CORPORATE SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE:  
A LOOK INTO POSSIBLE INTEGRATION IN THE PHILIPPINE SETTING

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Abstract:

This paper intends to determine the importance of both corporate governance and corporate social responsibility in the Philippines and a possible proposal for integration based on existing literature will be seen. Existing laws that relates to both subjects will also be taken into consideration as well as practices of other countries and known national and international organizations.

Keywords:  
Corporate social responsibility (CSR), corporate governance, listed companies

Corporate governance and corporate social responsibility have become hard to distinguish in the global economic landscape. Their convergence in the face of regulatory, business, and social changes in transnational markets has evoked debate and controversy over both the potential and limitations of corporate accountability mechanisms. Recently, scholars and practitioners in many fields have looked beyond their traditional perceptions to explore how synthesizing governance and responsibility may affect existing practices in business and social advocacy. Pursuing the emerging frontier of corporate governance as social responsibility is a platform for new research and new policies that, if designed effectively, may generate a more equitable global business environment (Gill, 2008).

In reality, “Corporate Governance and Corporate Social Responsibility (CSR) are two distinct concepts but by delving into the links between the two it can assist us to move towards putting in place more strategically responsible corporate behaviours.” In business there is a lack of integration between the two concepts, with each situated in different departments of organizations and staffed by those with differing expertise and interests (Young, 2013).

While having different starting points, corporate social responsibility and corporate governance have developed along similar paths and today are linked in different ways as in the case of the European Union and other countries in different parts of the world. As a consequence of this development, CSR is becoming an integral part of corporate governance codes in other countries. This same principle is what the researcher would like to look into. Given the current practice of other countries on the integrated CSR and corporate governance practices, this researcher would like to probe if such arrangement can also be done in the Philippines.

Further, there is a growing body of literature that suggests that CG and CSR are concepts that cannot be separated. In fact, Jamali et al (2008) claimed that there is an overlap between corporate
governance and CSR as both concepts give importance to the concepts like accountability, transparency and honesty. Likewise, Strandberg (2005) avers that there is an emerging paradigm of governance that recognizes CSR and corporate governance as being one and having the same level of values: an ethical strand joins governance with CSR thinking. This approach would suggest that businesses have to go beyond the narrow objective of profit maximization to include the interests and expectations of other stakeholders. As such, Luo (2005) argues that the main reason for firms to deal with stakeholders is that neglecting them could mean a loss of control on the strategic direction and performance. Therefore, the two concepts are allied as they both have to do with the direction of companies and with the translation of that into corporate strategy, Berghe and Louche (2004). It is in this concept therefore, that the researcher was convinced to pursue writing this dissertation.

Looking into the local context (Philippine setting), corporate governance as defined by the Philippine Stock Exchange( 2013) are the rules, systems and processes that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to the stockholders, with due regard to the stakeholders. Specifically, the corporate governance is a system of directing and managing a corporation which involves the development and achievement of corporate goals; the function of the board and its relationship with management; control, risk and performance a management system; compliance with laws and best practices; and corporate self-restraint and ethics, among others. It is also a means for sustained value creation as it should ultimately create long-term value for the corporation’s shareholders while taking into consideration the rights and interests of its stakeholders. Recently, there had been increased attention on corporate governance because of high-profile scandals involving abuse of corporate power and, in some cases, alleged criminal activity by corporate officers.

Meanwhile, the Revised Code of Corporate Governance of Securities and Exchange Commission (SEC, 2013) of the Philippines, under Article I, it defines Corporate Governance as the framework of rules, systems and processes in the corporation that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to the stockholders. Article 8 of this Code put emphasis on Disclosure and Transparency. It provides that the essence of corporate governance is transparency. The more transparent the internal workings of corporation are, the more difficult it will be for Management and dominant stockholders to mismanage the corporation or misappropriate its assets. Furthermore, Article 9 of said SEC document reiterates the need for companies to commit to Good Corporate Governance. It signifies that all covered corporations shall establish and implement their corporate governance rules in accordance with the SEC’s Code. The rules shall be embodied in a manual that can be used as reference by the members of the Board and Management of Corporations.

According to the European Union (EU) there are many reasons why it is important to examine the integration of CSR and corporate governance. First, integrating CSR with corporate governance codes may give CSR greater impact since CSR issues may then become integral to how companies are managed. This is the aim of most CSR codes, but corporate governance codes are better established and are more likely to have a greater impact on governance than CSR recommendations. Second, CSR recommendations in corporate governance codes may ensure that company boards take account of a broader variety of interests, including long term interests. In the recent financial crisis it has often been pointed out that a change of governance is required to ensure a more sustainable business model.

