

# THE GOVERNING OF CORPORATE SOCIAL RESPONSIBILITY:

## The Role of the Regulator

Research dissertation presented in partial fulfilment of the requirements  
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MSc in International Business and Law

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**Date submitted: 5<sup>th</sup> June, 2020.**

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I certify that the dissertation entitled:

*The Governing of Corporate Social Responsibility: The Role of the Regulator*

submitted for the degree of: MSc in International Business and Law is the result of my own work and that where reference is made to the work of others, due acknowledgment is given.

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## Dedication

I dedicate this written work to the Almighty God to Whom I belong, Whose breath is in my lungs, Whose kindness I have enjoyed and Whose grace has brought me thus far.

And I dedicate this work to my mum, who is not present bodily with me today but rejoicing with the Father in Heaven. I love you mum, thank you for raising me to become the woman I am today. Rest in Heaven!

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## Abstract

This research explores the role of the regulator in the governing of corporate social responsibility. In order to achieve this, extant literature on the concept, debates and role of government was reviewed in order to identify the gap in knowledge posed by the research question “What is the role of the Regulator in the governing of Corporate Social Responsibility?”. A force field analysis was used to develop the conceptual framework upon which the research was built. To answer the research question, qualitative data was gathered using the semi-structured interview method from four respondents. The interviews were transcribed using MAXQDA and analysed and a deductive research approach was used to identify recurring themes from the responses given by the interviewees. Given the nature of the research, an interpretivist research philosophy was employed. The research found that CSR as a moral obligation and as a business strategy are inextricably interdependent, secondly that there is no optimal level of regulatory involvement in CSR, it depends on the industry and finally that the pathway to a more socially responsible business lies in education over regulation. The implications of the findings were discussed, limitations of the research identified and recommendations for further research as well as the use of the findings in practice were given.

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# 1. INTRODUCTION

## 1.1 Overview

Corporate Social Responsibility has increasingly become a debated topic which paints companies in a good light and in some cases, increases profitability but companies are not legally obligated to perform it as it is a voluntary responsibility. However, the dividing line between voluntary, private and government regulated zones are becoming less solid and more abstract (Rhodes, 2007; Vallentin and Murillo, 2012).

This research will be centred on Regulation and its impact on Corporate Social Responsibility. Thus, the designated title for this proposal is; “The Governing of Corporate Social Responsibility: The Role of the Regulator”. The ultimate goal of this research is to examine the voluntary nature of Corporate Social Responsibility, and analyse the extent to which the Government or Regulator can interfere in the exercise and implementation of this responsibility by companies, and the effects of same.

For the purposes of reference, ‘Corporate Social Responsibility’ shall hereinafter be referred to as ‘CSR’ and the terms ‘Regulator’ and ‘Government’ will be used interchangeably.

## 1.2 Research Purpose

In the business world of today, it is not sufficient enough for a company to operate for the purpose of profit alone, it also needs to exercise good corporate governance practices by giving back to the society while meeting the reasonable expectations of its shareholders and investors (Kapoor and Dhamija, 2017). Therefore, it is only judicious that companies adopt a form of social responsibility to stay relevant in the world of its consumers. Empirical evidence shows that CSR has been defined and exercised over the years as a voluntary responsibility. The popular term has been referred to as a management model employed by companies to include the daily societal and environmental issues in their commercial operations and corporate strategy (Kapoor and Dhamija, 2017). As a voluntary responsibility, the companies are therefore at liberty to decide on their CSR rules and procedure, the category of projects or jobs where CSR may be implemented,

and ultimately the amount of funds that will be designated towards these CSR projects (Kapoor and Dhamija, 2017).

Though a rising collection of academic research has been made on the effectiveness, potency and otherwise of CSR, there is a shortage of research on the crossing point of CSR and regulation – examining the role of regulators, their ideal structure, and confinements of existing guidelines in regards to CSR (Jain and Gopalan, 2017). Hence the purpose of this study, is to answer the research question –

*“What is the role of the Regulator in the governing of Corporate Social Responsibility?”*

### **1.3 Significance of the Study**

CSR and Regulation are two separate modules but ought not to be considered in isolation of the other. In the EU for instance, we discover government advancing and giving layouts to improvement in CSR while at the same time maintaining and in any event, commending its voluntary nature (Vallentin and Murillo, 2012). The EU law in Directive 2014/95/EU requires companies of over 500 employees to publish excluding its financial report, a non-financial report/information disclosing its social and environmental contributions to the society (EuropeanUnion, 2014). It is however important to take cognisance of the fact that EU Directives, are not as binding as EU Regulations because, in contrast to EU Regulations, member states are required to perform a specific act under the EU Directives, but are given the discretion on how to perform such task or duty. Therefore, a large amount of discretion is still retained by the European corporations to decide on how and when to implement these corporate social responsibilities required of them by law. Also, the interpretation as to the term; “non-financial information” provided in the Directive is yet to be provided (Haller *et al.*, 2017).

The premise of this study therefore, is to assist policy makers in the governing of CSR and make a case for the average business owner who is willing to show good corporate governance and ethical conduct without the strict interference of the Government. It is also noteworthy to mention that with this research, the study gap which little attention has been given to; of the role of the Regulator in the governing of CSR can be filled or made concise. Ultimately, the justification for this research are the people who stand to benefit

from it. Some of whom are; the managers and leaders of companies and organizations, policy makers and stakeholders.

## 1.4 Research Objectives

The scope of CSR is quickly expanding both in the world of theory and in the real world. Initially, or in the beginning, CSR existed as a way of corporations giving back to the society which they benefit from and in most ways, it was more concerned with human resources (Fajar, 2018). However, it has grown to include human rights, the environmental system and even anti-corruption (Fajar, 2018). It has also been observed that there is a greater awareness and implementation of CSR values and standards in the EU but these values and standards vary among EU member states as the substance and meaning of CSR changes with time and setting (Ayselin and Mehmet, 2015).

According to Jenkins (2016), it has become increasingly difficult to regulate and legislate CSR, rationale being that law in itself is limited. At what point then, can we say CSR has been made obligatory by the law, or to what extent is it safe for the Government to intervene in the implementation of this voluntary responsibility by companies? Until we can identify the limits of CSR, can we determine the limits of the Government in the regulation of CSR? This research hopes to answer these questions.

There is a debate on what the term “non-financial information” connotes. It has been argued that the EU directive does not give an actual definition to the term but only a traditional (generic) interpretation, which they believed could cause “communicational problems” in the future between corporations or between the EU Commission and corporations, thereby affecting the outcome of the directive negatively (Haller *et al.*, 2017). This research hopes to assist policy makers in giving an interpretation to this ambiguous term.

Ethical consumerism is a form of activism practiced by consumers of goods and services by taking responsibility for what they buy and why they buy such goods and services (ICTU, 2009). In this internet age, consumers have become more educated and aware of the source of the products they buy and the ethical practices of the corporations or industries they buy into. This has created a moral consciousness in consumers, thereby

influencing them to contrast between corporations and identify which of these enterprises satisfies their moral compass.

The underlying issues stated above form the following objectives of this research:

- To analyse through collection of data and research, how regulation can and should affect CSR (its interpretation and implementation).
- To examine through qualitative research, the role of the regulator (government) in terms of its impacts on Corporate Social Responsibility.
- To deliver knowledge and enlightenment to academic literature, on whether or not there is a better way or model for striking the balance between over-regulation and free markets or between CSR and Regulation

## 1.5 Structure of the Study

This research is presented in five chapters, each aimed at answering the research question. Chapter One gives a blueprint of the research starting with a brief introduction and summary of the research, followed by the research question, a concise explanation of the purpose of the research, rationale behind the title selection and the research objectives. This chapter also explains the significance of the study and those who stand to benefit from it and it closes out with the research structure.

Chapter Two provides a literature review on CSR, Regulation, and the relationship between both affairs. It includes definitions of keywords, analysis of theories and models relating to the research and gives an introduction to the strategy behind the data collection. Most importantly, it gives a logical analysis of the perspectives of different scholars and authors regarding the research question. Finally, it closes out with the conceptual framework which is developed from the literature review.

Chapter Three focuses on the methodology and research design. It explains the process behind data collection and analysis for the purpose of the research, which entails a qualitative research. Ethical considerations in data collection are also included in this chapter.

Chapter Four contains the presentation of findings taken from the interviews. Using an interpretivist approach, the primary data is analysed in this chapter, to give an answer to

the research question. This chapter also contains analyses and discussions. This chapter is significant in the attainment of the research objectives because the analysis of the literature review is matched with the findings from the primary data. A comprehensive discussion on each research objective is also provided in this chapter.

Chapter Five closes out with a summary of the work put in the research and the standard of attainment made in solving the research problem and reaching the research aims and objectives. It also includes the limitations of research identified along the way and provides recommendations for future studies in a similar research topic.

The dissertation closes out with an appendix and references.

## 2. LITERATURE REVIEW

### 2.1 Overview

The rise of CSR as a necessity in the commercial world grew as companies experienced fall-outs which generated distrust in the hearts of shareholders, employees, consumers and stakeholders in general. The 2008 global financial crisis was a wake-up call to the world, for a more effective implementation of CSR whether it be by regulation or otherwise.

According to Professor Mullerat in his research paper, the EU was one of the first regions to respond positively to the CSR movement (Robert, 2013) creating, over the years, various legislative instruments for all member states, such as “the Modernisation Directive, the European Pollutant Release and Transfer Register, the EU Emission Trading Scheme and the Integrated Pollution Prevention and Control Directive” (Ayselin and Mehmet, 2015). However, these directives, do not have the same effect like the EU regulations because it gives discretion to the Member states on how such directives may be implemented which leads to inconsistency in the practice of CSR among the Member states of the EU.

The concept of CSR is not new to academic research but the literature reviewed in this study examines the responsibility of the government in regards to the implementation of CSR. In empirical times, CSR has always been seen as a voluntary responsibility but with recent developments, there’s been a call for a more regulated CSR as opposed to a corporation deciding whether or not to perform CSR activities (Robert, 2013).

From literature, we see that there exists a strict school of thought in support of voluntary CSR and the opinion that a business exists to make profit for the shareholders not for the benefit of the stakeholders whom CSR aims to protect (Fajar, 2018). This school of thought also claims that using the assets of the corporation for social benefits infringes on the rights of the shareholders and the management has no right to use corporate assets for societal benefits but its responsibility alone is to create profit on behalf of the shareholders (Fajar, 2018). Therefore, a highly regulated system of CSR may put pressure on corporations and not reveal the true moral initiative of such corporations.

On the other hand, there is a part of the populace that clamours for a more regulated CSR, e.g. regulators, non-governmental organisations and trade unions (Ayselin and Mehmet, 2015). Through CSR, they believe that companies can substantially contribute to the aims and objectives of the government which include reducing the effect of global climate change and increasing competition in the “social market economy” (Ayselin and Mehmet, 2015).

This research will therefore critically analyse the responsibility of the government or regulator in the governing of CSR and review the extent to which the government can interfere in the implementation of CSR practised by corporations. Academic literature on the various philosophical views from which CSR is understood is examined in this chapter as well as literature on countries that practice a more regulated structure of CSR than others will be researched on and vice versa. Nonetheless, a greater focus will be emphasised on the EU member states due to ease of access of data.

