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Chapter 1

Towards Inclusive Economic, Social and Environmental Progress in Asia: An Introduction (non-typeset version)

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Abstract

This introductory chapter discusses the challenge of fostering sustainable development in Asia, where the economic, social and environmental contingencies are changing rapidly and concerns over, inter alia, climate change, environmental degradation, population growth and social deprivation provide for a complex terrain for decision-making. A number of perspectives that have been used in the extant literature to explain the specific societal role of business organisations in this region are critically reviewed and an emphasis is placed on their general lack of depth and contextualisation. This leads to the observation that this volume represents a timely contribution to our understanding of an understudied phenomenon: corporate sustainability-oriented practices in Asia. The book develops a collection of illustrative company cases that help us to clarify some conceptual and practical issues that surface the societal role of multinational companies in the Asian context. We hereby join a growing movement of research that seeks to unveil the conditions giving rise to a better and more context-sensitive way of integrating concerns for social and environmental impacts into corporate management decisions.

1.1. The economic development and sustainability nexus in Asia

The economic development of Asian countries has long been given priority attention in Asia development policies, programmes and investment strategies (Welford, 2005). Considerable economic growth and technological progress were fostered, especially since the 1980s, in tandem with openness to trade within the world economy (Rock, Angel, & Feridhanusetyawan, 1999). Asian corporations and entrepreneurs have been able to leverage resources and capabilities to enact various forms of pro-sustainability practices, often focused on localised socio-ecological issues and based on cultural traditions at a country level (Smith & Jalal, 2000).

Despite the progress made locally, there is no shortage of evidence-based reports and scholarly works indicating a downward spiral of worsening social and environmental conditions in Asia (ADB, 2012; Bauer & Thant, 2010; Laruelle & Peyrouse; Lipovsky, 1995). Economic growth and the sustainable development of Asian societies are threatened, mainly by two alarming socio-economic trends: rising income inequality and ecological deterioration (Petri & Vinod, 2013). A report by the Asian Development Bank (ADB, 2012) indicates that rising income inequality is widespread in Asia. It affects eleven countries and covers eighty-two per cent of the region's population. The Gini coefficient, a measure of inequality¹, rose

¹ In the World Development Report 2006, Gini coefficients are calculated based on disposable income data from household surveys.

about 1.4 per cent a year between the mid-1990s and the late 2000s, resulting in a large mass of 'excluded' people. The second trend relates to the deterioration of environmental conditions in Asia. The ADB (2012) report notes that severe ecological damage, such as loss of biodiversity, has either occurred or has narrowly been averted. In 2013, developing Asia accounted for thirty-five per cent of global dioxide emissions – a figure that was projected to rise to forty-four per cent by 2030. Much of this is due to China and India, the largest and third-largest emitters of carbon dioxide in the world respectively. If these growing emissions continue to be left unchecked, they could raise global temperatures by four degree Celsius by the end of the XXI century (The World Bank, 2012).

The Asian region, and the economic actors within it, are increasingly aware about their risky exposure to future climate change and impacts of ongoing social deprivation. Companies have contributed to, and are affected by, these socio-ecological issues. The question of how they might act to avert, and perhaps reverse, these negative trends by combining economic progress with strong social and environmental responsiveness in Asia attracts a high level interest among international bodies (e.g., OECD, WBCSD, WWF), academic scholars, management practitioners and policy-makers seeking to develop an adapted and comprehensive sustainability framework for managing environmental resources and social capitals in this region. The number of Asian companies using the Global Reporting Initiative to report on Corporate Social Responsibility (CSR) has grown rapidly in recent years. Mandatory requirements for CSR reporting have been developed in Indonesia. In some countries such as Malaysia and the Philippines, national stock exchanges have adjusted their listing requirements to encourage greater corporate transparency on environmental and social issues. What is more, a number of books and journal articles have been written on this topic and the practices and behaviours of Asian business organisations have consistently emerged as an important research area to explore, either for cross-country and cross-continent comparative analysis (e.g., Matten & Moon, 2008; Tipton, 2009; Welford, 2005; Whitley, 1992; C. Williams & Aguilera, 2008) or for the study of country-specific corporate sustainability practices (e.g., Fukikawa & Moon, 2004; Moon & Shen, 2010; Redding & Witt, 2009; Wong, 2009).