In view of the foregoing statements, it is therefore apparent to conduct this research given the importance of integrating CSR to corporate governance as stipulated above. It is in this context that the researcher would like to write about corporate governance and how corporate social responsibility should be incorporated into such. Specifically, the researcher would like to look into the extent of integration of CSR into strategic business practice of listed companies in the Philippines. The motivation to pursue this research was also drawn from the recommendation made by Maximiano (2005) in his paper on “The State of Corporate Social Responsibility in the Philippines,” who stated that further research on institutionalizing a framework of CSR integration should be made in the
future. In his paper, it was revealed that companies need to integrate social and environmental agendas in all business processes, hence the reason for this research. Lastly, it is the intention of this research to propose policy integration of corporate social responsibility to corporate governance. It is the researcher’s belief that such integration would result to good governance practices if realized in the Philippine setting as in the case of the other best practices in the other countries and as pronounced by most international governmental organizations e.g. United Nations and OECD.

Related Literature

“In the next century, a company will stand or fall on its values,” Robert Hass, CEO of Levi Strauss was quoted to have said. This statement has been validated by the extremely large scandals and failures in the West – Enron Corporation, MCI Inc. (formerly Worldcom), Tyco, even one of the big five (5) accounting firms, Andersen, etc. in 2000, and repeated in 2008 with Lehman Brothers, Bear Stearns, AIG, US housing giants Fannie Mae and Freddie Mac, not to mention the big banks, all of whom had to bailed out (with the exception of Lehman) with taxpayers money. What indeed were the values espoused by these companies. (Suleik 2009 Manila Bulletin)

How about AIG, who first thing they did with the government money infused to bail it out, paid scandalous bonuses to their top executives, as shareholders watched in horror at what was happening to a company they trusted. We in the Philippines were actually affected when the reputation of Philamlife, a long-respected insurance company was almost sullied, and its Philam Savings Bank, a small but excellently performing and high-standard bank had to be sold to raise money for the imprudent giant abroad. How about all those big banks and investment companies who merrily enticed homebuyers who were not financially capable to borrow at rock-bottom interest rates, and then turned around and sold those exotic – and eventually toxic – instruments they called by the fancy name “derivatives” which turned out to be based on what we in Tagalog call ampao (Suleik 2009.)

The Philippine Business for Social Progress (PBSP), a foundation composed of hundreds of corporate members, defines CSR as “a business principle which proposes that the long-term sustainability of business is best served when profitability and growth are attained alongside the development of communities, the protection and sustainability of the environment, and the improvement of the people’s quality of life.” The above definition simply means companies are adopting ethical, social and environmentally responsible business practices. (Bobadilla, 2005, AIM-RVR Center for CSR).

Meanwhile, Serafin D. Talisayon (2009) mentioned in his study that the European Union defines 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.”

Talisayon (2009) stressed that this definitions of CSR incorporate the three criteria of sustainable development: economic, social and environmental, which according to him was adopted in the UN Conference on Environment and Development or the Rio Summit in 1992. Likewise, he stated in his paper that the ISO 2600 Working Group on Social Responsibility adopted the following working definition in its meeting in Sydney last February 2007 as: “social responsibility is the responsibility of an organization for the impacts of its decisions and activities on society and the environment through transparent and ethical behaviour that is consistent with sustainable development and the welfare of society; takes into account the expectations of stakeholders; is in compliance with applicable law and consistent with international norms of behaviour; and is integrated throughout the organization.”

In 1978, during the administration of former President Ferdinand Marcos, a law was adopted requiring project proponents to submit an Environmental Impact Statement (EIS), established through PD No. 1586. It declared environmentally critical project (ECPs) and projects within environmentally critical areas (ECAs) as projects that require the submission of EIS. This was however, operationalized in 1981 through PD 2146. Since then, the EIS system has undergone several refinements to make it a more effective regulatory tool in addressing social and environmental costs that are anticipated to result from a proposed project.
This was also the beginning of a “partial internalization of social costs” where corporations are required to anticipate, reduce and shoulder social cost by imposing on them to spend for better production process or pollution abatement measures. In his paper, he stated that before the imposition of this law, the concept of “stakeholder capital” was unknown to corporations. (Talisayon, 2009).

In the speech of Mr. Amando M. Tetangco, Jr., Governor of Bangko Sentral Ng Pilipinas for the opening ceremony of the 29th Biennial Convention of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Inc. (FFCCCII), March 22, 2013, he commended the organization because their theme “Tuwid Na Daan Towards Peace, Unity and Prosperity”, which was much aligned to the thrust of government which is centered on good governance of which he mentioned, a governance environment marked by transparency, accountability and enhanced citizens’ participation to attain sustainable and inclusive growth. He emphasized that BSP also shares the same vision because he said, good corporate governance encourages investments which allow the expansion of the economy with minimal inflation pressures. Good governance is also the foundation of a safe, stable, and sound financial system. “It is most welcome that the private sector, like the FFCCCII, fully supports the government’s programs and thrust on good governance.”