## 2.2 Corporate Social Responsibility (CSR)

The subject of CSR has a wide-ranging account in literature and has been in the writings of scholars and authors for a long time. Empirical evidence shows that the concept of CSR has been discussed in academic literature as early as the 1950s (Carroll, 1999). Some of the early writers include; Keith Davis (1960) who referred to ‘Social Responsibility’ (as it was called then) as “businessmen’s decisions and actions taken for reasons at least partially beyond the firm’s direct economic or technical interest” (Davis, 1960; as cited in Carroll, 1999)

A similar but extensive definition was given by Thomas Jones (1980) in a research article:

“Corporate social responsibility is the notion that corporations have an obligation to constituent groups in society other than stockholders and beyond that prescribed by law and union contract... First, the obligation must be voluntarily adopted; behaviour influenced by the coercive forces of law or union contract is not voluntary. Second, the obligation is a broad one, extending beyond the traditional duty to shareholders to other societal groups such as customers, employees, suppliers, and neighbouring communities.” (Jones, 1980; as cited in Carroll, 1999)

The definition of CSR has evolved over the years as the economy changes and it is practiced differently from industry to industry, region to region and enterprise to enterprise due to its growing interpretation but not much has changed in the definition of CSR in recent times (Robert, 2013).

Rodriguez and LeMaster, (2007) quoting Habisch *et al.*, (2005) also define CSR as “the extent to which—and the way in which—an organisation consciously assumes responsibility for—and justifies its actions and non-actions and assesses the impact of those actions on legitimate constituencies...”

The European Commission (2011) in a gazette, defined CSR as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”.

Petter Gottschalk (2011) in his book defined CSR as “a set of voluntary corporate actions designed to improve corporate actions”.

From the definitions of the early authors to the definition of recent times, one thing is common; that CSR is recognised as a voluntary responsibility. However, it has also been explained from different philosophical viewpoints in literature, such as; a moral or ethical obligation, a business strategy, a means of economic development etc. In the further headings of this chapter, we discuss some of the various perspectives from which CSR is viewed and how it applies to the research.

### 1.2.1 CSR as Ethics

At the thought of the word ‘ethics’ what comes to mind are moral standards or system of behaviour (Stevenson and Press., 2011). It is also used interchangeably with the word ‘morality’ in most literature. However, Stephen Darwall (2018) in his article, explains that there is a difference between both terms. According to him, morality refers to the traditions and specific actions and/ omissions that are practiced and acknowledged as a standard in a community or amongst a set of people while ethics is a scientific view point of these moral standards that have been established for a specific group of people or community (Darwall, 2018). Nonetheless, both terms will be used interchangeably in this research as this chapter aims to discuss CSR from the lens of ethics and not dig deep into the concept of ethics itself.

Ethics as a subject on its own, is a diplomatic approach to dealing with, understanding and differentiating what is considered right and wrong, commendable and unacceptable as it relates to the safety of and communications among emotional creatures (Rich, 2016) but ethics in CSR is simply the what to do and what not to do by owners (managers, directors & executives) of corporations in business (Singh and Singh, 2013). Singh and Singh (2013) suggest that the rise of corporate scandals over the years has awakened a consciousness of moral behaviour and ethical policies among organizations. They further express in their research that there is currently a consistent outcry among leaders of corporations that CSR be centred solely on the durable grounds of ethics (Singh and Singh, 2013).

One of the early authors mentioned earlier; Keith Davis (1975) expressed in his article that CSR is the commitment of leaders to take activities which “protect” and “improve” not only their own securities but also the safety and growth of the community of people affected by their decisions (Davis, 1975; quoted in Singh and Singh, 2013). Hence, a dual obligation is communicated in this definition which is first, to protect – suggesting the prevention and elimination of threats to the environment and society as a whole, and second; to improve suggesting that companies generate job opportunities and welfares that are advantageous to the society (Singh and Singh, 2013).

Another suggestion made by the early authors of CSR is that social responsibility ought to be done beyond the company’s interest of profitability and performance to its shareholders, and outside its legal responsibilities (Carroll, 1999). In other words, just because a company abides by the regulations of social responsibility does not necessarily mean that it is socially responsible. Obedience to the law does not negate the ethical responsibility of organisations to give back to the society voluntarily; beyond their legal responsibilities as a company (Kakabadse *et al.*, 2005). CSR is therefore seen as a purely ethical and moral obligation despite the regulations that are developed overtime to ensure its implementation based on this understanding. It is discreetly a voluntary effort despite express regulations that have been created to enforce it over the years (Kakabadse *et al.*, 2005). Johnson and Scholes (2002) state in their book; that “corporate social responsibility is concerned with the ways in which an organisation exceeds the minimum obligations to stakeholders specified through regulation and corporate governance” (quoted in Kakabadse *et al.*, 2005).

This consequently suggests, that CSR resides in the territory of an ethical obligation and not a legal requirement or business strategy (Kakabadse *et al.*, 2005). This research goes further to discuss the philosophical view of CSR as a business strategy.

### 1.2.2 CSR as Business Strategy

In a competitive and consumer oriented sector like the world of business, there is a sustained pressure by shareholders to perform with limited funds and by stakeholders to be socially responsible, leading to an unsustainable CSR implementation (Radhakrishnan *et al.*, 2014). The agreement on CSR from the commercial perspective is therefore inconsistent in nature with a small amount of the populace affirming business benefits of CSR while other part scrutinizing the equivalent (Radhakrishnan *et al.*, 2014).

Rodriguez and LeMaster (2007) argue that the more policies or laws are created to ensure certain corporate responsibilities are carried out, the more it creates an average quality of implementation and degrees of inconsistency and will ultimately chase off corporations who find imaginative approaches to stay in business without the influence of government. This argument however defeats the meaning of CSR as defined by the early authors who referred to CSR as not only a voluntary responsibility, but one that extends beyond the company's business interests. Such definition does not appear to hold water in the modern implementation of CSR because in the world of business today, the value given to CSR as well as the motive behind it differs from one corporation and one industry to the other (Kvrgic *et al.*, 2012).

To further elaborate on the evolved interpretation of CSR as business strategy, are two theories – the shareholder theory and the stakeholder theory. The shareholder theory states that the duty of the managers or directors of a company is solely to manage the company for the purpose of protecting the interests and making returns on the investments of the shareholders (Smith, 2003). The stakeholder theory on the other hand which is not much different from the shareholder theory but gives a broader view of CSR states that the company executives are responsible for finding a balance between the interest of the shareholders and the interests of any and every person who has an effect on or is affected by the actions of the company such as; employees, customers, surrounding community, suppliers, independent contractors etc. (Smith, 2003).

Furthermore, in a practical survey conducted amongst 800 business managers, it was discovered that the principal motive behind the implementation and involvement of CSR by companies are; increase in revenue (19.9%), reinforcing the brand image (24.1%), policy compliance (20.2%), creating awareness about climate change and the significance of protecting the environment (5.3%) and just because ‘it’s the right thing to do’ (27.8%) (Wagner *et al.*, 2009; Kvrđic *et al.*, 2012). Corporations are therefore, aware of the benefits of harmonizing CSR with brand equity, it promises consumer trust, attracts investors etc. (Deepa and Chitramani, 2015). CSR has also been recognised to be one of the major factors for competitive advantage in several industries e.g. the retail industry (Kvrđic *et al.*, 2012).

The question arising from this therefore is; where the motive and implementation of CSR has evolved from being purely voluntary, centred upon humanism and the moral obligation of a company, to a business strategy for company performance and competitive advantage, is it inevitable for the government to intervene in the implementation of CSR by enforcing specific rules and regulations in relation to CSR? Another question will be – to what extent can the government do so? This research is projected to give clarity to these questions.

### 1.2.3 CSR and Economic Development

From the previous sub-heading we are made aware of the fact that many corporations act socially responsible in order to gain affluence in the society or close community they belong to. However, we are living in a society where diseases are rising e.g. Covid-19, the cost for the provision of basic amenities such as water, energy and transport are increasing, environmental health is diminished and there is a growing breach between the underprivileged and the wealthy; consequently making CSR an ideal structure for economic development (Voinea and Fratostiteanu, 2019).

In the EU for instance, CSR has become an indispensable instrument in the development of the market economy, creation of job opportunities and the fostering of competitive advantage (Ayselin and Mehmet, 2015). Based on this, environmental friendly and accountable corporations in the EU are emphatically endorsed and supported by the European Commission (Commission., 2009).

Hamilton (1995) conducted a study on the relationship between CSR and stock markets in the U.S where he discovered that after press releases were issued on the assessment of certain corporations in regards to their industrial waste of poisonous chemicals, the stock market values of the said corporations were affected which in turn affected the stock market economy as a whole (Hamilton, 1995; quoted in Heal, 2005). He discovered that there was a high negative impact on the stock market value of the economy as well as share prices of the various corporations after the press release stating the number of poisonous substances that were exposed to the environment by such corporations (Heal, 2005). This discovery triggers the necessary thought that where there is a negative impact on the economy due to the environmental injury caused by corporations, there could also be a positive impact on the economy when corporations are socially responsible (Heal, 2005).

The European Commission also recognises the impact of CSR on economic development where it states in its report that the establishment of a safe and friendly workplace for employees by corporations creates an opportunity for innovation, which consequently not only brings value to the organization but delivers solutions to issues in the society (Commission., 2009). In other words, there is a relationship between CSR and innovation which births a positive environmental change.

## 2.3 Regulation

This research is centred on discovering the relationship between CSR and Regulation, hence the need to explore the subject of Regulation, its purpose and the nature of activities subject to regulation.

At the thought of the word ‘Regulation’, what comes to mind is a policy or law that has been established by a governmental authority to prevent a specific activity or behaviour that is most probably against public policy (Stevenson and Press., 2011). Though that is part of what regulation entails, there is a wider view to the subject of regulation which will be discussed in this chapter. Just like CSR, the term ‘Regulation’ has been defined in various academic literatures, and has become a debating topic in a different way than it was ten years ago (Baldwin *et al.*, 2012).

According to Baldwin *et al.* (2012) it is best to know what regulation is all about by viewing the term in three different ideologies:

1. “As a specific set of commands” – through this lens regulation is referred to as the declaration of specific laws and rules that are mandatory and applicable to a set of people whom these laws concern e.g. the Companies Act as applied by company executives.
2. “As deliberate state influence” – through this lens, there is a wider understanding of what regulation means as it covers the actions made by the government or state which in turn affects or influences the activities of businesses and the society as a whole e.g. taxes set by government which influences incorporation of foreign companies or laws made that influence contractual obligations of parties to a contract.
3. “As all forms of social or economic influence” – here the term ‘regulation’ is used in a broader sense, where it is made not only by the state or state institutions but by other organizations, such as professional institutions, corporations, non-governmental organizations, etc. Thus, it could be mandatory or discretionary depending on its purpose, interpretation and application.

Some academic authors tend to focus on Philip Selznick’s definition (an early author of the 1980s in the study of regulation) who defined regulation as “sustained and focused control exercised by a public agency over activities that are valued by the community” (as cited by Koop and Lodge, 2017). However, some scholars question whether or not regulation can be made by state institutions only (Koop and Lodge, 2017) but for the purpose of this study, we will be focusing on regulation as made and established by state institutions or government.

Despite its non-universal definition, the study of regulation is said to have gained an increasing global attention due to certain activities of international corporations because there seemed to be a worldwide cry for a more arduous regulation of financial institutions and public corporations during and after the financial fallout of 2008 (Baldwin *et al.*, 2012).

But there are some fault finding opinions against regulation since its recognition as a significant topic, some of which are; the constant worry of excessive formalities, cost and over burden of activities that companies will have to undertake once regulation is

introduced into a system (Baldwin *et al.*, 2012). For example, in the United States of America (USA), there was a clamour against the 2002 Sarbanes Oxley Act (popularly known as SOX) which was enacted into law due to the lack of good corporate governance by various organizations which led to a financial crisis in the USA at the time (Rodriguez and LeMaster, 2007). It was enacted into law as a solution to the bad corporate governance exercised by multinational companies but, due to the increase in costs and regulated disclosure of CSR activities made compulsory by the Act, most companies delisted themselves from the U.S markets which had a negative impact on the U.S economy (Rodriguez and LeMaster, 2007).

