects of their production processes. This allows them to gain greater market share through “green” credentials, and enhance their overall competitiveness.

It is important to restate the basic principle determining business survival: namely, the ability of a company to efficiently generate revenue by meeting customer demands based on consumer preferences and market mechanisms. Looking at two comparative studies, one shows that the dominant incentive to implement CSR in the United Kingdom is to ensure product branding (Figure 1), whereas a Grant Thornton² international survey found that the main factor driving corporate responsibility was the ability to attract and retain high quality staff able to meet current and future market demands (Figure 2). These findings affirm the importance of CSR at the international level, notwithstanding the incentives behind decisions to adopt more sustainable practices. More importantly, they also reflect how different societal and market values influence consumer behaviour and corporate decision-making. As an interesting aside, the Grant Thornton survey revealed that only 11% of Thai

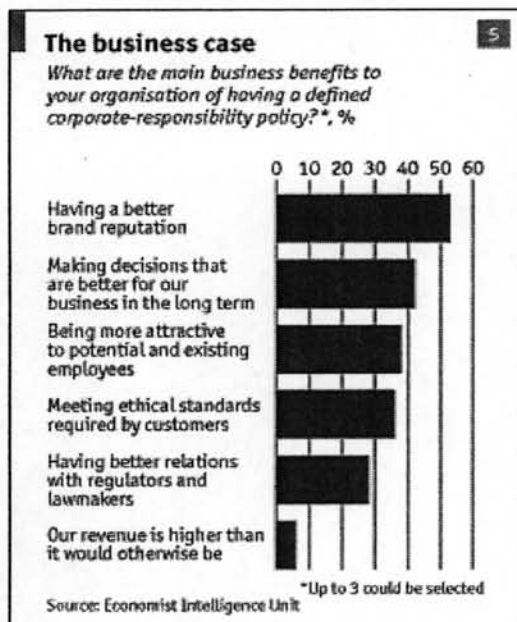
¹ According to Wallerstein (1974) the “world system is a multicultural territorial *division of labor* in which the production and exchange of basic goods and raw materials is necessary for the everyday life of its inhabitants” in the world economy (Carlos 2001).

Source: *Economist* 2008

² Grant Thornton is an intellectual property firm that offers a broad range of corporate financial, auditing, consulting and tax services in addition to intellectual property services, in the Arab region.

respondents donate to charity and good causes, while only 4% participate in community activities, compared to the global average of 65% and 55% respectively. Curiously, even less-developed countries such as Vietnam scored 72% and 49% in these two CSR categories.

Figure 1 CSR Drivers in the UK



Source: Economist 2008

Figure 2 CSR Drivers

Percentage of privately held businesses citing importance of each factor.

Factor	(%)
Recruitment/ Retention of staff	65
Cost management	63
Public attitudes/ Building brand	56
Tax relief	44
Saving the planet	40
Investor relations	39
Government pressure	38

Source: Grant Thornton IBR 2008

One of the primary reasons why CSR has become such a driving force for change towards greater sustainability is consumer awareness and resulting preferences (WBCSD). Consumer preferences are influenced by moral management including rising awareness and education about the importance of environment factors such as climate change. Nevertheless, different markets in different regions of the globe experience distinct social functions and economic conditions which generate certain normative values that influence individual preferences and behaviour. Cultural values can define the normative belief that it is everyone's responsibility to protect the environment, which encourages socially homogenous behaviour in favour of purchasing green products. Such beliefs are incorporated into the economic rationale and judgments about how to achieve desirable goals for the economy. The importance given to certain aspects of the economy underlies government policies,

actions and recommendations. Thus it is critical that government activities include the formulation of rules and regulations that comply with societal and economic normative values, in order to have a favourable economic outcome.

Such involvement creates systematic structures at the international level, as illustrated in diagram 1. At regional and national levels however, complex issues such as poverty and education must also be taken into account. It is imperative therefore to consider a variety of development issues in moving towards a more sustainable lifestyle. The Thai government has taken steps to integrate economic, environmental and social elements in the five-year National Economic Social and Development Plans, as well as to integrate the private sector. To this end, CSR has become an effective strategy to operationalize and institutionalize sustainable development by integrating business corporations in the economic, environmental and social spheres through Public-Private Partnerships.³ Adopting CSR principles as a way of conducting business also allows for the consideration of the long-term implications of development strategies and policies.

It is important to note that while corporate responsibility is developed within companies and is often encouraged further by non-governmental organizations, national government still has a major role to play. The main priority in business is survival which is dependent on two main aspects: legal compliance and business rationale. The level of compliance in the Thai context depends further on the two mutual factors of government enforcement and the voluntary cooperation of businesses, both of which are clearly areas of concern based on this research. Beyond impacting the corporate world, government sets the overall socio-economic framework through legislation and regulations. Government action thus can contribute to increasing public awareness through public information campaigns and green

³ This term refers to forms of cooperation between public authorities and the private sector which aim to ensure the funding, construction, renovation, management or maintenance of an infrastructure or the provision of a service (EUROPA 2007).

procurement⁴ policies. Government is also responsible for enacting and enforcing regulations as well as offering incentives and ensuring punitive measures. According to the private sector however, incentives, especially in the form of tax relief, would do more to encourage ethical behaviour. Furthermore, supportive activities should not be limited to the private business sector. Effort is also needed in building public awareness in order to stimulate collective action and social pressure in favour of responsible corporate practices.