In the article How CSR is Evolving in the Philippines, Lala Rimando of Newsbreak reported that CSR push has not been coming only from the top management executive but from way up. Family owners, sometimes the entire board of directors, directed the entire organization to engage in CSR. She quoted Lydia Sarmiento, former human resource head of integrated poultry producer Vitarich Corp., and current president of the family foundation saying, “Our CSR is rooted in Filipino values, heightened by our religiosity and the culture of taking care of our family, including our employees. The CSR of our company emanated from the vision of the founders, particularly from my father’s old paternalistic style of corporate leadership.”

For the multinational companies, the main trigger came from the head office abroad. Local counterparts were required to engage in CSR 13% of the time. Global companies like Microsoft, IBM, McDonalds, Wyeth, Walmart, and L’Oreal comply with their office’s program directives, but consider local realities when they designed their activities here (Rimando 2012).

In most of these companies, their foundation is the one that brings the companies’ CSR activities into fruition. The community where the business operates, and usually the target of foundation work, was cited as the main beneficiary of the companies’ CSR. As explained by Senen Bacani, president of La Frutera which has a vast banana plantation in Maguindanao, “the community is our best security. Not only is there no disruption in our business operations, but in a way our good name is very important in the business community because it really adds more to the credibility of what the company is doing.” However, since most companies have a foundation whose activities are devolved from the main business units, funding for CSR activities is dependent in business economics and realities.

Practical issues influence the decision on whether these CSR activities will continue to receive financial support. Thus, because of this financial support of doing CSR activities, companies leverage themselves by forging partnership with external groups, including non-governmental organizations and multilateral financing institutions. Rafael Lopa, executive director of PBSP calls this partnerships “collective philanthropy.” Companies outsource the implementation of their CSR projects like “SMART Schools” and Coca-Cola “Red Schools are outsourced to PBSP. PBSP bridges the gap between the corporate members and the consortium’s network of non-governmental organizations, as well as funders, including other governments and philanthropists like the Bill Gates.

Aside from funding, access to expertise that corporations do not posses motivates these partnerships. For example, real estate companies Ayala Land and SM Development Corp. partnered with world Wildlife Fund, an environmental and sustainability group, to design luxury projects in remote areas (Rimando 2012).

In the study of Miral Jr. & Dumangas (April 2011), they cited that there is generally more acceptance of CSR in the Philippines compared to other Asian countries like Laos and Vietnam. They pointed out that there are already some domestic
Philippine companies that practice CSR such as Ayala Group, Lopez Group of Companies, and Aboitiz Group of Companies. There are also MNCs operating in the country that are strong advocates of CSR, such as Coca-Cola, Nestlé and Unilever. However, they also mentioned that CSR among Philippine companies is that firms give money to the poor, support foundations, provide scholarships, disaster relief, and outreach activities. Thus, it can be observed that the trend of CSR practice in the Philippines is dominated by philanthropic activities. Majority of PBSP members are focused on philanthropic, one-time activities and grant giving. However, it is important to assert that the value of philanthropic CSR initiatives remains. This is understandable given the fact that in the context of a developing country such initiatives remain valid and legitimate because the government lacks the resources to provide for much needed public goods.

Majority of the members of the League of Corporate Foundations (LCF) have CSR initiatives in education. The priority issues of LCF members are environment, enterprise development, health, arts and culture. One-time events prevail—for instance, family day, sports fest, annual team-building activities, and medical missions.

Several motivations for companies to undertake CSR initiatives include improving their reputation, doing good for society, supporting national development priorities, improving relationship with stakeholders and addressing problems affecting the company’s supply chain. Miral Jr. and Dumangas (2011) mentioned in their study that a growing number of societies and institutions practice CSR because governments by themselves cannot handle the social challenges that include rising poverty, widening income gap inequalities amid economic growth, weak education and health systems, and even global climate change. The government’s inability to provide public goods due to strained financial and administrative capacities has prompted the private sector to address major economic, social and environmental issues. The government and civil society must harness the capabilities of the business sector in order to address many constraints and growing societal concerns. Both market failure and government’s inability to efficiently provide public goods undermine the long term competitiveness and sustainability of societies and businesses, hence, the emergence of CSR.

CSR comprises the economic, legal, moral, and philanthropic responsibilities of the firm. Part of a firm’s social responsibility is to remain profitable, to generate and sustain employment, and to create products and services that address the wants and needs of society. These initiatives represent necessary but not sufficient conditions to build Strategic CSR. A firm that helps communities but does not pay taxes does not have the spirit of Strategic CSR. The moral obligation of firms entails doing what is right particularly for the society that hosts its business operations. Operations of firms have both positive and negative impacts on societies. An example of a positive impact is employment generation that in turn enhances economic development. An example of a negative impact is waste generation that damages the environment. The CSR paradigm advocates that companies need to manage these impacts carefully to protect and promote the welfare of society.