Likewise in the EU, there was an increased regulatory response after the financial crisis of 2008 especially on financial institutions. Part of the changes made which directly affects CSR was the enactment of the Directive 2014/95/EU (2014) into EU law which requires specific companies to publish excluding its financial report, a non-financial report/information disclosing its social and environmental contributions to the society. Following the definitions of CSR earlier explained, which states that CSR is voluntary, some may find this Directive as an opposition to the true meaning of CSR. Regulation has therefore been criticised for being a hindrance to competitive advantage and financial development and these concerns have been declared by recognised groups and communities (Baldwin *et al.*, 2012).

Notwithstanding the underlying issues in regards to regulation, the advocates for regulation stand by the notion that regulation remains vital to the day to day running of the economy and without regulation setting standards in the public sector, sustainability and consistency cannot be protected in the economy (Baldwin *et al.*, 2012). Beller (2004) in his speech at the Practising Law Institute, London, said that a shift towards regulation and “enforcement mechanisms” is beneficial to the global financial system, and in the words of Andrei Shleifer (2005);

“today we live in a much richer, more benign, but also more regulated society, and... as consumers we are generally happy with most of the regulations that protect us. We are happier knowing that trains and airplanes are safe than savouring the thought of a fortune which our loved ones would collect in a trial should we die in a fiery crash”

There is a need, therefore to articulate the role of government in regulation with respect to CSR which this research aims to do.

### 2.3.1 Purpose of Regulation

A century ago, the European economy was not as rich it is today in resources, technology and market value, but it was also not as regulated as it is today (Shleifer, 2005). Today, regulation affects almost if not every part of our lives from housing, to transport, car ownership, education, our place of work, the environment and the list goes on; which stops us in our track to ask the question – what is the purpose of regulation?

Based on various literature, it is perceived that the purpose of regulation lies in the theories of regulation. Dudley and Brito (2012) lists out two of these theories starting with the public interest theory. The public interest theory is centred on the idea that the government or regulator can intervene in the affairs of the public where there are market failures and the standards set for various parties (different or similar) to operate business in the same place effectively are not met e.g. rules of competition (Dudley and Brito, 2012). Andrei Shleifer (2005) refers to this theory as the ‘helping hand theory’ which is centred on two suggestions; first that markets which are not controlled are often on the losing side due to the difficulties that come with domination and externalities. The second suggestion is that, the government is equipped to address and mitigate these difficulties through regulation (Shleifer, 2005). In other words, the government is a helping hand to the failing market. One can therefore say based on the public interest theory that the purpose of the regulation is to render a helping hand to the public market where it is failing due to its private rule enforcement. The public interest theory has however been criticised to lack a method and certainty on how regulation will occur and when it will occur respectively (Dudley and Brito, 2012).

The second theory of regulation listed by Dudley and Brito (2012) is the capture theory which suggests that regulation is not created to serve the public interest as a whole but the interests of those it seeks to regulate e.g. regulation for the retail industry, regulation for the aviation industry etc. This theory thus suggests, that the purpose of regulation is protect and serve the interests of specific industries and/or organizations and not the general public. Though more precise than the public interest theory, this theory has been criticised to be lacking in information and inadequate (Dudley and Brito, 2012).

Regardless of the criticisms that come with both theories of regulation explained above, one can safely say that the purpose of regulation should be to ultimately protect the interests of the public as a whole as well as the special interests of those it seems to regulate depending on the type of regulation. This research seeks to answer the question if regulation can safely protect the social interests (CSR) of the public and corporations simultaneously.

### 2.3.2 Regulatory Activities

From research, it's been discovered that there is not much literature on the nature of activities subject to regulation, and from what is seen, there can be differences of opinion as to what activities can be made subject to regulation (Koop and Lodge, 2017). As stated earlier, this study is focusing on regulation made by state, hence we will be discussing what activities can be made subject to regulation of the state or government. Koop and Lodge (2017) suggest that regulation can be divided into three types; economic, environmental and social regulation.

Economic regulation deals with services guidelines, anti-trust laws, market competition, and could include copyright and commercial or trade inspections (Koop and Lodge, 2017). It is used as a long-term asset for the effective running of the economy and market dealings.

Environmental regulation as term connotes, deals with environmental issues or problems. Environmental issues were dealt in the past by the government placing strict rules and penalties on companies that caused harm to the environment in their operation of business (Holley, 2017). However there seems to be a shift in the modern regulation or governance of environmental problems where the government is more involved in the practices and decision-making of businesses as it concerns the environment (Holley, 2017). In other words, the regulation acts not only as a preventive element but an enabling element that pushes companies to make decisions that are favourable to the environment and contributes positively to climate change (Baldwin *et al.*, 2012).

This corroborates with what Eldad Ben-Yosef (2010) states in his book; that regulation embodies different features; both ambiguous and specific areas that require the attention of professionals in specific fields and a large amount of data and resources. He was speaking specifically for the airline industry, and he goes further to point out that that the

days of regulators being focused on fees and trade related issues only are long gone but rather regulators are involved the construction process and expenses which require extra knowledge and information (Ben-Yosef, 2010). Hence, due to the increasing ambiguities embodied in regulation, it creates more uncertainty and inconsistency as opposed to protecting the cause for which it was created.

Social regulation on the other hand, has been simply referred to as anything considered to be a non-economic regulation which develops social relationships (Koop and Lodge, 2017). Following this definition, environmental regulation could fall under the scope of social regulation. Social regulation has also been referred to as policies that aim to protect people from unsafe working conditions, harmful substances and consequences of environmental waste (Grabowski *et al.*, 1979).

It can be deduced from the types of regulation stated above that regulation has grown over the years to be more inclusive of certain professions and social activities that were absent in the scope of regulation or given little attention to compared to recent times e.g. CSR. One might argue therefore, that in the aim of making regulation more inclusive, it has created more uncertainties to its limit and its nature, and this is evidenced by the dearth of literature on the nature of regulatory activities.

## 2.4 CSR and Regulation

Literature reveals to us that CSR is a voluntary responsibility and one of the bedrocks for a thriving economy but literature also reveals to us that a shift towards global regulation is the start of a stronger economy and a better financial system. The question remains whether or not there is a dichotomy between either concepts, or a relationship that must exist in order to establish a much safer and productive economy. Empirical evidence has shown us the impact of bad corporate governance which has caused governments to lean on regulation in order to protect the economy. However, empirical evidence also shows us the imperfections of regulation due to its reactive nature. Eldad Ben-Yosef (2010) puts it this way- regulation responds to problems after the event and is mostly created in the interest of a smaller group than the economy itself.

The stakeholder theory tells us the importance of CSR to any organization especially multinational companies and we are aware that CSR though a moral duty, can be utilised

as business strategy for financial performance. However, empirical evidence and most literature appears to reveal to us the “win-win” situation of the relationship between CSR and company performance only, without showing the adverse consequences of companies using CSR as a cover-up for its non-socially responsible acts (Banerjee, 2018).

Imagine this hypothetical scenario: A certain multinational company ABC which is a chemical company in operation in a developed nation since the 1950. Over the years, the company had grown powerful as they had connections in the government, both local, state and federal governments and have been involved in financing the campaigns of various politicians. The company made money developing chemicals and materials used in building and non-stick pans. As the company grew larger, the nested in a small town and in no time, had contributed to the “economic welfare” of the town and the state. Due to their presence in the town, they offered employments, provided amenities and other philanthropic ventures for the residents of the town and had received several awards for CSR. However, unbeknownst to the community, the company had been dumping chemicals into a landfill which they operated in the community and had contaminated the community’s water supply and led to the loss of livelihood for the farmers in the community as well as birth defects in children, and several fatal diseases in the community and the country at large. They were only found out because a farmer which had lost all cattle sought an external law firm because the law firms in the community where company ABC were located would not represent him for fear of the organisation which was connected to the high and mighty of society. When confronted at first, company ABC denied dumping the chemicals even though they had been instructed on how to properly dispose of the chemical. They also tried to save their image by coercing government parastatals to develop a report that lets them get away with their actions.

Though the scenario given is hypothetical, empirical evidence shows that regardless of the strong stakeholder relationships and CSR policies that some companies claim to have, the interests of the community is still derelict or the interests of the shareholders are placed above the interest of the environment without finding a balance (Banerjee, 2018). This is found most commonly in the mining industries, where a company claims to have effected increase in employment due to mining but a larger percent of the people employed are migrants thereby giving a very small space for the local community, leading to conflicts within the community (Banerjee, 2018). The Environmental Justice Atlas, an organization that helps to fight against environmental injustice lists on its online platform

a total of 3150 cases on the negative social and environmental impact caused by the activities of companies in different industries such as mining, waste management, transportation, oil processing, forestry etc. in over 60 countries (EJAtlas, n.d.; Banerjee, 2018).

Considering this scenario, would it be safe to say a company is socially responsible just because it says it is? Though CSR is celebrated in research as a means of creating opportunities for corporations and adding value to the society, it is also criticised as a device used by corporations to stave off blame and critics while giving them the opportunity to trade as usual (Morsing and Spence, 2019). The front runners for a higher form of regulated CSR are of the opinion that just because a company says it is socially responsible does not mean that it can be held by its word. Hence, the need for regulation as an oversight mechanism or tool to ensure that companies are being honest with how socially responsible they say they are, creating standards for their relationship with the community and non-governmental organisations.

#### 2.4.1 Role of Government in CSR

Having discussed CSR and Regulation, the need to understand and enumerate the role of the government in CSR becomes increasingly evident. To begin with, it is imperative that we define government. Fasenfest (2010) in his article on government, governing and governance, defines government, simply as the “office, authority and function of governing”. He goes further to define the term governance as “a set of decisions and processes made to reflect social expectations through the management or leadership of the government”. This corroborates Moon and Matten's (2004) view of government's function of governance; which they define, as a system which gives guidance and direction to society.

With this definition of government, and the understanding of regulation explained earlier, we see that government through regulation has played a constant role in the day to day activities of the average person and this is no different in CSR governance. Most spaces that were privately controlled are now regulated by the government (Knudsen, 2018) such as; the employer-employee relationship, use of natural or recyclable resources to protect the environment, charity donations to the community where the said corporation belongs, etc. which can all be related to CSR. Traditionally, CSR has been and is still being interpreted as a voluntary responsibility of corporations to the society but over the years

it has also risen to be interpreted as a form of private regulation implemented by companies to protect their corporate rights to continually operate as a business in states where regulation by the government is inadequate (Knudsen, 2018).

(Steen Knudsen *et al.*, 2015) conducted a research on the governing of CSR by governments through policies or regulation by using data gathered from twenty-two European states (as cited in Knudsen, 2018). Based on the research, it was discovered that in the governing of CSR issues, governments take on four different styles of regulation which were listed as; “endorsement, facilitation, partnership and mandate” (Steen Knudsen *et al.*, 2015; as cited in Knudsen, 2018). Using these styles of regulation, the government need not enforce its policies through the mode of “command and control” but rather seeks to achieve the goal of enforcement through a softer approach of regulation which he refers to as “mandatory soft regulation” (Knudsen, 2018). To further understand this approach, the following terms; “endorsement, facilitation, partnership and mandate” will be briefly explained in this research as it relates to the governing of CSR.