In the current global economy, companies need to work more diligently to develop their businesses and corporate reputations, not only with respect to what is produced but also in terms of the manner of production itself. Increasing external pressures to adopt CSR means that companies need to pay more attention to the socio-environmental aspects of the production process. As a result, corporations have set up additional divisions to implement CSR⁵, while business schools have added courses and specialized departments to meet the demands from a new generation of MBA graduates.⁶ Corporate scandals in major companies such as Enron and WorldCom have undermined trust in the private sector, leading to increased demands for greater vigilance by government and the enforcement of more stringent regulations. Moreover, public scrutiny of the private sector by the media is increasing and an ever-expanding army of non-governmental organizations (NGOs) stands ready to do battle with multinational companies at the slightest sign of misbehavior. Myriad standards and ratings put pressure on companies to be responsible and transparent, and go beyond reporting solely on financial performance to include socio-environmental management issues.

⁴ Green procurement is the selection of products and services that minimize environmental impact, and which require a company or organization to carry out an assessment of the environmental consequences of their business practices.

⁵ All the case studies in this research have an environmental management division (partly as required by ISO), and Red-bull and Siam Cement Group have their own foundations.

⁶ Center for Corporate Citizenship at Boston College Carroll School of Management, CSR course at New York University's Stern Business School and at Sasin in Bangkok.

Demand for CSR activities has soared in the past three years in every industry in the private sector, including goods and services. For example, financial institutions such as HSBC and Goldman Sachs have initiated socially-responsible investment (SRI)⁷ under the 'Triple Bottom Line' (TBL) principles.⁸ Companies are increasingly integrating CSR into all aspects of their business, due to government incentives, regulations, and public pressure, as well as enlightened self-interest due to growing evidence that CSR has a positive impact on economic performance. Thus, as illustrated by this research, the future of CSR implementation lies in sound governance based on corporate initiatives, government incentives and disincentives, in addition to the efforts of responsible consumers, investors, government officials, business operators and manufacturers. Appendix G provides corroborating data about the prospects of CSR based on a survey of key importing issues that are expected to receive attention over the next five years.

The future brings both old and new challenges but with a promising suggestion that CSR is a new path to sustainable development. Although market pressures are the main driving force motivating businesses to implement CSR, this research has also revealed that responsibility here includes the support of others in order to achieve the same goal. Important questions still remain such as: (a) should government increase its regulating parameters on private sectors? (b) can civil society move beyond a monitoring role to provide action plans for developing partnerships in development with businesses? (c) who should do more to stimulate consumer awareness and create external pressures on businesses? and (d) what are the best ways to internally motivate businesses towards greener operations? Finding the answers to these questions and more, in this increasingly complex world with its various dynamics of inequality, will determine our collective success in achieving a more sustainable future.

⁷ Socially-responsible investing is an investment strategy which combines the intentions to maximize both financial return and social good.

⁸ The triple bottom line -"People, Planet, Profit" captures an expanded spectrum of values and criteria for measuring organizational (and societal) success: economic, environmental and social.

6.3 Recommendations

It is clear that the level of governance and public policies regarding corporate responsibility at the national level are important. In Thailand this is especially true because the government has the authority to mandate private sector standards of responsibility, and to develop public awareness campaigns that will lead to socio-economic pressure on companies. At present manufacturers are in a difficult situation because there is little governmental support to assist with the rising costs of implementing CSR, intense product competition, and increasing global market pressures. Different industries are subject to different levels of governance depending largely on the resources that are used in manufacturing, and the social and environmental impact generated. The Thai government appears to focus on corporate governance in the financial sector and pollution control in the industrial sector. Nevertheless, it is also clear that the emphasis on developing national policies depends on the benefits that are both perceived and achievable via CSR. Policy makers should first be concerned about what needs to be done in order to improve the local environment and society, and second on what is required to accomplish those goals.

The government is responsible for national development initiatives, providing public goods and services, reducing inequalities in income, increasing socio-economic opportunities, developing institutional infrastructure, supporting investment, and regulating social parameters. All of these factors create the operational framework for the private sector, while influencing citizen preferences and the use of public purchasing power. Information concerning the real social needs and the environmental impact of relevant activities can guide the private sector as well as individual citizens on the right path to sustainable development, but only if all the information is practical and available. Unfortunately the research revealed that certain rules and regulations (R&R) are considered confusing and unrealistic. Manufacturers cannot fully understand what is required of them by law, thus creating compliance difficulties and discouraging their efforts at corporate responsibility. It is imperative therefore, for government to develop coherent and practical policies and to keep

manufacturers updated on any changes to rules and regulations. To accomplish this task it is essential to improve overall technical knowledge, and to develop R & R compliance experts in both the government and the private sector.

