CHAPTER II

Literature Review

Corporate Social Responsibility (CSR) is not something new in development or business. The concept emerged as a result of the argument that the private sector has had privileges in development benefits over the centuries. Because businesses are dependent on natural and human resources, this obliges them to take responsibility for the consequences of their actions as well as to make contributions to the societies of which they are a part. The concept of CSR has grown exponentially over the last few decades. Various voluntary CSR standards and performance measurement tools continue to proliferate amidst the ongoing controversies over how to formalize CSR legal requirements in an ever-more complex global economy with continuing economic, social and environmental inequalities. Diverse fields of study appear to recognize the important role of the private sector in sustainable development.[1] There is, however, no easy answer to the increasing calls for business responsibility in social and environmental arenas. The future carries with it old and new challenges but there is a promising light that CSR will stimulate significant contributions on the part of business towards sustainable development.

2.1 Corporate Social Responsibility Defined

Broadly summarizing, CSR is the ethical behavior of business operators towards society and the environment. This means business acting responsibly in its relationship with every stakeholder instead of only with the shareholders. There has been no universally acceptable definition of CSR. Some suggest that CSR is about what business contributes back to society, while others argue that CSR is not just about philanthropic activities but also about commitments to take into account the

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[1] Recognized as an integral part of sustainable development by WBCSD, the EU and UK in three main contexts: Corporate Financial, Environmental and Social responsibilities (WBCSD 1998) through legal and social obligations to society.

impact of business operations.[2] Although the CSR concept has been widely recognized and applied all over the world, the interpretation of the concept may vary according to country, culture, religion, industry and company, recognizing different cultures, local situations, commercial sectors, and stakeholders' interests. Therefore, each available definition is distinct in its context according to the nature of the author.

According to the World Business Council for Sustainable Development (WBCSD), "Corporate social responsibility is the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large" (WBCSD 1998). The most commonly applied definition of CSR is by the World Business Council for Sustainable Development, based on the fundamental belief that business is not divorced from the rest of society (WBCSD 1998). The main principle of the definition is the voluntary nature of good practices made by businesses while maintaining economic development. This coherent CSR strategy is based on the idea that sound ethics and core values offer clear business benefits.[3]

At the global and regional level, the European Union perceives CSR as 'a concept whereby companies integrate social and environmental concerns in their business operations and their interaction with their stakeholders on a voluntary basis' (Commission 2001), meaning that being socially responsible involves not only fulfilling legal expectations, but also going beyond compliance and investing more into human capital, the environment and relations with stakeholders.[4] Similarly, the government of the United Kingdom views CSR as "a business contribution to [their] sustainable development goals. It is how business takes account of its economic,

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[2] Philanthropy is often practiced to conceal breaking the law. CSR should not be used to build up the public image of businesses. An ADB CSR report found that many corporations follow the strategy of "grow now and clean up later."

[3] The WBCSD collaborated with other organizations from the government and the private sector to derive a framework of conditions that will allow business to remain competitive while contributing effectively to sustainable development.

[4] The EU considers CSR as a business contribution to sustainable development. Businesses need to integrate the economic, social and environmental impacts in their operations (Commission 2002:6).

social and environment impacts in the way they operate, maximizing the benefits and minimizing the downside"(Government 2007). These definitions reflect government and socialist perspectives aiming for awareness, concern and coordination.[5] The definitions tentatively require businesses to minimize their impacts rather than making an effort to mitigate existing problems. Thus reflects that definitions often act as a vision, agenda and basis for code of conduct.

In Asia, culture and religion influence the way people perceive 'social responsibility'. Charitable donations in the Western world may be regarded as a socially responsible action but they have long been seen as traditional and religious good practice in Asia. Because each country within the region has a different benchmark for 'business contribution', each implements and evaluates CSR differently.[6] There are certainly issues where the concept of CSR in the Asian context may well be different to the concept of CSR found elsewhere, creating tensions between what we might consider to be core values and locally defined cultural norms. For example, human rights are likely to be defined differently in the United States and China, as the aspiration of achieving zero child labor is not entirely workable amongst poor families in rural communities in the short run. And the role of women is often defined by local religious beliefs or traditions that are hard to break down. These are areas that point to the need for flexibility in CSR as opposed to a strict definition.