The Oxford Dictionary, (2011) defines endorse as; supporting or affirming a thing or the doing of an act. In the early days, the study of CSR in Europe was centred on how governments governed CSR through what is referred to as endorsement policies which was implemented through press releases and communications of prestigious government officers (Steen Knudsen *et al.*, 2015; Knudsen, 2018). Thus governments could affirm an act of social responsibility done by a company which eventually becomes a norm and unwritten law. Other methods of endorsement which were implemented by the government included accolades and honours in terms of awards given to recognized organizations to encourage CSR as well as guidelines published on official websites (Steen Knudsen *et al.*, 2015; Knudsen, 2018).

The word ‘facilitate’ means to make the doing of an act possible or with ease (Stevenson and Press., 2011). The facilitation policies adopted by the government in the governing of CSR entails a higher level of exertion than is required for endorsement policies. Facilitation policies are geared towards companies that are in one way or the other socially responsible and is implemented by providing or allocating more physical resources to such companies in order to encourage such companies to be more socially responsible. These policies include tax indemnities, subsidies afforded to companies executing CSR.

The word ‘partnership’ in the terms of public policy, simply refers to a collaboration of two or more parties for a shared benefit (McQuaid, 2000). In regards to CSR, partnership policies involves the coming together of the government and corporations as partners to ensure the effective implementation of CSR. In such situations, the government and corporations collaborate to develop or create CSR standards and guidelines (Knudsen, 2018)

The last style of mandatory soft regulation explained by (Knudsen, 2018) is the mandate policies. The Oxford Dictionary (2011) meaning of the word ‘mandate’ is the power to accomplish something, given to an administration or other association by the individuals who vote in favour of it in a political race. According to Knudsen (2018), mandating here entails the government taking the most absolute responsibility when it comes to the governing and regulation of CSR. It seems to be less flexible than the other styles explained earlier. Knudsen (2018) states that CSR mandate policies could either be “hard” or “soft”. Soft mandate policies would still give room to the corporations to act within their discretion to a considerable amount (Knudsen, 2018), while hard mandate policies would be vice versa. One of the common forms of CSR mandate policies is the publication of non-financial information which is already implemented in the EU through the Directive 2014/95/EU (EuropeanUnion, 2014; Knudsen, 2018) earlier mentioned in the research.

Based on these discoveries and theories, we see that when it comes to CSR, the government is not quick to act forcefully but with caution due to social interpretation of CSR as a voluntary responsibility. However, CSR has grown over the years to be inclusive of issues and matters that are important to not only the development of the society but the market economy as well, which impliedly gives room for regulation to interfere in order to maintain stability in the economy and mitigate market failures.

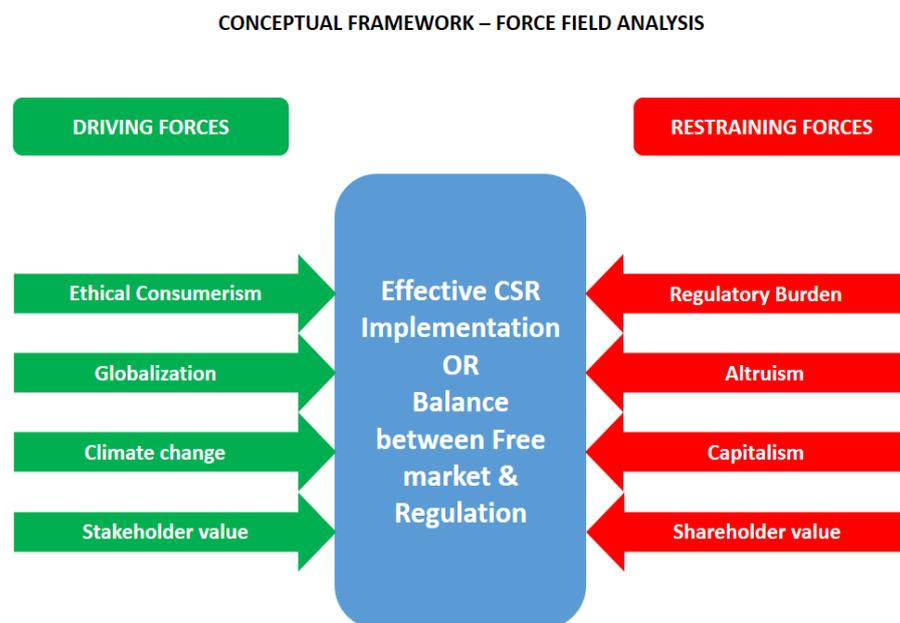
## 2.5 Conceptual Framework

A conceptual framework is a model developed in a research that gives a verbal or pictorial explanation of the main concepts and theories to be considered in the study and the supposed relationship (e.g. stages in a process, cause and effect, hierarchical relationships etc.) that exists between the variables in the study, (Miles and Huberman, (1994); quoting

Maxwell (2013) which in this case are CSR and regulation. Therefore, a conceptual framework is built, not picked up or pre-existent (Maxwell, 2013). Conceptual framework can also be referred to as your proposed theory on your research question.

The conceptual framework validates the purpose of the research (Maxwell, 2013) and provides more insight on the research beyond the literature review. It helps to narrow down the aims and objectives of the research and gives a projected realistic result of the research. It helps the researcher in developing the research design, by constructing relatable and significant research questions, choosing a suitable research method(s) and recognising possible limitations that may arise at the end of the research or when answering the research question (Maxwell, 2013).

Another point to take note of when developing a conceptual framework is that the literature review helps you develop a conceptual framework for your study. Hence, based on the literature review given above, the key factors which have been identified by the researcher to define the conceptual framework to this study are illustrated in the diagram below:



**FIGURE 1 : CONCEPTUAL FRAMEWORK** (adapted from Kurt Lewin (1997))

The conceptual framework constructed above is a force field analysis framework that explains some of the factors or forces that support regulation as well as those that are against it, known as the driving and restraining forces respectively. This framework represents the concepts and theories that constitute this research and provides suggestions on the possible outcome at the conclusion of this research.

All concepts identified in the framework are independent variables and could each on their own be a driving or restraining force to the employment of regulation but together can create a balance between the free markets and regulation, as visually explained in the diagram above.

Starting with the driving forces, ethical consumerism is a form of activism practiced by consumers of goods and services by taking responsibility for what they buy and why they buy such goods and services (ICTU, 2009). In this internet age, consumers have become more educated and aware of the source of the products they buy and the ethical practices of the corporations or industries they buy into. This has created a moral consciousness in consumers, thereby influencing them to contrast between corporations and identify which of these enterprises satisfies their moral compass. The concept of ethical consumerism is seen as an enabler of regulation because one of the factors consumers consider in assessing the ethics of a company is its compliance to the laws of the state especially with respect to CSR.

Another driving force of regulation identified in the framework is the stakeholder value. This concept is a product of the stakeholder theory which upholds the idea that company executives or directors ought to strive to protect the interest of every person affected by the company. Hence, it is listed as a driving force in this framework because for the value of the stakeholders to be recognized and acknowledged by the companies, it will need the help of an external body which the regulator represents.

The shareholder value on the other hand, is a product of the shareholder theory which upholds the idea that the sole duty of the company executives and directors is to maximize the returns of the shareholders. Hence, it is identified as a restraining force in the force field analysis because regulation is suggested to put a strain on companies in terms of innovation, competitive advantage and research and development (Grabowski *et al.*, 1979).

Regulatory burden is one of the restraining forces identified in the conceptual framework which represents the factors that both the regulator and the regulated have to consider in order to fulfil the purpose of the regulation. It also speaks of the obligations placed on the regulated (organizations) by the regulator.

The term 'altruism' refers to a conduct that is inspired by a desire to add value to others or benefit others at a cost to one's self (Lay and Hoppmann, 2015). In other words, it's a moral act done towards another without any expectations. The conceptual framework above identifies that altruism is a restraining force to the employment of regulation. Capitalism on the other hand is generally defined as a commercial structure where organizations or corporations are in control of the trade and industry in the state as opposed to an absolute control by the government (Scott *et al.*, 2006), but it is also identified as a restraining force in the conceptual framework above because it seeks to operate in a place without the interference of the government or regulation.

The last two terms identified in the framework are globalization and climate change. Globalization here refers to the practice of organizations gaining influence and control over its regional borders but on an international scale. Globalization has however been said to amplify harmful costs that economies have incurred due to the decision making of some businesses causing a public outcry for a higher form of CSR beyond the borders of one state (Scherer and Palazzo, 2008). Hence, globalization is a supporter of regulation because it can serve as a tool of compliance on companies beyond its local borders.

Climate change as is popularly known is a change in the earth's climate system which is caused by various elements including human activities. It is also well known that regulations if any, on climate change are weak in implementation, even in developed countries, it is considered to be inadequate and incapable of dealing with the climate issues (Liad Ortar, 2014). Thus, this popular but ignored subject is considered as a driving force for regulation because there is a lack of attention given to it which regulation can ensure.

With this conceptual framework, the researcher analyses the opposing forces (driving and restraining forces) to effect a possible outcome of balance between the free market and regulation. Based on the force field analysis, the outcome may not be achieved where the restraining forces are stronger than the driving forces and vice versa.

## 2.6 Conclusion

From the various literatures reviewed, all the concepts regarding corporate social responsibility as well as the role of government in CSR were highlighted based on extant literature and then used to develop the conceptual framework upon which the research is built. The conceptual framework marries all the concepts regarding CSR and the role of the regulator, to the forces that either drive regulation (which is one of the roles of government) or inhibits it. This then forms the basis upon which the research question is answered. While there is an abundance of literature on the subject of the voluntary nature of CSR as well as its evolution over the last few decades, much is left to be said about the extent of the role of government in the effective implementation of CSR thus revealing the gap in knowledge that this research hopes to fill.

## 3. Methodology and Research Design

### 3.1 Overview

This chapter focuses on the methodology and research design I adopted for this research. In this study, I employed the interpretivist paradigm. The rationale being that for the development of this study, I wanted to analyse the subjective view of the social actors (interviewees) in regards to the research question. The interpretivist research paradigm suggests that the researcher interactive with the research rather than standing alone from the study (Saunders *et al.*, 2009) which I did. Though the concept of CSR has developed overtime to become a management concept, it is still a moral concept and requires a subjective approach to analyse its moral side, hence the reason for the interpretivist paradigm.

In answering the research question, the descriptive research approach is applied. A descriptive research approach is used to identify and describe a situation and in order to answer the research question, there is a need to describe what CSR entails, how it is applied, where it is applied and its effects in regions or states where it is applied as well as what regulation entails. Subsequently, with this descriptive analysis, there is a need to identify the purpose and role of regulation in the implementation of CSR which involves an analytical research, which I also employed in the research.

Consistent with the interpretivist paradigm, a qualitative approach was applied in the collection and analysis of data. I utilized the semi-structured interview method in collecting the data from the participants. Following the qualitative approach, I also utilized different data analysis methods, such as pattern matching and content analysis to interpret the data collected.

The logic I employed in the development of this study was the deductive research. Seeing that there is an abundance of literature on CSR, I was able to develop the research question through examination and investigation of this old but yet relevant concept titled CSR. Based on empirical observation, I was able to deduce a relationship between CSR and Regulation and which led to the development of this research; to test the said relationship.

The outcome of this study aims to add to academic literature and the theoretical knowledge of CSR. Hence, a basic research will be the outcome of this study.

All of the earlier stated will now be explained in further details in the following sub-headings below.

### 3.2 Research Philosophy and Approach

A research philosophy is simply the understanding of a subject matter that is developed during a research and the nature of that understanding developed (Saunders *et al.*, 2009). There are four types of research philosophies which are positivism, realism, interpretivism and pragmatism (Saunders *et al.*, 2009). The interpretivist philosophy is however applied in this research.