If, to some extent, a firm's capacity to respond to social and environmental issues is positively linked to the economic development of the country in which it operates, the strong priority on growth meant that Asian economies typically kept social and environmental expenditures relatively low and focused investments on economic infrastructure. The non-economic dimensions of development, related to individual and communal wellbeing and ecological integrity, have remained an appendage of corporate strategies and operations, severely marginalised, under-resourced and overly dependent on governments' intervention. The difficulties in delivering CSR above and beyond economic performance objectives can be explained by a combination of contingent factors. One important factor is the level of corruption in East Asia, epitomised by the existence of stable and mutually beneficial exchanges of government privileges for bribes and kickbacks (Rock & Bonnett, 2004). Another factor that can be highlighted is the financial crisis that emerged in many Asian countries in the late 1990s – arguably (and partly) initiated by irresponsible acts of big corporations borrowing money beyond their returning capacity in the name of rapid expansion (Almunawar & Low, 2014; Corsetti, Pesenti, & Roubini, 1998; Mishkin, 1999). As a result, the capacity of many Asian economic actors to contribute meaningfully to the search for a more balanced approach to industrial growth, social welfare and ecological integrity was severely compromised (Bauer & Thant, 2010; Chaponnière, 2012). But the emergence of the crisis, and its public visibility, also provided an opportunity to rethink the established model of development in Asia and make growth more inclusive and sustainable. Research began to focus

on Asia's vaunted methods of learning and innovation to meet the new challenges instead of advocating merely the adoption of North American and Western European concepts and tools that are generally not acculturated to Asian environment and values (Almunawar & Low, 2014). However, our understanding of corporate sustainability-oriented practices in Asia remains underdeveloped, mainly due to a lack of empirical studies of this phenomenon (Zhao, 2014). The collection of illustrative company cases that is offered in this volume, and that focuses on sustainability-oriented enterprises and innovations in Asia, is thus timely. It seeks to contribute to the creation of a better and more context-sensitive way to integrate concerns for social and environmental impacts into management decisions.

1.2. Perspectives on sustainability in Asian business: towards a distinctively 'more' integrative approach

The salient role of business organisations is particularly evident in the literature covering the economic, social and environmental challenges of Asian sustainable development (e.g., Fukushi et al., 2010; Gill, Singh, & Marwah, 2010; Lin-Heng et al., 2010; OECD, 2001) to which this book constitutes a valuable complementary resource. The role of businesses is more specifically addressed in studies on business sustainability and/or CSR in Asia (e.g., Asia Monitor Resource Center, 2012; Carew-Reid, 2009; Chapple & Moon, 2005; Kotler et al., 2008; Low, Idowu, & Ang, 2013; Ong, 2008; Rowley, Saha, & Ang, 2012; G. Williams, 2011). This book makes an original contribution in that it seeks to bridge these two important streams of literature (i.e., sustainable development in Asia and sustainable performance of Asian corporations) by examining the link between the 'pro-sustainability' (otherwise referred to as CSR) activities of seven multi-national corporations (Intel, Lenovo, Samsung Electronics, ZTE, BMW, Hyundai Motor, Mahindra & Mahindra) and the sustainable development of Asia. Particular emphasis will be placed on concepts and ideas that are arguably well suited to support this integrative approach, that is: 'social innovation', 'corporate philanthropy', 'green technology', 'sustainable mobility', 'social enterprise', and 'sustainability-related knowledge building'. In doing so, the book will play a substantial part in expanding the positive impact of these 'pro-sustainability' practices in Asia, where both the rapid growth of populations and the development of agriculture and industry are posing a serious problem on economic sustainability.