Corporate foundations created a trend in the 1990s for grant giving purposes and for community outreach. Some companies also opted to create internal company structures for implementing CSR initiatives. The new trend in the evolving CSR philosophy favors the integration of CSR activities within the company rather than outsourcing these to corporate foundations. At the same time, business associations have formed committees, units or programs to promote CSR. For example, LCF has five committees handling issues related to education, environment, enterprise development, health, and arts and culture (Miral Jr. & Dumangas 2012)

**Related Studies**

In the study entitled “Complexity Theory, CSR and Corporate Governance-The Need for Alternative Governance Models”, emphasized that the global financial crisis along with other scandals have highlighted once more the importance of good corporate governance (Adams, 2012; Pirson & Turnbull, 2011). At the same time, increasing social inequity and the looming environmental crisis have elevated the necessity of corporate social responsibility (CSR) to ever new heights. As a consequence the challenges for global managers have become increasingly complex, and observers describe
them as a perfect storm (Hart, 2005; Jackson & Nelson, 2004). Many thought leaders in management argue that business practice requires an entire paradigm shift to successfully deal with the increased complexity (Hart, 2005; Jackson & Nelson, 2004; Senge, 2008). It pointed out that so far academic research is struggling to provide guidance on how to deal with said complexity. Whereas research has increased within the realm of corporate governance as well as CSR, the majority of such research has discussed the development, dimensions and determinants separately. Furthermore, very little research has examined the foundation of current ills at the intersection of organizational structures and strategic decision making (Jamali, Safieddine & Rabbath, 2009). More specifically, the interactions between corporate governance structure and CSR practice have been neglected (Jamali et al., 2009; Kolk & Pinkse, 2010). This is surprising because as the global business environment evolves, the question of more suitable corporate governance models that reflect the elevated need for CSR should be central. In this paper, the authors addressed this shortcoming and engaged with the question of how to design alternative governance structures in the face of increased complexity resulting from elevated needs for CSR. Furthermore, they examined the question of how corporate governance should be designed to allow enhanced corporate social responsibility. Based on insights from complexity theory the study propose an alternative structure that integrates CSR and corporate governance and thus allows stakeholders other than shareholders more say in the decision making process.

In “A Board Culture of Corporate Governance”, author Gabrielle O’Donovan defines corporate governance as an internal system encompassing policies, processes and people, which serve the needs of shareholders and other stakeholders, by directing and controlling management activities with good business savvy, objectivity, accountability and integrity. Sound corporate governance is reliant on external marketplace commitment and legislation, plus a healthy board culture which safeguards policies and processes. Traditionally in the United States, CSR has been defined much more in terms of a philanthropic model. Companies make profits, unhindered except by fulfilling their duty to pay taxes. Then they donate a certain share of the profits to charitable causes.

The European Commission hedges its bets with two definitions wrapped into one: “A concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment. This is a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis”. Meanwhile, corporate social responsibility is understanding the impact of their business to the employees that depends on it, customers, suppliers and the community affected by the operations, and how the company produce their products and its effect to the environment (Wikipedia).

Considering each of these, they broadly agree that the definition now focuses on the impact of how companies manage their core business. Some go further than others in prescribing how far companies go beyond managing their own impact into the terrain of acting specifically outside of that focus to make a contribution to the achievement of broader societal goals.

Szabo’ & Sorensen (2011) discussed in their paper that, as commonly understood, CSR and corporate governance do not seem closely connected. Originally, corporate governance was directed very much at the internal workings of the company, specifically, the internal dynamics between shareholders, managers and employees. CSR is also in part orientated towards employees, but it is mainly directed at the external affairs of the company, how the company’s operations affect the wider society. While corporate governance is perceived as an instrument to ensure shareholder value, the goals of CSR are more diverse and, in the opinion of some, not at all directed at ensuring profits. However, on closer inspection it is clear that CSR and corporate governance have more in common than might initially be expected. The above-mentioned diversity between CSR and corporate governance, however, seems to be becoming outdated, as it is becoming clear that corporate governance is slowly moving away from focusing solely on profit to a more complex view of what objectives companies should pursue and what stakeholder interests they should address. These changes in corporate governance
Corporate governance is going beyond the traditional core governance functions to incorporate the values dimension.

The commitment of the ASEAN region on CSR can be summarized in the message of Dr. Felimon A. Uriarte Jr., executive director of the ASEAN Foundation which reads, “The Blueprint for the ASEAN Socio-Cultural Community (2008-2015) adopted by the ASEAN Leaders at the 14th ASEAN Summit gives importance to promoting corporate social responsibility by including it as part of its strategic objectives. The Blueprint calls for actions that will ensure that corporate social responsibility is incorporated in the corporate agenda and contributes towards sustainable development in the ASEAN region. It encourages the private sector to support activities of various ASEAN bodies and the ASEAN Foundation in the field of corporate social responsibility.

There is now broad agreement that corporate social responsibility encompasses more than the traditional philanthropic activities and covers several key elements such as corporate governance, human resource management, regulatory compliance, environmental stewardship and community outreach and investment. Studies on corporate social responsibility in ASEAN countries indicate that CSR culture among business enterprises tends to have strong spiritual and philosophical underpinnings and that a profitable or competitive business climate and significant wealth accumulation are essential preconditions for companies to initiate CSR activities.