The term interpretivism is often associated with the term ‘subjectivism’ because the interpretivist researcher seeks to understand the thoughts that people attach to a specific subject matter (Saunders *et al.*, 2009). Interpretivist researchers have also been said to determine what is and what’s not through the ideas and experiences of their social actors or participants (Thanh *et al.*, 2015). The interpretivist philosophy is appropriate for this research because I sought to discover the subjective understandings of the social actors in regards to the research question. I also employed the semi-structured interview method, which is explained in detail below; in order to let the social actors express their opinion on the research.

This research work is both descriptive and explanatory it explains the fundamentals of CSR and Regulation as two separate subjects, and subsequently analyses through research, the relationship between both and the limits to this relationship. According to Saunders *et al.* (2009) a descriptive research presents a candid account of the subject matter which is being studied while an explanatory research enlightens on the relationship between two ideas or concepts defined in a research. You will see in the furtherance of this study that a descriptive and explanatory purpose is being expressed in this research.

A qualitative method is used in this research for primary data collection, because the data acquired was a subjective one. A qualitative method in research is simply a data collection technique or tool. Thanh *et al.* (2015) suggests that the qualitative method is the best data collection process and analysis, for a research developed with an interpretivist paradigm. Where a qualitative method and interpretivist paradigm are used simultaneously in a research, the researcher is usually interested in data that presents the thoughts and

experiences of his/her participants rather than depend on figures or statistics (Thanh *et al.*, 2015). Hence, my reason for applying the qualitative method.

The outcome of this research is a basic one. A basic research is one taken to gain an understanding of relationships and processes in a particular subject matter(s) (Saunders *et al.*, 2009). It is mostly undertaken by individuals in universities especially business students, (Saunders *et al.*, 2009) which makes it an appropriate outcome for this dissertation, because I am a Masters student in International Business and Law and with this research, a broader understanding of CSR and Regulation can be added to academic literature.

Lastly, a deductive approach is used in this research. A deductive approach in research is where a theoretical framework is established by the researcher and is subsequently tested by data collected (Saunders *et al.*, 2009). It is a transition from general to specific. From the literature review, a conceptual framework has been developed on the relationship between CSR and Regulation. In the furtherance of this study, I use the primary data collected to test the theories already explained in the literature review. Hence, the reason for the deductive approach.

### 3.3 Research Strategy

There are various research strategies that can be used in the development of a research, some of which are; experiments, survey, case studies, grounded theories, interviews etc. (Saunders *et al.*, 2009). The research strategy used in a research is usually dependent on the research question, objectives, philosophy, literature learnt, and time available to the researcher. A research strategy need not be applied exclusively, i.e. more than one can be used in a research. The research strategy also determines the type of data that will be collected in a research; be it qualitative or quantitative.

The research strategy used for this study are interviews and the type of interviews directed are semi-structured interviews. The rationale behind this research strategy is because a discourse analysis on CSR and Regulation is needed for the development of this research rather than an average or standard discussion on the subject. With the semi-structured interview strategy, I was able to ask open-ended questions that gave the interviewee an opportunity to express his/her thoughts and opinions on the research question. The

interviewees or participants of this study are referred to as 'social actors' for the sake of this study because the purpose of the primary data collection was to know their basic interpretations and understanding of the research question based on their experiences and social thinking.

### 3.4 Collection of Primary Data

As stated earlier in the proposal, the data collection technique adopted in this research is the qualitative method or process. The qualitative research method was employed in this study because I sought to gather data which includes customer perception as well as data that reflects the relationship between the variables in the research which are CSR and regulation. To this end, data is collected using the interview research strategy and the interviewees are referred to as 'social actors' because their understanding of the research question based on their social thinking, work and life experience was significant to the development of the research.

To ensure that the social actors deliver the data needed for the research while taking advantage of the interactional ability to draw insights and in-depth understanding of the research question, they were asked open end and unloaded questions *as shown in Appendix C*. The data collected from the interview gave insights on how stakeholders feel about CSR and how business owners feel about the contribution of the government in the governing of CSR. It also helped to validate or object to all or some of the insights acquired in the literature review after a qualitative analysis was done to compare the existing literature on the research and the primary data collected.

#### 3.4.1 Sources

There were only two sources of data used for the development of this research which were; primary and secondary data. The sources of the primary data are the social actors mentioned earlier whom also happen to be 4 individuals; 3 individuals employed as managers in their respective industry of medium sized enterprises and 1 individual who is a business owner of a small sized enterprise in his respective industry. The sources of the secondary data include; peer reviewed journals and articles, industry reports and articles, law journals, laws and policies.

### 3.4.2 Access and Ethical Issues

The EU was selected as the primary location for access of data due to convenience and ease of access. Also, due to the recent pandemic going on in the economy, all interviews were conducted via the phone or internet calls. The social actors that were interviewed are resident and working in the EU, and were intentionally selected from the EU due to ease of access as stated earlier.

In regards to ethics, all the social actors had the right to stay anonymous if they desired to and an information sheet as well as a consent form was provided to them to provide an understanding of the research and wilfully receive their consent. Both the information sheet and consent form can be seen in *Appendix A and B* respectively. Though the interviews were conducted via phone or online calls, it was done in a safe and private environment to prevent uneasiness and disturbances. Recordings (either in writing or audio format) were made with the social actor's consent and I disclosed to each social actor, the purpose of the research and what the research will be used for before conducting the interview.

Recordings were transcribed with the aid of a transcription software known as Maxqda which is widely used by researchers and journalists to transcribe voice and video recordings from interviews. This transcripts and recordings were securely stored on a personal storage device owned by the researcher and password protected. The storage device was kept securely in the residence of the researcher. The password was not shared with anyone to ensure the privacy and anonymity of the social actors who participated in the research. All personal data of the social actors were anonymised to prevent any identifiable data that can be linked to any of the social actors. The recordings and transcripts collected are subject to GDPR legislation and all due process were followed during the collection and storage of the data and will be followed with respect to destruction of the data after the researcher has graduated.

### 3.5 Approach to Data Analysis

After collecting all data from the interviews, I analysed the data using the coding process, deduced the relationships and concepts within the data and then categorised them to the related sub-headings in the dissertation which are referred to as findings in Chapter 4. Finally, the conclusions of the research were developed based on the data received and findings analysed which are all included in the dissertation.

### 3.6 Conclusion

The potential outcome of this research is to contribute to the academic knowledge and literature of CSR and the impact of regulation in its implementation. As stated earlier in this proposal, there exists various academic literature on the concept of CSR but through a deductive research and observation, there seems to be a gap in literature on the infamous concept of CSR which is the role of the regulator in the governing and implementation of CSR.

With this research, I hope to fill that gap or make it concise in academic literature as well as assist policy makers in the regulation of CSR by providing a wider understanding of the role of the regulator in the governing of CSR. This research is more of a contributory study than a solution study or research. Hence, it can be said to be a basic research rather than an applied one.

## 4. Presentation and Discussion of the Findings

### 4.1 Overview

This chapter includes a presentation of the findings discovered in the analysis of the data collected and a detailed discussion on those findings. The purpose of this research was to examine the role of the regulator in the governing of CSR, hence the justification for reaching out to the social actors that were involved in the development of this research. Four social actors, resident and working in the EU, who are also stakeholders in their respective businesses or place of employment, were interviewed for the primary data collection process and open-end questions were asked by me (*as shown in Appendix C*) in order to understand their perspective on CSR and how regulation impacts CSR. The social actors are referred to as JO, OL, IY and JM in this chapter. Based on the data received from the interviews conducted, as well as the secondary data received and explained in the literature review, a few findings were identified, learnt and will be expounded in the furtherance of this chapter.

The main findings discovered in this research have been categorised into the following three:

- CSR as a moral obligation and as a business strategy are inextricably interdependent.
- There is no optimal level of regulatory involvement in CSR, it depends on the industry.
- The pathway to a more socially responsible business lies in education over regulation.

### 4.2 Finding #1:

**CSR as a moral obligation and as a business strategy are inextricably interdependent**

Based on the data collected, a necessary finding on the interpretation of CSR was learnt. As stated in the literature review, the meaning and interpretation of CSR has evolved over the years, its foundation as a voluntary responsibility has created the notion that it is simply a moral obligation without any expectations or intentions attached to it and, in more recent times, it has been interpreted as a business strategy employed by organizations to create competitive advantage.

Nevertheless, while analysing the primary data, my attention was brought to the unique relationship between CSR as morality and CSR as business strategy which led to this finding; that the ideas of CSR as a moral obligation and as a business strategy, co-exist together and one cannot be made different or separated from the other.

#### 4.2.1 Evidence

Following the pattern of the interviews conducted, and analysing the answers to the question asked by me on whether or not companies act socially responsible based on a moral perspective alone or with the intention of creating a competitive advantage in the industry where such company operates, attracting investors, creating value etc., I found that most answers given; specifically by IY, JO and OL were of the opinion that companies act socially responsible for both reasons (as a moral conduct and as a business/marketing strategy). This finding is reflected in blue print (*as shown in Appendix D*).

#### 4.2.2 Discussion

One of the social actors, who is also a business owner, stated in his interview that the concept of CSR as a moral obligation and as a business strategy is not exclusive from the other because a morally acceptable act or conduct exercised by a company has the potential to create or add value to the said company, (*IY's interview (blue printed), as shown in Appendix D*) and value in this sense could be monetary or brand value. In other words, what is considered a moral act done by a company or organization, often times than not, adds value to the brand of that company, therefore it will be unjustifiable to expect companies to be morally conscious of its social responsibilities to its community and not consider that as a corporate strategy to increase in value (either financially or socially). It might not be the sole purpose but it is a subsequent reality when implemented.

Enderle and Tavis (1998) are of the opinion that ethical consumerism and the awareness of consumers on the lack of social contributions of an organization can be extremely injurious to the profitability of such company as well as its market share. This could conversely mean that that where a company is socially responsible, it creates consumer trust and loyalty which consequently increases brand value and often times than not, corporate profitability. Based on this finding, the question of how regulation can and should affect CSR based on its interpretation and implementation, can be measured

because for consumer trust and loyalty to be created, regulation has to interfere in the business activities of companies regardless of its private CSR policies.

In the food industry for instance, there is still a high level of uncertainty on the extent to which food companies ought to be socially responsible; due to the consistent increasing demand of food products (Lamberti and Lettieri, 2009). The mass utilization of the food supply chain has built an improbability on the safety measures and practices needed to be observed by food producing companies, the discovery of some diseases due to food consumption such as Covid-19, bird flu, swine flu etc. has given reasons to question the distribution and selling practices employed in the food industry, and the procedure of genetically altered elements used in the production of food products has raised the discussion of how reliable is item marking or labelling (Lamberti and Lettieri, 2009).

In this scenario, legislation or regulation is seen as a tool to prevent such happenings and inadequate procedures. However, one might say that in the case of the food industry, regulations have been put in place to combat such occurrences in the food industry, however most of these acts mentioned earlier such as; the use of bio-degradable products and non-genetically altered ingredients are more at the discretion of the companies, than it is expressly stated in a law or policy, therefore there is a need for the regulator to employ professionals in that industry to educate it on the changes taking place as to production, distribution and advertisement in order to effectively create regulations for such industry.

Two social actors however made mention of the fact that CSR is also expensive, therefore where the regulator is actively involved as consumers desire, though there might be an increase in consumer trust and loyalty, it might come at a higher cost to the organization affected (*IY and JM's interview (purple printed), as shown in Appendix D*)

Still on the finding of CSR as a moral obligation and business strategy being non-separable, it is resolved that due to this finding, regulation is significant to the effective CSR implementation by companies because whether companies are willing to be socially responsible based on a moral perspective or as a corporate strategy, they get to profit from it, thus it should be legislated in order for it to be implemented effectively in that sense.