At the institutional level, economist Philip Kothler describes CSR as "a commitment to improve community well being through discretionary business practices and contributions of corporate resources. The key element of this definition is the word 'discretionary' which emphasizes that it is business's 'choice' to implementing these practices and making these contributions (Kothler 2005). Another commonly used definition from a business perspective is provided by the Organization of Business for Social Responsibility, which defines CSR as "achieving

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[5] Since the EU and the UK government can be considered as based on the "welfare state" model, government agendas also incorporate civil society perceptions.

commercial success in ways that honor ethical values and respect people, communities, and the natural environment" including the legal, ethical, commercial and other expectations society has for business, and making decisions that fairly balance the claims of all key stakeholders (BSR 2007).[7] This definition encompasses business decision making related to legal requirements, voluntary commitment, ethical values, and commercial and other expectations society has for business while balancing the interests of all key stakeholders. It is inclined to assist business in what to do, how to do it, and what and when to say, while serving its needs and at the same time being socially and environmentally responsible. Although the two definitions both reflect business perspectives, they emphasize different aspects of CSR.

All definitions of CSR are clear. CSR is an obligation to a corporation's beneficiaries and stakeholders, namely shareholders, investors, suppliers, customers or consumers, the communities and environment where the corporation is located, and society at large. Although there is no formal and universally acceptable definition of CSR, this is not problematic. Rather, of concern is businesses' interpretations and approaches that determine the outcome of relevant CSR activities. Many organizations, including governmental, non-governmental, as well as business corporations, have issued "codes of conduct" (COD) demonstrating the principles, values, standards, or behavioral rules that guide the decisions, procedures and systems of an organization. Thus, COD shows voluntary commitments made by companies, associations, or other entities that put forth standards and principles for the conduct of business activities in the market place (OECD 2000).[8]

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[6] This cultural distinction has been widely recognized by academics, and various case studies have been conducted (CSR Asia 2007).

[7] BSR is a non-profit association that promotes cross-sector collaboration in ways that contribute to the advancement of CSR and business success. BSR acts as a trusted intermediary between business and civil society providing socially responsible business solutions to business corporations.

[8] Definition from the Organization for Economic Cooperation and Development (OECD) addressing the voluntary nature of good or 'socially responsible' practices pursued by the private sector.

2.1.1 Development of the Corporate Social Responsibility Concept

"Business is not divorced from the rest of society. The two are interdependent and it must be ensured, through mutual understanding and responsible behavior, that business's role in building a better future is recognized and encouraged by society."

(UN General Kofi Annan, 2000)

Speaking of morality as a basis for socially responsible initiatives, CSR is not altogether new. Social responsibility has been implicitly enforced through ethical consideration over the past centuries based on a philosophical system of 'right' and 'wrong' by making reflective choices and by directing the selected choice of action towards good.[9] In the mid-1800s a common business practice was to sell goods below cost to drive out competitors, and then raise the price exorbitantly once the competitors were eliminated. By the last 18^{th} and early 19^{th} century such practice was not only regarded as unethical, but eventually declared illegal.[10] Ethical business people recognize the responsibility owed to others and to themselves to maintain principles in doing right (Bohlman 2005).

It is, however, important to note that the rule of law for business is to 'maximize shareholders' wealth' or 'to generate profits'. Thus, this influences the basis on which business analyzes its goals and also impacts businesses' ethical standards. Over the centuries business ethics consisted primarily of compliance-based, legal codes of conduct and training. Today the private sector extends to legal standard compliance and adherence to internal rules and regulations in defining how a company integrates core values (BSR 2007).

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[9] A fundamental of Theories of Ethical Conduct as influenced by western and ancient Greek philosophers such as Socrates (wrong actions arise from ignorance), Plato (moral virtue leads to happiness, which all humans desire), Aristotle (regarded ethics as the study of practical knowledge) (Allingham 2002).

[10] Ethical business ideally recognized the responsibilities owed to others and to themselves to maintain principles (Bohlman 2005).

In the past, the transformation of business structures and the inevitable force of globalization shaped the power and role of businesses in the market and development. CSR has flourished as a discourse, and practices of corporations and institutional structures in a time of globalization have been subject to intense public scrutiny. Civil society demanded more business responsibility to society and development, marking steps toward a grand compromise for CSR through multilateral organizations such as the UN and OECD pressuring for more government interventions. Meanwhile, corporate power has tried to avoid regulatory control and has strived to retain its freedom to maximize profits through self-regulated means (Lipschutz 2005). The ongoing controversies gave way to the emergence of CSR external standards and monitoring mechanisms to ensure accountability of business practices.