For the aforementioned reason and in response to the mandate from the Blueprint for the ASEAN Socio-Cultural Community, the ASEAN Foundation has taken the initiative to implement activities that will help increase awareness of corporate social responsibility in its broadest form in the region. The publication of this booklet on **ASEAN Foundation and Emerging CSR Issues and Challenges** is one of such activities.”

In the study of Coro Strandberg (March 2005) discussed that there is an emerging paradigm of governance that perceives CSR and corporate governance to be one and the same at the level of values, that an ethical strand joins governance with...
CSR thinking. Governance must have an ethical backbone because good governance practiced as a technical exercise results in Enron, considered by many to be a shining star in terms of technical governance. Ethical or values-based governance considers such issues as the kind of product and service the company produces, how it is produced and the social and environmental impacts of production — considerations of a CSR nature. A values-based governance program would include a corporate philosophy governing medium and long term actions, articulating an approach that reconciles short term profits with long term profitability. Furthermore, the study states that corporate responsibility is coming to be understood as the space where business accountability boundaries are being renegotiated. Up until recently power companies wouldn’t have been concerned about social issues in the supply chain. Food companies didn’t see health of food as an issue beyond legal compliance. The connection is that CSR drives a changing basis of accountability within a business, which drives the basis on which corporate governance is framed and implemented. To address these emerging accountabilities companies come to understand that they need to embed CSR in the governance structure.

Jamali and Rabbath (July 2007) discussed in their study that under the umbrella of CG, companies are encouraged to promote ethics, fairness, transparency and accountability in all their dealings. They are asked to continue generating profits while maintaining the highest standards of governance internally. Thus, Corporate Governance (CG) has been acclaimed as an instigator of tight internal control mechanisms. A firm’s decisions should also be aligned with the interests of different players within and outside the company (Cyert and March, 1963). Hence, businesses have to also keep their activities attuned to society’s ethical, legal and communal aspirations. This falls in the realm of Corporate Social Responsibility (CSR) which has attracted increasing attention in recent years in relation to how companies approach their interactions with their external environments – from providing quality products and services, to undertaking charitable activities. Hence, CSR adds to the control processes which companies must consider, especially from an external dimension or perspective. Much of the previous literature has researched and discussed CG and CSR independently, as being unrelated accountability models, whose guidelines, reporting standards and oversight mechanisms have evolved separately (Bhimani and Soonawalla, 2005). However, they feel that CG and CSR are strongly and intricately connected, and that previous literature has fallen short in capturing the nature and essence of this relationship.

Synthesis

In her article published at the Manila Bulletin, 2009, Mercedes Suleik quoted Robert Hass, CEO of Levi Straus, saying, “In the next century, a company will stand or fall on its values.” She pointed out that this was validated by the extremely large scandals and failures in the West – Enron, MCI, Lehman Brothers, Bear Sterns, AIG etc. These massive corporate failures and scandals have redirected the attention to corporate governance (CG), corporate social responsibility (CSR), trust and ethics in economic conduct (Jamali & Rabath).

Kolk and Pinkse (2010) pointed out that whereas research has increased within the range of CG & CSR, the majority of such research has discussed the development, dimensions and determinants separately. More specifically, the interactions between CG & CSR practice have been neglected. According to them, this is surprising because as the global business environment evolves, the question of how to design alternative governance structures in the face of increased complexity resulting from elevated needs for CSR. In this paper, the proponent will address this shortcoming by engaging in the problem of the extent of involvement of companies in the different CSR areas. Likewise it will engage in the examination of how corporate governance of companies should be designed to allow the integration of corporate social responsibility.

The European Commission defines CG as a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with stakeholders on a voluntary basis and further says that it is a concept whereby companies decide voluntarily to contribute to a better society and cleaner environment. Szabó & Sorenzen (2011) discussed in their paper that although CSR & CG came from different roots, on closer inspection it is clear that CSR and CG have
more in common than might initially be expected. Their diversity seems to be becoming outdated as it is becoming clear that CG is slowly moving away from focusing solely on profit to a more complex view of what objectives companies should address. The researcher will likewise, investigate in how far integration CG and CSR is occurring in Philippine companies. As written by Ramdhony & Bunhojee, CG & CSR are concepts that cannot be separated. Jamali (2008) further claimed that there is an overlap between corporate governance and CSR as both concepts give importance to accountability, transparency and honesty. Miral Jr. & Dumangas in their paper also stated that the new trend in the evolving CSR philosophy favors the integration of CSR activities within the company rather than outsourcing these to corporate foundations. If managed effectively, CSR initiatives could contribute significantly to the continuous competitiveness of the Philippines and the companies operating in them.