Related to our attempt at highlighting business practices that have (and are likely to continue to have) a positive impact in Asia is the literature dealing more broadly with the strategic, political, institutional and socio-ecological challenges related to sustainability in Asia. For example, the OECD's (2001) book provides an interesting perspective from which to understand the importance and complexity of uncovering the (hidden) connections between social, economic and environmental processes in the context of Asia. The book essentially examines the role of social protection systems in creating more inclusive societies, thereby offering an insightful social/individual approach to the problem of sustainable development in Asia. Its focus on the role of institutions (particularly those attending to the social needs of individuals) lead the authors to allude to different types of socially harmful activities in which businesses are implicated (e.g. distressful work conditions, anti-competitive behaviours). The book is however relatively light on explanations of how OECD countries are active (and/or challenged) in promoting the diffusion of socially-responsible business in the name of sustainable development. The work of the OECD may be seen to reflect a recurring observation made in recent research works addressing the issue of sustainable development in Asia. That is, multi-national companies have the resources and capabilities to foster the technological, institutional, organisational, social and cultural changes that Asian countries are bound to

operate to venture towards a more sustainable and inclusive society (Fukushi et al., 2010; Gill et al., 2010; Lin-Heng et al., 2010). Therefore future research efforts in Asian sustainable development ought to examine the best practices that will help multi-national companies to foster such changes and expand the scope of their positive societal impact.

One popular perspective from which the role of multi-national companies in Asian sustainable development has often been analysed is CSR (Asia Monitor Resource Center, 2012; Low et al., 2013; G. Williams, 2011). For example, Low et al. (2013) provide a comprehensive overview of the practice of CSR in Asia. They observe that CSR is often seen through the lenses of Western thinkers. The application of CSR in Asia, they argue, would benefit from the incorporation of Asian philosophies and thoughts. The book proposes to compare Western and Asian perspectives on CSR and present them in the light of Asian philosophies and thoughts, such as Confucian, Islamic (Koranic), Indian (Vedantic) and other Asian ways of looking at CSR in their own rights and perspectives. In a similar vein, the book edited by G. Williams (2011) examines the diverse meanings generally attached to the concept of CSR in Asia. It essentially highlights the role of Asian companies in leading their own way in markets which are hugely complex and dynamic. The focus is on the factors operating inside the company and influencing perceptions of CSR. The books published by Low et al. (2013) and G. Williams (2011) contribute to our understanding of the perceptions and meanings of CSR in Asia. By contrast, the contents of this book will be oriented towards understanding the impact of pro-sustainability (or CSR) activities in Asia. The series of case studies is expected to cover a wide range of challenges related to both internal and external corporate processes and that appear to foster sustainable development in Asia. The focus on ‘impact’ will help to clarify, and potentially expand, the socio-economic contribution of the business community to Asian development.

One general criticism that could be levelled at the contributions which use the concept of CSR is that they are often undertaken in isolation to the economic, social and environmental contexts of the firm. Despite the substantial challenges faced by Asian companies in managing and fostering sustainable development, it may be advanced that our book will be unique in its ambition to make an explicit link between corporate sustainability practices and the sustainable development of Asia. Both the ‘marketing’ perspective of Kotler et al. (2008) and the ‘leadership/relational’ approach adopted by Rowley et al. (2012) constitute an effort in this sense as they make a link between sustainable business performance and the strategic (and decision-making) context of the firm. Yet their focus on the organisational (or ‘firm-level’) factors that appear to be associated with strong corporate sustainability means that the broader implications for the sustainable development of Asia are still neglected – perhaps owing to a lack of depth and contextualisation of the findings. The difficulty in obtaining a complete overview of the sustainability challenges at the scale of both corporations and the Asian continent might be advanced to explain the lack of context-sensitive insights in existing research. This book plays a part in addressing this gap, partially because its contents stem from discussions between academic scholars and management practitioners. Hence, the impact of disciplinary bias is reduced and the integrative scope that the book seeks to generate is facilitated.

1.3. Book overview – seven illustrative company cases

This volume is a cross-disciplinary attempt to clarify some conceptual and practical issues that surface the societal role of business firms in Asia. It brings together highly diverse perspectives which contribute to our understanding of various forms of corporate engagement in pro-

sustainability activities and provide great scope for applications to other company cases in Asian countries. One important pattern that is often advanced to motivate corporate engagement in pro-sustainability activities is the extent to which domestic companies engage in international trade, even where that trade is with other Asian nations (Chapple & Moon, 2005). This means that some level of homogeneity in engagement modes are likely to be found across Asian companies operating in countries that are well integrated in the international economy – for example: Malaysia, the Philippines, Singapore and Thailand (Chapple, Herzig, & Slager, 2014). By contrast, the impact of, and on, pre-existing levels of economic development is not seen as a primary source of motivation for societal engagement by Asian companies, resulting in some level of opacity and a lack of knowledge about the extent to which corporate activities generate inclusive economic, social and environmental progress in Asia. This book guides readers through the story of how seven multi-national companies act to promote, develop and implement specific modes of sustainability-driven enterprises and innovations in China, Korea and India.