During colonial times businesses were a direct product of the state. Governments granted corporate charters to cities, churches, and charities, mandating and specifying particular purposes and duties to be fulfilled by corporations and their service to the community. In 1886, the corporation became an individual emancipated from state control, thus enabling it to engage in its primary pursuit for private profit (Lipschutz 2005). At the time, the forces of globalization, privatization and deregulation of the state created tremendous competition in the market, driving business corporations to prioritize their size, capability, and capacity for political influence. This marked a major shift of business social responsibility to a voluntary basis.

The momentous shift in business practices and structures undermined business social responsibility and created social disparity, poverty and significantly exhausted the environment and natural resources. This brought us back once again to emphasize ethics in business operation, but the question was how to capture business interests and commitments when they are not legally binding? The discourse spoke for itself that the public perceived the urgency of business responsibility and started to scrutinize practices through advocacy and media, including condemning the corporate image, which successfully recaptured business attention on social and environmental issues.[11]

The 19th century marked the beginning of CSR controversies. The late 1950s saw the beginning of the rise of consumer power as an influential force on corporate behavior. In the mid 1960s, developing countries, along with Western unions and social activists, called for a 'new international economic order' (NIEO) that would tighten regulations on transnational corporations' activities. The exponential emergence of transnational corporations (TNC) to counter the increasing costs of the global economy led to a systemic crisis and eventually to capital flight, outsourcing jobs to developing world. [12] These countries recognized the potential for serious abuse by TNCs if their activities were not closely watched and regulated, leading to a transition to strengthen government regulations domestically and globally. Civil society concerns about the power, flexibility, and unaccountability of corporations at home and abroad generated powerful movements for consumer safety, labor unions, environmental protection, and social justice.

The regulations, especially on TNC activities, were pressed by developing countries and social movements such as the G-77 and OPEC through multinational corporations' such as the United Nations supports and intervention. In the early 1970s to 1980s, the establishment of the NIEO, the Organization for Economic Corporation and Development (OECD), and other international political programs, created a code of conduct (COD) for business but there was mounting resistance from influential corporate power not to impose COD as mandatory. The contrasting principles of business and civil society created an ongoing battle over compulsory vs. voluntary

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[11] Business reputation was subject to criticism from society, which led to a radical reform of the free enterprise system (chemical pollution, low wages, unsafe products).

[12] TNCs started to outsource their supply chain to developing countries with loose regulation control, resulting in exploitation of local human and natural resources.

regulation of CSR at the global level, or in other words, the 'sweatshop problem' (Lipschutz 2005: 149).[13]

The increasing relevance of CSR is essentially based on a two-fold strategy: 1) to provide incentive measures (eco awards), combined with 2) punitive measures (fine and litigation) (TEI 2007). This strategy of "carrots and sticks" or "shame and encourage" has been successfully utilized by governments as well as NGOs. As growing evidence that CSR also has positive impacts on business economic performance, more companies are engaged in efforts to define and integrate CSR into all aspects of their business. The Rio Declaration on Environment and Development and Agenda 21 in 1992 set out key principles for the private sector in "working towards international agreements which respect the interests of all and protect the integrity of the global environmental and developmental system". (UN 2004). Environmental NGOs such as WWF are also closely monitoring the "ecological footprint" of humanity demands on the biosphere, measured in terms of the area of biologically productive land and sea required to provide the resources we use and to absorb the waste of countries and corporations (WWF 2006).

CSR is increasingly becoming an essential element of the global market place. Although businesses are not humanitarian organizations, to a certain extent they should feel and take responsibility to contribute to development in general: "The response from the private sector can be highly effective when companies apply their core competencies to fighting poverty and hunger - not only in direct relief, but also in improving the capacity of those organizations that are traditionally positioned" (WEF 2006).

The wake of the 1997 Asian financial crisis taught businesses throughout the world their interconnectedness with society and the environment since business inputs are dependent on them, and gave birth to business acceptance of CSR. Since that year,

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[13] Socially responsible activities are associated with costs, whereas businesses try to reduce costs to maximize profits.

mass anti-globalization demonstrations and high-profile corporate scandals (Enron, WorldCom) have increased demand on social regulation. Corporate accounting scandals have focused attention on companies' commitments to ethical and socially responsible behaviors. The public and various stakeholders have come to expect more of business, pressing social and environmental issues into the decision making board room (BSR 2007).