### 4.3 Finding #2:

There is no optimal level of regulatory involvement in CSR, it depends on the industry.

One recurring theme which was prevalent in all the interviews was the need to regulate CSR, but in varying degrees with respect to the industry involved. In other words, some industries ought to be more regulated than others, and some less than others in the aspect of CSR. The rationale being that there are some companies whose withdrawal from the society is more evident than others, e.g. companies in the mining industry, oil companies etc., therefore it will be unfair to require the same level of social responsibility from such corporations as those that benefit from the society in a less harmful or extracting way e.g. banks, law firms etc.

#### 4.3.1 Evidence

Using the data analysis method of pattern matching as applied in finding #1, I found that two of the social actors, were of the opinion that in regards to the governing of CSR, some companies ought to be more regulated than the others. One social actor suggested that companies which are involved in extraction of natural resources should have their CSR activities regulated to ensure that a minimum level of participation is implemented (*JO's interview (green printed) as shown in Appendix D*) while the other suggested that where the company or industry has a greater environmental impact based on their activities, they ought to be regulated (*IY's interview (green printed) as shown in Appendix D*). Another social actor, though not expressly, also supported this finding by stating that the environment is seen to become healthy again, since the lockdown of many countries which consequently has caused a pause in the operation of various factories and industries due to the recent pandemic (*JM's interview (green printed) as shown in Appendix D*).

#### 4.3.2 Discussion

This finding falls under the environmental dimension of CSR which addresses a company's responsibility to the environment and sustainability in the conduct of its business activities (Stojanović and Mihajlović, 2016). This aspect of CSR is seen in the definition of CSR by the European Commission, which defines the concept as;

“a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment—a concept whereby companies integrate social and environmental concerns in their business operation and in their interaction with their stakeholders on a voluntary basis.” (Fontaine, 2013).

The environmental aspect of CSR has drawn a lot of attention in recent times due to the view that industries and their business activities have an impact on the environment especially those in the business of extraction of natural resources or whose business depend on the natural resources extracted (Frynas, 2012; Arsić *et al.*, 2017). With respect to these kinds of industries and businesses, the arguments for whether CSR should be regulated or deregulated become more polar as indicated in literature where it is noted that business people usually tend towards less regulation of CSR citing the regulatory burden of compliance while the general public often tend towards more regulation noting that no area of the civil society should be allowed to regulate itself without government interference hence these companies should be subject to some form of regulation where CSR is concerned (Cumming, 2009). It is important to note that many of the companies in such ‘extraction industries’ usually carry out and report their CSR activities as well as champion CSR initiatives and as such are seen as role models for voluntary CSR and sustainability in business (Frynas, 2012).

While there are benefits to voluntary CSR where these industries are concerned, some of which include new innovation and advancement in technologies in areas such as waste reduction, improved environmental incident recording, and active management in order to predict and prevent future occurrences, these do not go without public scrutiny in the sense that because these companies are allowed to self-regulate and self-report their CSR, it becomes difficult to trust their reports as there is no generally accepted guideline hence and even when a body is created to track their reports, there are grave inconsistencies in the reports since data used in such ‘tracking’ come from the companies who are being tracked (Frynas, 2012). This makes it difficult to compare the reported activities of these companies against one another as each of them have different reporting styles and some may wilfully omit records which may be portrayed as damaging to their reputation as a result of conflict of interest between the environmental concerns their activities pose and their financial or commercial interests (Frynas, 2012; Fontaine, 2013). Furthermore, some academic writers believe that regulation of CSR is important to ensure that there is minimum participation of companies in CSR as there are some who do more than others

where CSR is concerned even though they are in the same industry (Frynas, 2012). Others view the “voluntary initiatives” of companies in these industries as a way to pre-empt and prevent mandatory regulations from governments which are under pressure for the general public to introduce regulations in CSR thus throwing further doubts as to the authenticity of these voluntary actions by these companies (Frynas, 2012).

Another key concept which corroborates this finding captured by the data analysis, is the ‘polluter pays principle’ which states that “whoever is responsible for damage to the environment should bear the costs associated with it.” (Cordato, 2001). This principle helps to explain the need for varying levels of CSR regulations with respect to industries and their impact on the environments wherein they conduct their business activities. While the EU’s directive on CSR already gives a form of variation with respect to size (i.e. 500 employees or more) (EuropeanUnion, 2014), it does not necessarily have hierarchically structured regulation for CSR based on the environmental impact of industry, however, given that directives can be nationally interpreted and modified, some countries in the EU, like France have mandated companies with more than 50 employees to report on their CSR activities (including their environmental and social responsibilities) since 2001 (Stojanović and Mihajlović, 2016) as corroborated by one of the social actors who also stated that publicly listed companies in France are required to have a CSR report.

The polluter-pays principle is the closest to any regulation that takes into consideration the industry and its environmental impact thus companies are “forced” to proactively adopt innovations and technologies which are environmentally safe (Stojanović and Mihajlović, 2016) thus highlighting a positive effect of industry-dependent regulations where CSR is concerned. In conclusion, the proactive response of companies to the polluter-pays principle suggests that regulations or the regulatory role of government serves more as a deterrent to socially irresponsible behaviour rather than a means of enforcement of CSR.

#### 4.4 Finding #3:

### The pathway to a more socially responsible business lies in education over regulation

The final finding which addresses the last objective of the research is one of placing emphasis on or prioritising the place of education over regulations with respect to the effective implementation of CSR and the role of the government therein. In other words, this finding submits that education over regulation is a better approach to finding the balance between CSR and regulation.

#### 4.4.1 Evidence

Using the data analysis method of pattern matching and content analysis, I found that one of the social actors gave a profound response to the question asked on personal thoughts about the research, which I also believe is an answer to the research objective on where do we find the balance between over-regulation and the free market or between CSR and regulation (*IY's interview (red printed) as shown in Appendix D*).

#### 4.4.2 Discussion

This finding may be regarded as a follow-up to the second finding. According to Frynas, (2012) there are some limitations to mandatory regulation where CSR is concerned, and in countries with weak enforcement, it has resulted in grave failures to achieve the desired outcome. This corroborates the view of one of the social actors who stated that regulation has a duplicity to its nature, meaning that it can ensure people do the right thing, but can also create the problems which it tries to resolve in the first place (*IY's interview (red printed) as shown in Appendix D*)

Given that most of the research on CSR are centred on voluntary CSR, the role of government in educating and raising awareness amongst stakeholders which includes businesses and the general public is widely advocated (Steurer, 2010; Singhal, 2014). In his research on government as a driver for CSR using the UK as a case study, Moon, (2004), revealed the government's role is to create publicity, give advice, subsidise and help companies deal with peculiar issues raised where the implementation of CSR is concerned. Where companies are educated on the benefits of CSR, there is a greater chance of more participation and implementation, not limited to the letter of the law but

the spirit of it as well. One key role the government plays in order to drive CSR is known as “warranting”; which entails encouraging businesses through raising awareness, education, as well as publicising good practices done by some, as an example to motivate others to do the right thing (Singhal, 2014). Education is characterised as an informational instrument under CSR policy instruments which governments employ in order to effect policies (Steurer, 2010).

Informational instruments employ the means of moral persuasion towards effecting policies, and do so by creating access to knowledge resources which highlight the choices and possible consequences (without “threatening”) of the policy with examples such as trainings, capacity building campaigns and websites (Steurer, 2010). Promoting CSR through raising awareness and filling gaps in knowledge about the importance and influence CSR has on business performance and sustainability play an important role and aids increased adoption of CSR by businesses, instead of outright enforcement of regulation (Singhal, 2014).

In the aid of a deeper discussion of this finding, one of the social actors also brought my attention to the fact that CSR extends beyond an organization giving back to the society but also includes its responsibility to its employees or staff by having a continuity plan for unexpected situations like what the world is facing now with the pandemic (*IY’s interview (red printed) as shown in Appendix D*). Due to the pandemic, a lot of working individuals have been laid off in their jobs or have been placed on a temporary leave due to the fact that their employers can no longer pay them and sustain the company at the same time. This has placed an extra burden on the government, in Ireland for instance, the government has had to create a welfare scheme for such individuals for over a period of time. This finding therefore, suggests that where companies are required by regulation to educate themselves on and create a continuity plan for its workforce and future operation in a time of crisis, it ensures that such companies are socially responsible not just to the society but to its members. Hence, the government will be playing more of an advisory role in this scenario than acting as an agent of enforcement.

## 4.5 Overall Discussion

In presenting an overall discussion of the findings explained above, each research objective will be addressed using the primary data collected and supported by the secondary data provided in the literature review and conceptual framework in determining the role of the regulator in the governing of CSR. Based on the findings discovered in this research and explained above, the following solutions have been provided for the original objectives of this research:

The first objective of this research was to analyse through collection of data and research, how regulation can and should affect CSR (its interpretation and implementation).

With regard to the said objective, the first finding suggests that CSR ought to be defined within the ambit of both a moral obligation and a business strategy and from the literature review we are made aware of the fact that CSR is an ideal structure not only for the development of the company that implements it, but also for economic development. Based on this, regulation can be said to affect CSR positively when used as a tool create consumer trust and loyalty and also to aid economic development.

The second objective was to examine through qualitative research, the role of the regulator (government) in terms of its impacts on CSR.

With regard to this objective, the second finding provides an answer by stating that there is no optimal level when it comes to the role of government in CSR as there are different industries and companies who do not possess the same resources nor benefit from the society in the same level, therefore if regulation must interfere in the governing of CSR, it cannot do so in with the same degree across all sectors, industries and/or companies.

The third objective was to deliver knowledge and enlightenment to academic literature, on whether or not there is a better way or model for striking the balance between over-regulation and free markets or between CSR and Regulation.

With regard to this objective, the third finding suggests that the spirit of education may be the balance the world needs between CSR and the free market. The regulator must also seek to educate itself on the changes in procedure, production and business operation of industries or companies it seeks to regulate in order to make effective CSR policies where

needed that will be beneficial to the company, the society or economy, and the regulator itself.

## 4.6 Conclusion

From the data analysed and literature explained in support, we see that regulation has its advantages as well as its disadvantages. Regardless of what the early authors on CSR have stated about the concept of CSR being strictly a voluntary responsibility, it will be ignorant of the government to step aside and let businesses operate as they please without any form of guidance as governance requires.

The implication of the findings of this research further buttresses the point that regulators have a role to play in the governance of CSR. Given the excesses of capitalism, fusing CSR into corporate strategy of businesses may lead to it being only for publicity without really helping the community or adding value to the environment in which they operate. This clearly reveals the role of regulators as a control for such excesses however doing this through the use of policy instruments such as informational, economic as well as legal instrument when and where necessary. Finally, because CSR concerns people as well as the environment, one cannot completely exclude the regulator even if they are only giving advice or guidance or dealing with unfair practices wherever and whenever they occur.

## 5. Concluding Thoughts on the Contribution of this Research, its Limitations and Suggestions for Further Research

### 5.1 Implications of Findings for the Research Questions

This study set out to identify the role of the regulator in the effective implementation of CSR. With the understanding of the complexities of subject of CSR and the debates surrounding it, it is clear without doubt that the dynamic nature of CSR has led to its evolution from just being a moral obligation into one that is now embedded into the fabric of corporate strategy and the first finding of this research solidifies this point. Given the understanding that “doing good is good for business” and the incorporation of CSR into business strategy, it implies that there is a high level of awareness of consumers, companies and the regulators of the importance and benefits of being socially responsible. Since companies are already engaging in CSR of their own volition, this finding implies that there is no wisdom in applying stringent regulations across board thus forcing companies, who will bear most of the regulatory burden, to change from taking personal initiative to be socially responsible, which is good for the business and benefits the community, into just trying to ensure minimum compliance. This also puts forward the argument of trust where CSR initiatives by companies are concerned as it may cause companies to only carry out CSR where it benefits them more than it benefits the other stakeholders which defeats the purpose of CSR in the first instance.