The authors develop a narrative of how a particular set of challenges arose for the company, how executives responded to these challenges, with what effects (both desired and undesired), externally and internally and with what impact on a various set of stakeholders (e.g., investors, customers, suppliers, employees, non-governmental organisations). Each case ends with an outlook of future challenges. Our understanding of the context in which these multi-national companies operate is enriched by market and financial information. The cases are organised in seven chapters as follows.

Chapter 2 discusses the evolution of the concept of CSR in China with an emphasis on the innovative practices that Information and Communication Technology corporation Intel put in place to create sustainable shared business and social value. Igel, Yeung and Prince introduce the concept of CSR 3.0, referring to it as an advanced version of CSR that fosters social innovation and strengthens stakeholder relationships. The case of Intel allows to unveil important factors within CSR 3.0 that act to catalyse social innovation, such as cross-pollination of idea systems amongst stakeholders and the coalescing of stakeholders' resources.

Chapter 3 explores the venture philanthropy programme launched by PC makers Lenovo in 2007. It provides yet another angle from which to examine the channels through which CSR strategies can be developed in the context of China. The chapter explains how Lenovo leveraged a set of resources and capabilities to support and empower sustainability-oriented enterprises and not-for-profit organisations to make a significant social contribution.

Chapter 4 examines the concept of corporate social responsibility in relation to the activities of Samsung Electronics, with a particular emphasis on the company's green management initiative that started in Korea and went on to impact the entire memory chip industry, shifting it towards increasing consideration and adoption of green innovations.

Chapter 5 discusses the efforts of ZTE to eliminate digital chasm in Africa. The company deploys green innovation and technologies to improve urban livelihood, build a healthier economic and industrial structure, and a stable and harmonious city while promoting sustainable urban development.

Chapter 6 documents and examines how BMW Group Korea has fostered progress in sustainable mobility through the BMW i project. The BMW i project initiated by the BMW Group in Germany is an innovation to build an electric city car designed for urban use and to

ensure that the materials, production process, supply chain, and recycling all adheres to sustainability-oriented principles. Considering the interest in electric cars on the market, BMW's efforts and milestones are reviewed to determine the success of launching environmental friendly individual mobility.

Chapter 7 explains how Hyunday Motor Company supports social enterprises via cooperative relations between its corporate sociocultural team and external expert groups, and by fostering representative, job-creating social enterprises.

Chapter 8 provides an overview of Mahindra & Mahindra's initial steps to understand the potential for sustainability and the challenges it could encounter when embarking on a sustainability path. The initial approach of the company, and its supporting management structure, are introduced. An overview of its activities intended to raise general awareness and creating management buy-in will be provided and its Road Map to sustainability explicated. The case study concludes with an overview of achievements and outcomes to date and a summary of its external collaborations and partnerships.

These company cases will arguably appeal to the interest of industry practitioners who seek new opportunities and innovative solutions to substantially foster their contribution to the sustainable development of Asian societies. It will also appeal to international bodies who acknowledge the fundamental social and environmental role of business organisations and recognise the urgency of generating solutions to the issues of environmental integrity/resilience and social equity at a global scale (OECD, 2001, 2012; WBCSD, 2013; WWF, 2012). The challenges of managing and integrating economic, environmental and social responsibility in business also attract a high level interest among policy review agencies (or 'think tanks'), policy-makers and welfare economists seeking to support the development of a comprehensive sustainability framework for Asian development. The volume is anticipated to have an educational objective as it might be used in graduate classrooms to teach and provoke stimulating debates about the theoretical and practical challenges of corporate sustainability in the context of Asia. The book will be of interest to a broad range of researchers. It can be used in courses on corporate sustainability as a rich source of case study examples which guide towards the systematic development of 'pro-sustainability' corporate initiatives in Asia.

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