Spontaneous reactions to the crisis of external standards have increased exponentially. The Global Reporting Initiative (GRI) was established in 1997 as a permanent independent international multi-stakeholder organization to design globally applicable guidelines for preparing enterprise-level sustainability reporting framework reports on economic, environmental and social performance for all organizations as financial reporting.[14] By the year 2002, UN Secretary General Kofi Annan launched the Global Compact "to bring companies together with UN agencies, labor and civil society to support universal environmental and social principles" (UN 2000).[15] Global companies recognize that they have no choice but to implement the concept of Corporate Social Responsibility (CSR). Driven by an increasingly aware and environmentally concerned public, governments are engaging the private sector as a partner in development to address social and environmental concerns. In the case of Thailand, the government as well as the private sector has embraced the "Sufficiency Economy" concept to address the sustainability of economic growth (Chula 2007; UNDP 2007). The most recent example of engaging the private sector is "The Equator Principles", a benchmark for financial industry to determine, assess and manage social and environmental risks in project financing, adopted by the World Bank in the year 2003.

The continuing contention between civil society and corporate power means an international regulatory standard can not be reached, and CSR remains a self -

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[14] This report is an effective tool for business to gain CSR accountability.

[15] This initiative is noteworthy as it represents the first solid effort of the UN to formally integrate the private sector in its development activities. It is based on 10 universal principles with a focus on human rights, labor, the environment and anti-corruption.

regulatory paradigm (Lipschutz 2005: 165). Legal requirements are perceived to be a minimum standard of CSR, and there has emerged numerous voluntary approaches and measurements for those who wish to go beyond legal compliance. The question then focuses on how to implement socially responsible initiatives, as well as how to use reliable monitoring and evaluation mechanisms to ensure the effectiveness of CSR instead of serving only as a marketing tool for businesses. Some believe that transparency would make CSR more effective (OECD 2000; BSR 2007), while others believe that morality is the key (WBCSD 1998; ADB 2005). However, the future legitimacy of the concept is unpromising.

In this context, for developing countries with egregious state governance[16] and loose government control, it is ever more crucial to gain private sector coordination in sustainable development through CSR. Globalization has changed the role of the state in the market and consequently the basis on which private enterprise operates. Despite the globalization of the supply chain, governments have a fundamental role in setting up the parameters for the private sector. It is interesting to note, however, that voluntary standards developed at the international level are influencing the way in which industry operates around the globe. This is certainly the case in Thailand given its dependence on export-led, trade-oriented economic growth.

2.1.2 Corporate Social Responsibility Standards

The increased interest in CSR in the past decade stimulated proliferation of CSR projects and programs by governmental, non-governmental, advocacy and other types of organizations.[17] Various independent organizations emerged to derive voluntary socially responsible tools for business with trade and competition

[16] Thailand ranked as the 98th most corrupt country in the world by Transparency International.

[17] The Thai Business Council for Sustainable Development (TBCSD) was established in 1993. Existing organizations such as the Kenan Institute, Stockholm Environment Institute (SEI), and International Institute for Trade and Sustainable Development (ITD) have initiated CSR research, newsletters, promotion and coordination.

enforcement mechanisms, [18] such as the Social Venture Network (1987), Center for Ethical Business Culture (CEBC 1988), CSR Europe (1995), CSR Asia (2004), Net Impact (2005), and CSR-wire (2007). These research and knowledge-based institutions aim to promote and support CSR based on sound ethics and core values through collective participation.

This has also been paralleled by substantial growth in the number of external standards produced, providing practical guidelines for businesses to integrate and implement socially and environmentally friendly policies that also offer clear business benefits. These various standards aim to support, measure, and assist in implementation and enhance accountability for corporate performance on CSR issues (BSR 2007). Private external standards have been developed where corporations in a similar industrial sector band together to establish tougher CSR performance conditions than previously existed (ADB 2005:42). While many of the standards available are single-issue (e.g. human rights, environmental performance), this sub-section introduces a broad range of CSR voluntary standards from performance measurement tools to aspirational standards.