Like people, businesses operate differently from one another and their impacts on their environments and stakeholders differ. It would, therefore, be unwise for regulators to have the same stance where regulation in CSR is concerned without taking into consideration their differences, peculiarities and impacts. It therefore implies that as CSR becomes more complex, the road to prescribing the right regulation is also complex and would require the participation of all stakeholders i.e. the regulator, the private sector as well as civil society to create regulations pertaining to CSR contributions which are commensurate with the level of impact businesses have on their environment. There is, therefore, no ‘one size fits all’ to regulations in CSR.

Finally, the adoption of CSR into business strategy is more or less a function of knowing the importance and benefits of CSR to the business hence the role of the regulator in

filling the knowledge gaps and creating awareness for CSR should be more pronounced. This would reduce the regulatory burden of enforcement on the regulator when businesses are properly educated and as well as rewarded where they are socially responsible thus leaving regulation and enforcement only as a last resort. This does not absolve the private sector of also contributing to the awareness campaign by the regulator through the use of their communication instruments as this can also be regarded as a form of CSR.

## 5.2 Contributions of Findings and Limitations of the Research

From the findings explained above, we see that in order for the government to effectively regulate CSR, it will have to consider various factors; such as the industry or set of businesses it seeks to regulate and for what purpose. There is also a need for the regulator to stay informed on the changes in the business operation, production and distribution process undertaken by these companies in order to create effective and adequate policies where necessary. These findings though not conclusive in itself, play a contributory role to the work of the legislator in making relevant and adequate policies.

The findings explained in this research also contribute to academic literature on CSR and regulation which is the ultimate purpose of this research.

One of the major limitations of this research was getting access to participants for the research. The initial research design was to include a focus group as well as interviews which was aimed at getting large amounts of data from which findings can be extracted. However, halfway through the course of the research, came the Covid-19 pandemic which plunged the world into isolation thus making it impossible to have a focus group. Switching to interview solely, the lockdown made access to more participants almost impossible thus resulting in only 4 participants as against the 6-10 planned for the focus group and 6 planned for the interview. The implication of this is that there was not enough data to be able to make general statements hence leaving much of the findings of this research requiring further research with more participants to solidify the acceptability and validity the findings.

Perhaps access to more regulators, which was hampered by the pandemic, would have helped give a different perspective from a regulators point of view in order to prevent the research from appearing skewed in favour of one party. To counter this limitation, the

view of the regulator was assumed from legal documents like directives and regulations however, this did not necessarily balance out the findings as hoped for.

### 5.3 Recommendations for Practice of Findings

The first recommendation for practice of the findings stated above is for the companies, organizations or industries to effectively exercise implementation of CSR regardless of whether it is regulated or not, because it is a win-win for their business and most importantly, because it creates customer trust and loyalty. It is also recommended for companies to engage in educating themselves on a contingency plan in the times of crisis, which according to the findings of this research, is a form of social responsibility towards its shareholders or members and its workforce.

The second recommendation is for the regulators or policy makers to educate themselves on the changes consistently taking place in the business world with regards to procedure, production, distribution etc. in order to create policies that are effective and adequate to govern such business where CSR is concerned. However, more than the need for regulation is also the need for education, hence government is recommended to act more as an advisor than a regulator in the governing of CSR.

### 5.4 Recommendations for Future Research

In light of the limitations encountered in the course of this research, there is the need to further validate the findings of this research by using larger sample sizes and other data collection methods such as focus groups and questionnaires to help gather larger amounts of data in order to address the issues highlighted in the limitation. According to the findings, CSR as a moral obligation and as a business strategy being inextricably interdependent may require a review of the definition of the concept of CSR as a whole and may provide a case for public sector intervention thus opening up the need for further research. It may be of interest to academia to explore the second finding of this research as to identifying the intricate balance of voluntarism and the optimal level of regulatory involvement in CSR on an industry by industry basis. Finally, academia may be interested in measuring the effectiveness of educational endeavours of the regulators as against

regulation in regions with weak enforcement of regulation and what balance of each of these is required to ensure maximum CSR adoption and implementation.

## 5.5 Final Conclusion and Reflections

In conclusion, protecting as well as upholding the social values of the society is evidently one of the primary roles of regulators. However, in the case of CSR, this role is less welcome by businesses but more advocated by the general public as the former tends towards more deregulation or the voluntary interpretation of CSR while the latter favours government intervention through policies requiring minimum participation by businesses.

Clearly, there is a relationship between CSR and regulation regardless of whether CSR is a voluntary responsibility or not. There is still a lot to be understood about this relationship but one thing is certain, as CSR evolves, so does the extent of the role of the regulator in the governing of CSR evolve. Neither are static as long as change is constant.

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## **7 Appendices**

### **7.1 Appendix A – Information Sheet provided to Social Actors**

#### **GRIFFITH COLLEGE DUBLIN**

##### **Plain Language Statement**

#### **I. Introduction to the Research Study**

- The Research working title is: **The Governing of Corporate Social Responsibility: The role of the Regulator**
- The research is being carried out by Uchechukwu Dinah Agarry, a Masters student of Graduate Business School at Griffith College, Dublin
- She can be contacted at [uchedinah.agarry@student.griffith.ie](mailto:uchedinah.agarry@student.griffith.ie)

#### **II. Details of involvement in the Research Study**

- Participants would be required to participate in an interview
- Data gathered from the participants would be subsequently analyzed by the researcher
- Participants are allowed to decline participation in the study
- Questionnaire will take place during the 2019/2020 academic year

#### **III. Potential risks to participants from involvement in the Research Study (if greater than that encountered in everyday life)**

- It is not envisaged that there are any risks to participants due to their involvement in the study

#### **IV. Benefits (direct or indirect) to participants from involvement in the Research Study**

- The intention of the research is that it will help inform policy regarding regulation of CSR. Participants will benefit indirectly from the study because it may be used to further stimulate companies towards CSR.

#### **V. Advice as to arrangements to be made to protect confidentiality of data, including that confidentiality of information provided is subject to legal limitations**

- All effort will be made to ensure the anonymity of participants.
- The data collected will be analysed by the researcher only.
- Actual names and email addresses of participants will be protected.
- Data collected from the questionnaires would be stored in a secure location.

#### **VI. Advice as to whether or not data is to be destroyed after a minimum period**

- Data would be destroyed within three years from date of collection and participants can request prevention of data processing according to GDPR guidelines.

**VII. Statement that involvement in the Research Study is voluntary**

- Participants are free to withdraw from the study at any point and there will be no penalty for withdrawing.

**VIII. Any other relevant information**

- Study will be carried out in the EU and participants will be residents and professionals in the EU.

If participants have concerns about this study and wish to contact an independent person, please contact:

**The Secretary,**

**Research Ethics Committee,**

**Griffith College Dublin, South Circular Road,**

**Dublin 8, D08V04N.**

**Tel 01-4150400**

## 7.2 Appendix B – Sample Consent Form signed by Social Actor

  
GRIFFITH COLLEGE DUBLIN

**Griffith College Graduate Business School  
Informed Consent Form**

I, [REDACTED] voluntarily agree to participate in this research study.

II. I understand that the title of this research study is; **The Governing of Corporate Social Responsibility: The role of the Regulator.**

III. I understand that the purpose of this research is to ascertain the role of the regulator in the governing of corporate social responsibility and in which case, the research is purely academic.

IV. I confirm the following:

*Participant – please complete the following (Circle Yes or No for each question)*

<i>I have read the Plain Language Statement (or had it read to me)</i>	<u>Yes</u> /No
<i>I understand the information provided</i>	<u>Yes</u> /No
<i>I have had an opportunity to ask questions and discuss this study</i>	<u>Yes</u> /No
<i>I have received satisfactory answers to all my questions</i>	<u>Yes</u> /No
<i>I am aware that my interview will be audiotaped</i>	<u>Yes</u> /No

V. I confirm that my involvement in this Research Study is voluntary and I may withdraw from the Research Study at any point.

VI. I confirm that I have been advised that my actual name and contact will be protected, all effort will be made to ensure my anonymity and the data collected will be analysed by the researcher only and data collected will be stored in a secure location.

VII. I am aware that this study will be carried out in Dublin, Ireland.

VIII. I have read and understood the information in this form. My questions and concerns have been answered by the researchers, and I have a copy of this consent form. Therefore, I consent to take part in this research project

**Participant's Signature:** \_\_\_\_\_ **Date:** 20/5/20

I believe that the participant is giving informed consent to participate in this study

**Researcher's Signature:** \_\_\_\_\_ **Date:** 20/5/2020

### 7.3 Appendix C – Interview Questions

1. What do you understand about CSR?
2. Do you think that the current system of CSR in the EU is effective?
3. What do you think is the role of the government in CSR / what do you think is the impact of regulation in CSR?
4. What's your view on regulating CSR?
5. How far do you think the government can interfere when it comes to the implementation of CSR by organizations?
6. Do you have any other personal thoughts on the research?

## 7.4 Appendix D – Code Book/Data Analysis

The primary data collected was analysed and interpreted using the coding method which generated the findings stated in this research. Below is a representation of the analysis done through coding.

Findings and concepts	Colour Code	Quote from Interview
<p><b>Finding #1:</b></p> <p>CSR as a moral obligation and as a business strategy are inextricably interdependent</p>	<p><b>BLUE</b></p>	<p>JO - Yeah, I think it's both... So I know that most public companies take CSR seriously maybe not because it's something they want to do but because it makes them look good for the investors. I believe my company does that because it is publicly listed and that could be an incentive for them. Also, morality reasons for the people that are running it...</p>
		<p>IY - So when you talk about moral obligation and business strategy in many instances, you cannot necessarily separate them. I will give an example with my home country. We've had several Oil companies working there, there's a moral obligation for them to ensure that the land they tap the resources from, which is the oil, is well taken care of. Morally, they have defaulted, seeing that the land is barren because of oil spillage. They have defaulted morally by seeing that fishermen are not necessarily able to get fish but it's also tainted their image in that community. My point is this, when you do what is morally acceptable, when you do what is ethically acceptable, it creates a kind of brand value. So that moral and business strategy cannot necessarily be separated as far as I know and as far as I've seen in the business world.</p>
		<p>OL - Okay, I think if there is no regulation, some companies will do and some will not. So I think there should be regulation. Now will</p>

		<p>those companies that are using it as marketing strategy and those who are doing it quietly and silently, is there a difference between them? I wouldn't say so. I just think one is maximising every channel to increase customer base while the other is not.</p>
<p><b>Finding #2:</b></p> <p>There is no optimal level of regulatory involvement in CSR, it depends on the industry.</p>	<p><b>GREEN</b></p>	<p>JO - I feel like for some companies in certain industries, it should be a requirement, it should be compulsory. I will say why. For instance, those companies that engage in mining, you know, in extraction, I strongly believe that if you're taking so much from a place, this is not you just doing business there but you're taking from the land, you're taking from a community, it should be compulsory for you to give something back.</p> <p>IY - ...when you talk about CSR and regulation, you need to understand that industry deeply impacts on how these things operate. For example, if I'm talking about regulation in the oil and gas sector, you understand already clearly that that is a very dirty operation so regulatory requirements there are going to be far deeper...</p> <p>JM - if you see from even, from the past few months, during Covid-19, you can see around the world, the ozone layer has started to repair itself, the emissions in the air in big cities has all been reduced because big companies haven't been open, they haven't been working. So it's clear to the world that it's big corporations that are actually affecting the climate and the environment.</p>