In view of the above written literatures, the researcher had been encouraged in looking into the possibility of integrating corporate social responsibility and corporate governance in SEC policy guidelines most especially to PSE listed companies.

Figure 1 shows the conceptual paradigm of this research. It could be gleaned from the above figure that a determination of the profile of listed companies in the Philippines in terms of income, number of employees, industry sector and number of years in business operation will be done along with the subject’s extent of CSR involvement on social activities, corporate community partnership, environmental stewardship and managing workplace. Also, the level of CSR integration in terms of strategic business operations (or corporate governance) will be assessed specifically in terms of leadership, policy setting, policy development, system installation and monitoring/reporting. The

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**FIGURE 1**

**CONCEPTUAL FRAMEWORK**
relationship of company profile to CSR involvement and corporate governance or strategic business operations will also be tested. Further, the relationship of CSR involvement to strategic business operations/corporate governance will be examined. Generally, it is the aim of this paper to propose a policy integration of CSR to existing SEC Code of Corporate Governance to align governance practices in the world’s best practices and the United Nations prescriptions.

To be able to determine the nature and degree of integration of corporate social responsibility and corporate governance, this paper identifies the Stakeholders Theory as the theoretical basis for the research.

A stakeholder is any party with an interest or stake in the organization. Organizations’ stakeholders may include employees, suppliers, customers, trade unions and the local community, among others. Any individual maybe part of multiple stakeholder groups, example, an employee may also live in the local community and be a member of a trade union. All possible stakeholders, internal and external, are considered in the stakeholder approach (Tench 2006)

According to this model, shareholders, who are given sole importance by Friedman, are just one group of stakeholders whose interests the corporate manager must deal with. Increasing profits is just one of many different interests that must be considered. The interests and potential impact of shareholders on the future of the company may be very obvious, but the other groups can also have influence in different ways. An organization that damages the local environment can in turn suffer from a lack of goodwill in the local community, and employee morale will also be damaged – each factor ultimately affecting the company. CSR is a necessary element of this approach, an integral element of the organizations’ responsibilities, affording social duties and maximizing profits equal importance. (Sainthouse 2009).

One very broad definition of a stakeholder is any group or individual which can affect or is affected by an organization. Such a broad conception would include suppliers, customers, stockholders, employees, the media, political action groups, communities, and governments. A more narrow view of stakeholder would include employees, suppliers, customers, financial institutions, and local communities where the corporation does its business. But in either case, the claims on corporate conscience are considerably greater than the imperatives of maximizing financial return to stockholders.

In the traditional view of the firm, the shareholder view (the only one recognized in business law in most countries), the shareholders or stockholders are the owners of the company, and the firm has a binding fiduciary duty to put their needs first, to increase value for them. In older input-output models of the corporation, the firm converts the inputs of investors, employees, and suppliers into usable (salable) outputs which customers buy, thereby returning some capital benefit to the firm. By this model, firms only address the needs and wishes of those four parties: investors, employees, suppliers, and customers. However, stakeholder theory argues that there are other parties involved, including governmental bodies, political groups, trade associations, trade unions, communities, associated corporations, prospective employees, prospective customers, the environment, and the public at large. Sometimes even competitors are counted as stakeholders. (Mitchell & Agle 1997)

Donaldson and Preston (1995) argue that the normative base of the theory, including the “identification of moral or philosophical guidelines for the operation and management of the corporation,” is the core of the theory. Mitchell, et.al. (1997) derive a typology of stakeholders based on the attributes of power or the extent a party has means to impose its will in a relationship, legitimacy or socially accepted and expected structures or behaviors, and urgency-the time sensitivity or criticality of the stakeholder’s claims.

Research Method

In this study, the researcher will make use of the descriptive survey method of research. Descriptive study includes all of those studies that purports to present facts concerning the nature and status of anything –a group of persons, a number of objects, a set of conditions, a class of events, a system of thought, or any other kind of phenomena which one may wish to study.
Also, it is a fact-finding study with adequate and accurate interpretation of the findings. As defined by Manuel and Medel, "descriptive research describes what is, and is concerned with the conditions or relationships that exist; practices that prevail; processes that are ongoing, or trends that are developing.

Descriptive research usually makes some type of comparison, contrast, and correlation, and sometimes, in carefully planned and orchestrated descriptive researches, cause-effect relationships may be established to some extent (Best, 1994). It also goes beyond the mere gathering of data and tabulating them. It involves an element of analysis and interpretation of the meaning of significance of what is described; thus description is often combined with comparison or contrast, involves measurements, clarification, analysis, and interpretation.

Thus, in this particular paper, the researcher will utilize the descriptive normative survey approach as a means of fact-finding in order to have adequate and accurate interpretation of data gathered. Normative survey will enable the collection of demographic data about people’s behavior, practices, attitudes, opinions and beliefs, judgments, perceptions and the like and then such data will be analyzed, organized and interpreted.