Examples of Performance Measurement Standards

The International Organization for Standardization (ISO) specifies the requirements for state-of–the-art products, services, processes, materials and systems, and for good conformity assessment, managerial and organizational practice (ISO 2006). This global network organization identifies business, government and society standard requirements, and develops them in partnership with the sector that will put them to use. These standards provide practical solutions and achievable benefits for businesses, thus offering a path toward sustainable development.

[18] In addition to CSR incentives, production standards demanded throughout the supply chain and by consumers are becoming prevalent in the market, significantly influencing businesses performance.

The Social Accountability Standard (SA8000) is an auditable certification standard based on international workplace norms of International Labour Organization (ILO) conventions, the Universal Declaration of Human Rights and the UN Convention on the Rights of the Child. It was conceived in 1998 by Social Accountability International (SAI)[19] for socially responsible employment promotion and to improve working conditions through prescribed specific performance standards.

The Global Reporting Initiative (GRI) is a multi-stakeholder organization established in 1997 as a permanent and independent international body that offers consultation to business enterprises seeking to produce sustainability and accountability reports on CSR performance. Its mission is to design globally applicable guidelines for preparing enterprise-level sustainability reporting framework reports on economic, environmental and social performance. GRI first released the Sustainability Reporting Guidelines in 1999 and subsequently added sector-specific supplements (e.g. financial services and tour operators) with continuous maintenance, enhancement, and dissemination of the guidelines through an ongoing stakeholder engagement (GRI 2007).

The Principles for Global Corporate Responsibility developed by the Interfaith Center on Corporate Responsibility (ICCR) is not a standard but 'collective distillation of concerning issues'. The ICCR is a collective of religious-oriented institutional investors promoting social change through their investments. The principles cover the entire spectrum of CSR issues[20] and serve as a reference tool for businesses to benchmark or monitor their own policies or those of the companies in which they invest (ICCR 2007).

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[19] SAI has a vision to promote human rights for workers around the world by inducing comprehensive and flexible systems for managing ethical workplace conditions through the global supply chain (SAI 2007). Retrieved July 23, 2007 from http://www.sa-intl.orb/

[20] Issues such as the workplace, community, the environment, human rights, ethics, suppliers, and consumers.

Examples of Aspiration Standards

The Guidelines for Multinational Enterprises by the Organization for Economic Cooperation and Development (OECD) originated in 1976 from the recognition that unregulated business activity was causing serious social and environmental damage. With continuous incremental updates and amendments, the guidelines provide voluntary principle codes of conduct in the form of recommendations and standards addressed by governments to multinational enterprises[21] (OECD 2000).

The United Nations Global Compact is a framework for businesses that are committed to aligning their operations and strategies with ten universally principles in the areas of human rights, labor, the environment and anti-corruption adopted in the year 2000. World business leaders are encouraged to voluntarily "embrace and enact" a set of ten universally accepted principles in aligning their operations and strategies and to support complementary public policy initiatives. It seeks to promote responsible corporate citizenship[22] and provide a pragmatic framework so that business can be part of the solution to the challenges of globalization (UN 2007).

The Asian-Pacific Economic Cooperation (APEC) Business Code of Conduct was issued as a draft in 1999 and draws significantly on a variety of other internationally recognized codes and standards. It was designed to supplement and support companies' existing codes of conduct, and to provide recommendations for specific action and policies to APEC country governments (ABAC 2004).

The Caux Round Table (CRT) promotes principled business leadership which seeks to express a worldwide standard for ethical and responsible corporate behavior through dialogue and practice by business worldwide. The CRT has produced 'Principles for Business' encompassing the social and environmental impact of

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[21] The Guidelines are a regulatory instrument but not legally enforceable. Formulation involves civil society participation, and the guidelines were recently updated in June 2000.

company operations, a respect for rules and ethics, and support for multilateral trade agreements (CRT 2003).

There are other existing standards that have not been mentioned, some of which focus on providing substantive recommendations and guidelines for the implementation of specific CSR polices and practices. Recently, more standards have developed that are designed to provide guidance for companies to report on their social, environmental and economic performance. However, regardless of business purposes for CSR and approaches, unless CSR implementation is conducted in good faith, there is a real risk that the Guidelines of Voluntary Standards will be used to justify behavior and practices by multinational enterprises which undermine sustainability (Lipschutz 2005: 152). The selection of standards and implementation vary according to the industrial nature of economic activities and their impacts on society and the environment.