<p><b>Finding #3:</b></p> <p>The pathway to a more socially responsible business lies in education over regulation</p>	<p><b>RED</b></p>	<p>IY - ...it could have that bi-force that you know, that could cause problems and at the same time, it could have that bi-force that ensures that people do the right thing.</p>
<p>The notion that CSR is expensive</p>	<p><b>PURPLE</b></p>	<p>IY - ...regulations are good, but, I think what I'm trying to add to it is that aside from this, it's also always better to encourage people... If you look at CSR, the reason I'm not sticking to a yes or no is because CSR is a very big subject area. There are certain areas that regulation has to take care of and there are certain areas that education will have to take care of.</p>
		<p>JM - Now, obviously, smaller companies and things would find it more difficult because there would be a financial cost for companies.</p>

## 7.5 Appendix E – Sample interview transcript

### IY'S INTERVIEW

**Researcher (R):** So the first question I want to ask is what do you understand by corporate social responsibility?

**Interviewee (I):** So my understanding as it relates to my kind of business, I take CSR to be, as the word entails, taking responsibility to ensure that all stakeholders, and when you say all stakeholders, every party that has an interest in your business, you see that your business kind of influences them positively. You try to see that you, your business does not necessarily have a negative impact on them as stakeholders. I mean, this could also take the form of ensuring that the environment they live in is not necessarily polluted, this could take the form of, in fact, just to put it in a shorter summary, you could apply it from a philanthropic aspect or point of view where you invest in the society by perhaps giving to charity, ensuring that people have more infrastructure in place, ensuring that you invest in maybe windmills and all those kinds of stuff; that's more of a philanthropic aspect. But also, there's also another aspect where you ensure that your staff have the best welfare systems available in the community, you know, ensuring that your staff are, have access to better pay, better working conditions, you know, ensure that your corporate strategy aligns to other strategies that entails quality, environmental management systems and some other frameworks that deliver value that may not necessarily be tangible to every stakeholder that is involved or that relates to that business. I think that's the broad explanation of my view of corporate social responsibility.

**R:** Okay, so based on what you've said about, you know, seeing it as a philanthropic aspect and all that, do you think that CSR is more of a moral obligation or more like a business strategy because it has also been seen, you know, that companies have used this responsibility as a business strategy to attract customers. So do you think that it is more of a moral obligation of a company towards the society or it is more of a business strategy employed by the company?

**I:** So when you talk about moral obligation and business strategy in many instances, you cannot necessarily separate them. I will give an example with my home country. We've had several Oil companies working there, there's a moral obligation for them to ensure that the land they tap the resources from, which is the oil, is well taken care of. Morally, they have defaulted, seeing that the land is barren because of oil spillage. They have defaulted morally by seeing that fishermen are not necessarily able to get fish but it's also tainted their image in that community. My point is this, when you do what is morally acceptable, when you do what is ethically acceptable, it creates a kind of brand value. So that moral and business strategy cannot necessarily be separated as far as I know and as far as I've seen in the business world. And that is why many businesses are having that in their slogan that they take care of the environment or that they're green or all that kind of stuff. To be sincere with you, in many instances, it's more of a green wash, you understand what I'm saying because some of them are not necessarily going as far as they

really should to be ethical because they're trying to make a lot more profit and that's the truth. In many instances or in some instances, on the short run being ethical could, in some way, cost you but on the long run, it creates better brand value, it creates a bigger customer base, it creates better alliance with the society you serve. I mean, anything good, people eventually get drawn to it. Does that make any sense? You know, people get drawn to it. So my point is, it's not 'separable'. I understand what you mean by people using it as a kind of green wash, you understand but my point is if you stick to it, if you do it as you should eventually, you would have monetary value from it.

**R:** Okay, so, alright so what do you think, now talking about moral obligation, CSR has been known from history, to first, to be a voluntary responsibility and even till date, it is still a voluntary responsibility even though regulation has in some ways tried to interfere in the implementation of CSR but still, there's still a lot of discretion that is left to the organisation or to companies on how to implement CSR. Now what do you think is the impact of regulation in CSR or first let me ask, what is your view on CSR being more regulated than it is at the moment or do you feel like the way it is at the moment, the system where it is voluntary and government doesn't really interfere in that aspect, do you think that's the effective way or do you think that there'll be a more effective implementation of CSR if, you know, regulation is more, you know, interferes in that aspect more than it is at the moment?

**I:** So you know, this particular topic, this particular question on regulation you need to see it as a dragon with two heads. When I mean a dragon with two heads, **it could have that bi-force that you know, that could cause problems and at the same time, it could have that bi-force that ensures that people do the right thing.** Okay, now in every society, the government wants people to prosper ideally, in every society, the government wants businesses to be able to spring up and do well, however, there's always going to be industries or businesses that struggle with some very tough rules that you lay down. I think I will go straight to answering the question in this way, **when you talk about CSR and regulation, you need to understand that industry deeply impacts on how these things operate.** For example, if I'm talking about regulation in the oil and gas sector, you understand already clearly that that is a very dirty operation so regulatory requirements there are going to be far deeper than if I was talking about, say for example, a lawyer like yourself. A lawyer like yourself, in many instances, there are many things you could do. To be sincere with you, when you think about ethics, some of your words can perhaps harm people in a certain way because your judgment and the way you are able to present a case, can, in some ways, elevate someone's problem, free someone or perhaps put someone in 'this thing' but if you look at it in two different, if you talk about it in a wider sense of the community, okay, I'll give you an example: so few years back, BP (British Petroleum), there was an oil spill in BP and it destroyed the whole Atlantic, like so much fish died, there was so much problem there. It took a long time for them to actually clear that off okay. Now, we've never heard of one lawyer case causing so much problems to the world. Do you understand what I'm saying? My point is that, depending on your industry, the weight of regulation would differ. That is something that you need to understand, okay? So that's the point I want to put out. But in terms of my opinion on

whether it should be voluntary or not, I think that the government is also being careful in raising the bar too high for people trying to get into the industry. In many instances, for example, 'there are people that would', there's how you could make certain regulations because you want to benefit the wider environment and people would not thrive, at least as first timers. In many instances, what you would see is that the pressure to do better, do more, is mostly felt by bigger and larger organisations....

**R:** Okay thank you very much. So if I understand what you said, you said that you do think that regulation is necessary but it also depends on the industry, it depends on the company, like there are many forces for it to be effective because if I understand what you are saying, what you're saying is, regardless of how effective regulation can be but where it is enforced more in a particular industry that is probably weak in an area, it could, you know, it could then lead to a negative impact basically, you know. But where it is enforced less in a place where it ought to be enforced more, you know, that could also lead to a negative impact. Is that what you are trying to say?

**I:** Okay let me say it in the shortest form possible. What I'm trying to say is that when a company, -- the ultimate reason for business is profit. Do you understand? But when the government now begins to try to force the business out of their way to consider some of these things, to be sincere with you, it's good but also, it can create the bad.. And so some of these things, the government has to find a fine line between it. What the government does nowadays is encourage people to do it, educate them to do to see the positive from it. It's just like talking about family planning. You can't really force any family to say you must have two children. You can't. You can't force any family to say you must have one child. I know in some countries, maybe like China, they are doing it but you can't really. But when you help them see the advantage, for example in England, most people have two, one or three. When you help them see the quality of life that they can give when they have less, they on their own even choose to do it. Does that make any sense? That's what I am trying to point out.

**R:** So are you advising the government to, would that be your advice to the regulator in this sense? Would it be that there should be more of education than trying to just create policies?

**I:** Policies are good because policies make a dividing line. Policies are good. I think I am kind of in the middle. Are you wanting me to say yes or no?

**R:** No, no, no, I just want to hear your views. You know as a business owner, how would you advise the regulator?

**I:** Where there is no law, there's no sin. Policies are good. It's important to strike that balance. Policies are necessary. Regulation is important. Regulation and policies are what keep an industry in check and line. There's a lot of people that will do the right thing if you don't make them do it. Does that make any sense? So **regulations are good, but, I think what I'm trying to add to it is that aside from this, it's also always better to encourage people.** It's when people are not necessarily meeting up to it that you now enforce. Okay? **If you look at CSR, the reason I'm not sticking to a yes or no is because CSR is a very big**

subject area. There are certain areas that regulation has to take care of and there are certain areas that education will have to take care of. Does that make any sense?

**R:** So based on what you have said, do you have any other personal thoughts on the research on the role of the regulator in the implementation of CSR? You know, like you have talked about them educating, and them still creating policies but not just focusing on policies alone but more education. But do you have any other personal thoughts besides that on the role of the regulator in implementing CSR?

**I:** So you know, I think that, with coronavirus, a lot of organisations will now see their vulnerabilities. There's a whole lot that the industries have never really thought about. I think that is where our focus should be and I think that's where perhaps we should be looking at in your research. Asides from businesses have a very good and beautiful balance sheet, I think there should also have a very strong continuity plan because that is part of being socially responsible. At the moment a lot of people have lost their jobs and that's just because businesses never had any plan to go offline or work remotely if anything happens. Nobody ever saw this coming. This is just one disease and it's brought many companies to their knees. I'm talking about companies that are going to be gone forever. Stakeholders include workers, stakeholders include customers. There are certain things that at the initial stage, you wanted to buy but you can't even get access to buying it. Things like even hand sanitizer, you couldn't find it anywhere because businesses were not ready for that kind of productive capacity. Does that make any sense? I think that if you're going to talk about what should really change, what should be the kind of focus, lessons learned from coronavirus. In addition to that, I don't know what your health system is like there but here we have the NHS, I don't know if that's applicable to where you are. You can see that there even a bit of a struggle to give them the usually personal protective equipment to work. Those are matters that fall under CSR. We have so many health workers that died as a result of the coronavirus just because the government could not deliver on time these materials. The same thing with some staff; there are people that had to go to work because they couldn't afford not to work. It is statistically proven that in the UK, more than 80% of people have no saving at all. The economy is designed in such a way that people live from hand to mouth. My point is, where people are not empowered enough to be able to take care of themselves, just only one month after they're not able to earn, there's definitely a problem: a problem with the kind of job they're doing definitely, there's a problem with perhaps their lifestyle, there's a problem with perhaps the system you understand what I am saying. It's those kinds of things that we should be looking at. To see that people are able to somehow have access to this everyday need even if things like this happen including access to their job. People should not have to lose their jobs because an organisation cannot work from outside its building. Those are my thoughts. Those are the kind of areas we should explore.

**R:** Thank you very much. That's a different perspective. I didn't see it from that aspect how that being socially responsible is also you planning towards a crisis like this, you know, because how do you say you are socially responsible when something like this

happens and then you cannot take care of your staff, you cannot continue business like you normally would, or stay afloat. So yeah that's...

**I:** I mean, it's called a business continuity plan. It depends on how you put forth your argument for someone to be able to say that it's actually part of being socially responsible as a business. I mean if a lot of people, a lot of people have lost their jobs. People that never thought they would lose their jobs, they just woke up one day, they told them that shutdown, they should be at home for six weeks, they thought 'oh after six weeks, things will go back to normal' then they said they extended it and just like that it's gone. And people are being laid off because the business cannot afford to keep them on and give them the same pay. I mean the government has done well by giving this subsidy scheme, which is good. It has really helped in a whole lot of ways but there are even some organisations that even with the subsidy scheme they could not necessarily keep people on.

**R:** Thank you for helping me with this research. And thank you for your ideas. I really appreciate it.

**I:** You're welcome.