Co-relational study will be applied as stated in the problem to estimate the extent to which different variables are related to one another in the population of interest. The elements of this design include identification of the variables of interest, the group of subjects/respondents where the variables will be applied, and the estimation procedure to determine the extent of relationships.

As earlier stated, the descriptive method of research will be used for this study to identify the practices of CSR and corporate governance on selected listed companies. Creswell (1994) stated that the descriptive method of research is to gather information about the present existing condition. The emphasis is on describing rather than of judging or interpreting. The aim of descriptive research is to verify formulated hypotheses that refer to the present situation in order to elucidate it. The descriptive approach is quick and practical in terms of the financial aspect. Moreover, this method allows a flexible approach, thus, when important new issues and questions arise during the duration of the study, further investigation may be conducted. The researcher opted to use this research method considering the objective to obtain first hand data from the respondents. The descriptive method is advantageous for the researcher due to its flexibility and this method can use either qualitative or quantitative data or both, giving the researcher greater options in selecting the instrument for data-gathering. The objective of this research is to assess the CSR and corporate governance practices of selected PSE listed companies, the descriptive method is then appropriate for this research since this method is used for gathering prevailing conditions.

The researcher will be interviewing individuals in-charge of implementing CSR practices in selected companies. The descriptive method is then appropriate as this will allow the identification of the similarities and differences of the respondents’ answers. For this research, two types of data will be gathered. This will include the primary and secondary data types. The primary data will be derived from answers the respondents during the survey process. The secondary data on the other hand, will be taken from published documents and literatures that are relevant to CSR and corporate governance. With the use of the survey questionnaire and published literatures, this study will take on the combined quantitative and qualitative approach of research. By means of employing this combined approach, the researcher will be able to obtain the advantages of both quantitative and qualitative approaches and overcome their limitations.

Population Sample and Sampling design

The data and information in this study will be taken from the official list of listed companies from the Securities and Exchange Commission (SEC) or Philippine Stock Exchange. Researcher will interview and secure answer of the prepared questionnaires from the head or officer in-charge of CSR activities of the company. He can be the administrator of the company foundation or human resource officer who looks into the proper compensation and welfare of employees of the company.
This research will be conducted in order to assess the prevailing practices and determine the possibility of integrating CSR with corporate governance code which PSE had set for the guidance of listed companies. In order to attain this research goal, the researcher opted to obtain the view of managers or heads of foundations or organizations of selected listed companies who take charge of the CSR practices of businesses. To determine the specific sample size in this research, the researcher will make use of Sloven’s Formula. Selected respondents will answer a survey questionnaire structured in Likert format. Data gathered from this research instrument will then be computed for interpretation.

Simple random sampling will be used for the sample selection. This sampling method is conducted where each member of the population has an equal opportunity to become a part of the sample. In order to conduct this sampling strategy, the researcher will get a list of the total companies that comprise the total population and then select the members of the sample. For this procedure, the lottery sampling or the fish bowl technique will be employed. This method involves the selection of the sample at random from the sampling frame through the use of random numbers. Numbers will be assigned for each company in the master list. These numbers will be written on pieces of paper and drawn from a box; the process will be repeated until the sample size will be reached.

Along with primary data, the researcher will also make use of secondary resources, specifically, the Annual Reports of selected companies, to support the survey results. For the purpose of analyzing CG and CSR disclosures, annual reports of selected companies will be used. According to the study of Ramdhony, et.al., the advantage of using Annual Reports is that they are regularly being done and so offer an opportunity for a comparative analysis of management stances and strategies across reporting periods. Researches on social and environmental reporting have established that the annual report is an important medium for disseminating social and environmental information to the public. It had indicated that annual reports can be accepted as an appropriate indicator of a company’s attitude towards social reporting for two reasons: the company has complete control over the issue of this document, apart from the audited financial sections, and it is usually the most commonly circulated public document by the company. In many countries, annual reports are mandated by law and need to be produced on a regular basis by all companies.

**Instruments:**

The survey questionnaire will be used as the main data-gathering instrument for this study. The questionnaire will be divided into two main section: a profile and the survey proper. The profile will contain the socio-demographic characteristics of the respondents such as size as to income, number of employees and industry sector where company is classified. Likewise, the number of years they had been practicing CSR will be identified.

The survey proper will explore the significant relationship and extent of CSR area involvement of the selected companies. It will try to find out the extent of CSR implementation and extent of integration on selected companies’ good governance practices.

The questionnaire will be structured using the Likert format. In the survey, five choices will be provided for every question or statement. The choices will represent the degree of agreement or extent of implementation or integration each respondent has on a given question. The Likert survey will be selected questionnaire type as this will enable the respondents to answer the survey easily. In addition, this research instrument will allow the research to carry out the quantitative approach effectively with the use of statistics for data interpretation. To address the data requirement of the study, the research will make use of the modified questionnaire, which will be adapted from the benchmarking tool the Corporate Citizenship Benchmarking System and Process Assessment Tool, developed by the Philippine Business for Social Progress (PBSP) from which the researcher got a copy and asked permission to adopt on this paper. As pointed out by Dr. Jose Mario B. Maximiano in his paper “The State of Corporate Responsibility in the Philippines”, which also made use of the tool, "the questionnaire underwent content validation by experts in the field of business research and CSR. Specifically, the PBSP instrument was used in measuring the extent to which the businesses have integrated CSR in their business practice. This same questionnaire had also been used by Indonesia
Business Links (IBL) when it made a report on “Benchmarking Corporate Citizenship Practice in Indonesia,” in collaboration with PBSP.