2.2 Development of Corporate Social Responsibility in Thailand

In the context of Thailand's weak state regulatory apparatus, CSR practices increasingly take place via voluntary measures (IISD, ITD 2007). New state regulations and measurements have progressively been established but the concept had never gone beyond recognition. The country's prioritization of economic development has led to the neglect of development impacts on society and a failure to discern the important relationship between business activities and society (NESDB). The 1997 Asian financial crisis made business corporations aware of their interconnectedness with society as well as the idea that the environment is an irreplaceable resource input, eventually leading to business acceptance of CSR. Clearly, the event has served as a wake-up call for Thailand to recognize the impediments of the market and its mechanisms. As a response to the destruction of the market, both the state and the private sector placed an emphasis on capital market sustainability as well as promoting good corporate governance.

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[22] Corporate citizenship

Good corporate governance is a business term that refers to a system of promoting fairness, transparency, and accounting in a company's conduct and principles (Montreevat 2006). After the establishment of the Working Group of Corporate Governance [23] in 1999, corporate governance then referred to the managerial or internal procedures that enable a company to achieve its goals, which in principle is to maximize long-term value for its shareholders.

In 2001, the Stock Exchange of Thailand set up the Committee on Corporate Governance Development, which proposed the concept of corporate governance as "a set of structure and process of relationships between a company's management, its board and its shareholders to enhance its competitiveness towards business prosperity and long-term shareholder value by taking into consideration the interests of other stakeholders" (SET 2001, p.4). However, the phrase "taking into consideration the interests of other stakeholders" is simply too vague, as it inadequately addresses the private sector's social responsibility. Furthermore, in reality, no single universal definition of corporate governance applies to all Thai companies due to its flexibility.

CSR was theoretically initiated by the government as a response to globalization and international trade, however as shown above, the Thai government does not seriously encourage the private sector to conduct business in a socially responsible way. Therefore, the business sector, due to being driven by the liberalized global market, responded by initiating its own corporate governance and CSR strategies to retain its competitiveness.[24] Amid the ever-more complex global economy and continuing economic, social and environment inequalities in Thailand, it is crucial to have a coherent policy with enforcement and cooperation from the private sector to develop in a sustainable manner. The initial step is to place more emphasis on public policy content, implementation, and effectiveness.

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[23] This Working Group was set up by the Securities and Exchange Commission (SEC), the Ministry of Commerce (MOC), the Stock Exchange of Thailand (SET), the Institute of Certified Accountants and Auditors of Thailand (ICAAT), the Institute and Internal Auditors of Thailand (IIAT), and constitutes representatives from the Ministry of Finance (MOF).

2.2.1 Regulatory and Policy framework in Thailand

Following the Rio Earth Summit, governments increased their domestic regulatory framework to implement the commitments undertaken in Agenda 21. Thailand enacted its environmental regulations and set out a series of policies and incentives to structure economic growth in the context of sustainable development. Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs (Brundtland 1987).[25] The government, as well as the private sector, has embraced the "sufficiency economy" concept to address the sustainability of economic growth (Chula 2007; UNDP 2007).

Thailand's path towards sustainable development was apparent after the 1997 Asian financial crisis. An imperative transformation by the 8th (1998-2003) National Economic and Social Development Plan emphasized humans as the center for development, followed by the 9th Plan (2003-2007) which had a focus on corporate good governance (CG). In the first half of the 9th National Economic and Social Development Plan, it states that Thailand has not been able to attain sustainable development due to the imbalance of development; that is, the economy has grown but at the expense of social problems and an environmental crisis (NESDB 2006,*a*). At present, Thailand is developing in accordance to the 10th Plan (2008-2012), with an emphasis on the Millennium Development Goals (MDGs) and based on the guidelines of the "Sufficiency Economy philosophy" inspired by H.M the King. The Sufficiency Economy philosophy emphasizes the middle path in management, creating a sense of sufficiency, and shielding against crisis from inside and outside, which can be summarized under the 10th Plan's slogan of "Happiness and Green Society" (NESDB

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[24] Siam Cement, pcl. has long operated its business in line with corporate governance for over the last two decades, and the Electricity Generating plc (EGCO) has incorporated corporate governance since 1992.