The findings of this research suggest that domestic environmental regulations are less stringent than those at the international level. Although standards concerned with social and environmental improvement are emerging worldwide, such standards have yet to be unified, and consequently compete with one another for authority. In the USA for example, the EPEAT scheme aims to provide a single set of international standards and conformity assessment, but China has developed its own RoHS to regulate the domestic market and to act as a benchmark for export through mutual recognition. Thailand on the other hand, still needs to develop internationally recognized domestic standards, and to stringently regulate industrial activities that support the country's sustainable development. Failure to do so will inevitably result in continuous environmental degradation, and the risk of becoming a dumping ground for waste from other countries. Since Thailand's exports account for as much as 60% of the national economy according to DEP in 2007, establishing internationally recognized industrial domestic standards will not only make it easier for Thai manufacturers, but will also prevent exploitation from foreign countries. The government can enhance Thai manufacturer competitiveness in world markets by providing knowledge and technological R&D support, and by increasing public appreciation for environmentally-friendly products.

The level of compliance in the Thai context depends on the two mutual factors of government enforcement and the voluntary cooperation of businesses. The level of enforcement of regulations requires consistent disciplinary action from authorities, which is contingent on the efficient detection of unlawful activities. Monitoring and control is slightly more difficult, because it involves a bigger picture and more diverse stakeholders. The problems concerning detection are based on both the inspectors' inability to detect violations, and a lack of diligent inspection. Therefore, the current state of enforcement should be properly evaluated to identify key areas for improvement. Moreover, present disincentive penalty systems do not serve their

intended purpose as the research revealed that manufacturers comply with rules and regulations out of awareness and company policy direction, not due to the risk of being punished. For example, Thai criminal law section 237 states that those who add health-endangering toxins to consumables and water resources are subject to a term of imprisonment ranging from six months to ten years, as well as a fine of one thousand to twenty thousand baht. Thus far however, nobody in Thailand has ever been given a prison sentence for breaking this law, and since one thousand baht is only equivalent to approximately \$31 dollars (Kasikorn bank 1USD = 32 THB) such a fine is meaningless as a deterrent in comparison to the cost of installing an effective toxic waste management system.

Given the prevalence of export-led growth in Thailand, it can be inferred that the majority of businesses are subject to global market pressures calling for the implementation of CSR. This study shows that many businesses are aware of their responsibilities to society and the environment, but do not know how to fulfill those responsibilities, and in many cases do not have the capability to do so. It has also become clear that corporate size and ownership structure are significant factors affecting manufacturers' performance and environmental responsibility. Individual manufacturers are not well-equipped to develop socially-responsible practices and environmental management systems, including both small to medium size companies (SMEs) and large corporations with Thai ownership. Effective communication, advocacy, and educational campaigns provided by the government are therefore needed for general environmental consciousness-building. Government support in terms of corporate subsidies and tax relief, as well as technological research and development, will help to enhance business capabilities, thereby facilitating good environmental management practices and alleviating obstacles to implementing CSR.

Consumers however also play a crucial role in stimulating environmental R&R, in addition to the social and environmental responsibilities of the private business sector. Since such responsibility affects a company's long-term image, consumer awareness and public demands for environmentally-friendly products create powerful pressures on businesses for legal compliance as well as transparency.

Ultimately then, awareness and knowledge-building at community and society levels are important factors in creating domestic pressure on manufacturers to commit to greener production practices. Research here however, found that the majority of Thai citizens have both limited awareness and purchasing power for green products. In order to stimulate public awareness in support of CSR and greener living, Thailand needs a coherent domestic environment policy. The government needs to effectively educate both the public and the private sector about the serious danger that indifferent manufacturing processes pose to the environment. Awareness of such issues alone though, is not enough to truly determine how average citizens use their purchasing power. Additional development aspects such as poverty reduction, must also be considered and addressed.

Above all a partnership between key players is crucial in order to improve rules and regulations, create social pressure, strengthen CSR implementation, and to promote national sustainable development. The research revealed that manufacturers appear to see civil intervention as hostile due to unrealistic demands, and this perception hinders the potential for cooperation. Using strategies therefore that build a positive rapport between these parties based on mutual understanding, is critical and depends on the level of education, awareness and knowledge. Understanding alone however is inadequate to create meaningful interactions. Complementary efforts towards advancing the same set of goals by recognizing the interconnectedness of all players, is also necessary for the efficient discharge of respective roles and responsibilities.

Policies and governance are considered paramount from the local point of view. The main questions are, what needs to be done relative to what is being done, and who benefits? It is also clear that there is an urgent need to increase public social pressures by raising consumer environmental awareness and strengthening relationships between key players. From a broader perspective though, the need to assess the necessary institutional capabilities, and how they can be developed in a cost-effective manner in spite of ever-increasing intense competition, is also obvious. Identifying the relevant stakeholders who need to work together in order to

understand the benefits of CSR practices for both society in general and the institutions themselves, will help to stimulate development contributions from the private sector. Ultimately this study shows the importance of investment capabilities, supporting activities, and consumer awareness as key issues, while acknowledging that CSR implementation remains voluntary because the purpose of business is first and foremost to generate profits.