The questionnaire on corporate social responsibility will consist of the following parts:

1. Part I – will contain information on company profile as to company size in terms of income and number of employees and industry sector classification.
2. Part 2 – will contain information on the respondent’s area of CSR involvement which is an open ended questionnaire on the engagement on social investment, corporate community partnership, environmental stewardship, managing workplace concerns and other concerns that cannot be classified above.
3. Part 3 – is a Likert Scale instrument that measures CSR integration to business practices such as leadership, policy setting, program and development, system installation and measurement and reporting.

Finally, the questionnaire on corporate governance will be taken from the Philippine Stock Exchange (PSE) which will be culled from the PSE Corporate Governance Guidelines (herein referred to as “Guidelines”). The Guidelines aim to clarify and present the corporate governance standards to which the PSE believes that the application of such will exhibit a well-governed publicly-listed companies. Specifically, it is divided into seven (7) parts e.g. developing and executing a sound business strategy, establishing well structures and functioning board, maintaining robust internal audit and control system, recognizing and managing enterprise risks, ensuring the integrity of financial reports, respecting rights of shareholder and adopting internationally accepted disclosure and transparency.

Statistical Treatment of Data

The researcher will use appropriate tools depending on the analytical requirement of the data. The various data that will be gathered will be subjected to statistical treatment in order to answer questions posed in this study and in order to test the null hypotheses. In analyzing the results, the researcher will make use of descriptive (that includes scoring, frequency count, and computation of weighted mean) as well as inferential statistics. Specifically, to test the null hypotheses of the study, t-test, and anova will be used to find the differences between selected variables and Pearson’s coefficient of correlation will be applied to find the relationships among selected variables. Thus, the researcher will particularly utilized the following tools:

1. Frequency and Percentage distribution method. This will be used in analyzing the respondent’s profile.
2. Weighted Mean which is the most reliable measure of central tendency (Stanley & Hopkins, 1983) will be utilized to present the extent of integration of CSR and CG in the company. Thus, it will used to determine the average responses of the respondents on the above-mentioned relationship.
3. ANOVA or analysis of variance. To perform the hypothesis testing, a one-way analysis of variance (ANOVA) will be employed. Tukey’s honestly significant difference (HSD) test was used for the multiple comparison of several group means. Tukey’s HSD test is one of the more conservative multiple comparison procedures.
4. The Pearson Product Moment of Correlation is more simply known as correlation. It is most widely used to measure correlation or relationship; thus, it is also a statistical tool used to measure the relationship between two variables, X and Y. It describes the degree of relation between two variables. Specifically in this study, the researcher will make use of the raw score method of computing the Pearson r.
5. Independent sample t-test – will be used particularly by the researcher to test the significant difference of independent samples. With (N-2) degrees of freedom, the independent samples are judged as statistically significant when the computed t-value equals or exceeds the t critical value in the t distribution table.
6. The t-test – will be used particularly by the researcher to test the significance of the coefficient of correlation, r. With (N – 2) degrees
of freedom, a coefficient of correlation is judged as statistically significant when the t value equals or exceeds the t critical value in the t distribution table.

Summary and Discussion:

The data gathering procedure to meet the objective of this paper is still currently underway. In summary, this research is conducted to answer the following inquiries: (1) determination of the profile of the subject listed companies in terms of: Industry sector classification; Length of operation; Number of employees; and Income; (2) As assessed by the respondents, to what extent is the involvement of the subject listed companies in terms of the following corporate social responsibility areas: Social Investment; Corporate-Community Partnership; Environmental Stewardship; and Managing Workplace Concerns; (3) To what extent have the subject listed companies integrate CSR into their strategic business practice in terms of the following: Leadership; Policy – setting; Program Development; Systems installation; and Monitoring and reporting; (4) To what extent have the subject listed companies implement the corporate governance guidelines of operations following the Philippine Stock Exchange measurement; (5) Is there a significant difference on the extent of involvement of the subject companies in the performance of their CSR responsibility when group according to their profile variables; (6) Is there a significant relationship between the extent of CSR integration among the subject listed companies and the company size in terms of income and number of employees and industry classification; (7) Is there a significant relationship between the extent of corporate governance implementation among the subject listed companies and the company size in terms of the variables mentioned in problem number 1 (8) What policies can be proposed for the subject listed companies for the integration of corporate governance and CSR given the results of this paper.

References


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