[25] The Thai vision of sustainable development is in accordance with WBCSD, which established an office in Thailand in 1993.

2006,*b*).[26] H.M the King's concerns for his people have inspired five strategy areas that are stipulated in the 10th Plan: Human, Community, Economic, Natural Resources and Environment, and Good Governance. These strategies aim to create a society guided by virtues and knowledge.[27] The concept is applicable to people's way of life in terms of cultivating human morality to create security at the family, community and national level. The concept has been applied to numerous development projects, resulting in more balanced development and avoidance of risk from various crises caused by globalization (NESDB 2006, *b*).

The duty of citizens to respect the environment is clearly mentioned in the Thai constitution, which states that any activities that may seriously affect the environment shall not be permitted unless the impact on the quality of the environment has been studied and evaluated based on the opinion of an independent organization (section: 56). Various environmental regulations and policies are in place to govern every activity conducted in the nation, including foreign direct investment from TNCs. The main legislative body is the Enhancement and Conservation of National Environmental Quality Act (NEQA), B.E. 2535 (1992), which was established "to determine environmental quality standards and regulate activities associated with the environment and natural resources, encompassing water and air pollution and waste management.(PCD 2007). The Act also calls for public participation and NGO assistance to government officials under this Act or other laws concerning the enhancement and conservation of environmental.[28]

The promulgation of the Environmental Act and the Environmental Policy proves that environmental concerns are now joined with economic and social issues in national development efforts. Regulations to control activities that will impact the environment and natural resources and minimize harmful impacts from industrial

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[26] Sufficiency Economy comprises of three chains (Sufficiency, Sensibility, Immunity) and two conditions (Knowledge and Virtues)

[27] ibid

[28] The Act provides the basis for the nation environment and natural resources protection to be in conjunction with other regulations in more specific industries and activities.

activities in accordance with the Policy and Perspective Plan for Enhancement and Conservation of the National Environment Quality (1997-2016) includes the Industrial Product Standard Act B.E 2511 (1968), Factory Act B.E 2535 (1992), Hazardous Substance Act B.E 2535 (1992), Public Cleansing Act B.E 2535 (1992), and Public Health Act B.E 2535 (1992). The National Energy Policy Council Act B.E 2535 (1992) also mandates management and development of national energy usage. These regulations are examples of Thailand's commitment to sustainable development in response to the Rio Earth Summit.

In Thai, the term "policy" differs from the term "regulation" in that "policy" is not mandatory, but rather provides guidelines for businesses thorough advocacy and incentive. Incentives are put forward by the government in the form of standards and awards. Standards cover every aspect of the environment, for example, Waste and Toxic Disposal Standard, Air Quality and Noise Standard, and Safety, Occupational Health and Working Environment Standard. Awards are then issued according to each standard by corresponding departments. However, the assessment of activities in granting awards appears to be incoherent. It is unclear on what basis and evidence the award granted. It seems that only ostensibly big conglomerates like Siam Cement and PTT obtain more government awards than SMEs. Therefore, a government award may not be as credible as an independent external award.

According to a stakeholder interview[29], the Factory Act and other environmentally pertinent regulations are not stringently enforced. The plant was not required to make an Environmental Impact Assessment (EIA) and there is no regular inspection from pubic officials. However, transnational corporations export-driven companies voluntary adopted ISO 14000 standards. Moreover, the punitive measures are also too weak. Violations of regulations are considered a criminal offense subject to jail time and fine punishment. Nevertheless, there has never been an actual jail term sentence at the company level but there has been evidence of violations at the

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[29] Transnational corporation M.R.I Co., Ltd., a manufacturer of latex gloves with a plant in Thailand. See www.motex.com.

individual level.[30] For example, Criminal Law Section 237 states that those who add health-endangering toxics to consumer products and those who dump toxic waste into water resources are subject to a jail penalty from six months to ten years and a fine from one thousand Baht to twenty thousand Baht. One thousand Baht is equivalent to $28.50 (Kasikorn bank USD/THB: 35), which waste management system are definitely cost much more. On the other hand, an individual in the southern Thai province of Songkla was indicted for growing shrimp in a prohibited area and was subject to a one-year jail penalty and 100,000 Bath fine (PCD 2007). It is possible that this individual's misconduct was due to lack of knowledge driven by poverty and desperation.

Poverty has a negative and mutually reinforcing relationship with the environment. Sometimes the desperation to obtain basic resources, coupled with lack of awareness about the environment, leads to the deterioration of the environment and natural resources. The potential of poverty alleviation movements and programs from the local to global level (OTOP, UNDP SAPAP) to have a positive impact on the environment should be highlighted. However, there is a contradiction in the regulatory and policy framework is terms of what the government is trying to protect. There is no doubt that industrial activities damage the environment more than agriculture[31], but the punitive level is inconsistent with this damage. Thailand has neglected the two-way relationship of poverty and environment, the impact of poverty on environmental degradation, and poor people's dependency on the environment. As UN secretary general Kofi Annan stated, "poor people live on the front lines of environmental degradation" (Sen 1999). The expected outcomes are to decrease the negative impact from poverty and alleviate poverty at the same time. However, the relationship between poverty and the environment is complex and requires consideration of other aspects from the social and public arenas.

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[30] This is according to a phone interview on May 15, 2007with an employee of the Industrial Estate Authority of Thailand. The law also does not specify who goes to jail (e.g. the owner or manager).

From 1999 to 2003, during the 8th National Economic and Social Development Plan (1997-2001) with a focus on human development to the 9th Plan, the national level of sustainable development increased from 57.5 to 64.3 percent (NESDB 2004). Sustainable development indicators (economic, social and environment) indicated stability in macro-economic development but only an improvement in social and environmental aspects. The quality of life of Thai people was better in terms of access to health services, drinking water and living in a better environment. Less exploitation of natural resources shows that the government has been more effective on the environmental indicator.

The imperative to institutionalize good corporate governance became prominent after the 1997 financial crisis. Corporate governance became the central topic in Asia and the Pacific, at the "Symposium on Corporate Governance in APEC: Rebuilding Asian Growth" in Sydney, Australia in November 1998. The symposium set directions in promoting corporate governance so that each government would play an active role in its own reform strategy (Australian APEC Study Centre 1998). Although "corporate governance" did not aim to support or promote CSR, it significantly stresses the importance of management accountability and decision-making structures that are essential in institutionalizing CSR. The Thai government has passed additional laws (e.g. the Accounting Act) and created mechanisms for ensuring good corporate governance practices by providing incentives in the form of awards and certifications to remunerate those with best practices. The four main underlying elements of the rationale for promoting good corporate governance are similar to those set by the OECD Principles of Corporate Governance (OECD 1999; Montreevat 2005).

The wake of the 1997 financial crisis has captured both government and business attention on the relationship between development and social responsibility, stimulating movements towards the national goal of sustainable development. However, regardless of the more comprehensive regulatory and political framework

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[31] Industrial waste increased by 7.25% in the year 2000 and slightly decreased by 0.3% in 2001,

in place, the obstacles to enforcement and success remain unchallenged. Some definitions of laws and their contents are still vague and improvement of enforcement is urgently needed. Most important is the level of awareness as well as efforts from both the government and private sector (EEI, *b* 2007, FTI 2007).

2.3 Summary of Literature Review

Since there is no modal definition and approach to CSR, the concept is continuously developing through exponential experiences, controversies and new ideas at a pace that increasingly captures the world attention,[32] thus allowing greater flexibility in accessing CSR driving forces. This literature review has intended to outline the fundamentals of the CSR concept, including its controversies and future outlook both globally and in Thailand, which are the foundations of this research's inspiration and analysis.

The bottom line of social responsibility can be considered an ethical means to achieve an end for society at large. The historical development and discourse of globalization have infallibly revealed the interconnectedness of human activities with society and the environment; one action has a consequence for others, therefore we can no longer continue to strive for our needs without careful consideration. CSR has become a tool for the private sector to contribute its part to sustainable development. Nevertheless, because business does not consider development as its priority, this means that CSR is *'voluntary'* in nature. Frequent questions that emerged during extensive research regarding CSR include, what can we do? How? Where can we learn? How to ensure effectiveness? How to evaluate? Although the future outlook is positive, there are also unpredictable challenges and limitations, especially in developing and underdeveloped countries, to first meet their own needs before even thinking of others.

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whereas there was no agricultural waste (NESDB 2007; PCD source).

[32] There is an increasing amount of CSR-related articles, practices and promotional activities used as a means of marketing (e.g. Mama in Thailand attempting to reduce global warming by using paper cups).