

# Globalization, Corporate Social Responsibility, Agricultural sector Implementing CSR as a dynamic capability in recent modern Agri-business SMES' Concerns

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## ABSTRACT

The globalizing market economy is not a homogeneous structure. It seeks the emergence of a decentralized regulation of markets coupled with a cosmopolitan and liberal democracy provided by transnational institutions. During this process, the agricultural sector cannot be hidden and should choose the best practical strategies but in the area of the globalized agricultural economy, how should corporate social responsibility (CSR), of agriculture should be managed? This paper investigates the global economy and corporate social responsibility in the context of the agricultural sector.

## 1- Introduction

Activities of civil society organizations and agricultural entities in recent years have contributed to the pressure on corporate bodies to be more responsive in giving back to society and the environment. In addition, the emergence of ethical investment portfolios over the last decade has made CSR even more compelling to business entities. The concept of CSR continues to evolve and this is accompanied by a proliferation of terminologies which are ostensibly describing the same phenomenon.

There is generally no consensus on these terminologies; however, it is agreed that CSR is all about business entities giving back to society (World Bank Institute, 2003).

Therefore the contributions of CSR to agriculture

and rural development is vital. Specifically, those who think on CSR and agriculture and sustainable development will concentrate more on the following matters:

- Examine different perspectives to CSR and agricultural concerns
- Review the current status of agriculture and rural development by focusing on corporate social responsibility.
- Enumerate CSR activities of Organizations with respect to Agricultural/rural development (Oguntade&Mafimisebi, 2011).

In this paper we study corporate social responsibility and agricultural sector first, then we study the following global market and global economy and suggestions for CSR based Agricultural sector and Supplementary suggested materials related to our



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studied topic for agriculture and corporate social responsibility.

## 2- The global economy as an emerging phenomenon

One way to analyze the phenomenon of development in the era of globalization is through an approach involving the interaction of the economic and the political. The political economy tries to connect economic analysis with practical policy to address problems related to development. It does so through the study of the social processes of institutional economic and the agricultural sector and political groups and their election decisions, regulatory power and influence over the allocation of resources. The rhetoric surrounding the consolidation of the Cold War divided the world according to the degree of development of a country's economy. Countries that were highly developed made up the first world, countries united through real socialism and not integrated into the global economy formed the second world, and eventually all other developed economies that were not named constituted the third world.

Cosmopolitan nations only work with a cosmopolitan democracy that moves towards globalization but also reaches down to social local organizations. This cosmopolitan democracy expands to regulate the efficiency of the global economy. The global economy, as it is today, is a complex and contradictory set of global markets, national development strategies and competitive corporate strategies (Borras and Zysman, 1997). Here, it makes little sense to talk of national agricultural development if what is actually involved in the capitalist world economy. Globalization processes are inextricably tied to competitiveness. In a global economy, the pursuit of national competitiveness grows in line with the global system, putting this theoretical perspective in a privileged position to analyze current

trends. However, because of its focus on historical evolution, in the long run, the school has failed to capitalize on this advantage. It argues that the evolution of this global system has led to the existing nations, including those in the Third World, and each has found its relative position in the international hierarchy.

The theory of the world capitalist system and agricultural development related to the sustainable CSR discusses "the formation and evolution of the capitalist mode of production as a system of economic social relations, political and cultural, born in the late Middle Ages in Europe that has evolved into a world system" according to Dos Santos (1998:130). His approach identifies the existence of a nucleus, a periphery, and a semi-periphery, in addition to distinguishing from among core economies, an economy that articulates the hegemonic system as a whole. From the sociological perspectives, the existing world system school has come closer to predicting the general trend of events during the past quarter-century. The founder of the school, Immanuel Wallerstein, and his followers never tried to argue that the real capitalist world economy, which originated within the system of the European state in the sixteenth century and came to transcend the entire world, was the only unit of analysis. For them, newly industrializing countries are concerned with new formalization with their competitors as well as formal laws to gain a competitive advantage in their production in more regulated areas of the world's economy (Castells and Portes, 1989).

Globality, convergence, and competitiveness are cooperative principles of the new paradigm of agricultural economic globalization based on International CSR. While the logic of a global economy prevails in the market, the logic of the state prevails in the political. Government has taken the overall dual logic of the nation-state in a global economy.

(Robinson, 2000). Stiglitz (2002) conceptualizes the current process of globalization as a comprehensive management system without a global government. Institutions like the World Trade Organization, IMF, the World Bank, and others make up a system of global management, but this is far from being a global government and it lacks a democratic mechanism of accountability (Hernandez & Noruzi, 2009).

### 3- Corporate social responsibility (CSR)

Corporate social responsibility (CSR) has been defined as the duty of the organization to respect individuals' rights and promote human welfare in its

operations (Manakkalathil and Rudolf, 1995). Businesses not only have the economic responsibility of being profitable and the legal responsibility to follow the laws or ground rules that guide their ability to achieve their economic requirements. They also have ethical responsibilities that include a range of societal norms, or standards (Carroll, 2000; Oppewal et al, 2006. 1).

Backman (1975) considers social responsibility as other stated objectives by business, which are not directly related to economic, but rather address its negative externalities, improve employee's conditions and the societal quality of life.

Davis (1973) defines corporate social responsibility as the voluntary efforts by business to achieve a balance of economic goals and societal well-being (Obalola, 2008, p.539: DanaeeFard& Noruzi, 2013)

### 4- Characteristics of CSR- based Agriculture

Like many of management and social science concepts, corporate social responsibility is fraught with definitional problems, which makes it difficult for a uniform platform to assess firms' responsiveness to it. On this plethora of definitions, Crowther

and Jatana (2005) argue that social responsibility is in vogue at the moment but as a concept, it remains vague and means different things to different people.

In fact the explanation of characteristics of CSR-based agriculture continues to be debated at a variety of levels. How does one look at issues like:

Small vs. large scale operations/farms/cooperatives;

- Local vs. global production and transportation;
- Diversity vs. monoculture crop production;
- Food for energy/fuel vs. food for human/another animal's consumption;
- Genetically modified or not;
- Use of limited water supplies; and
- Maintenance of upstream watersheds (Oppewala et al, 2006).

In addition, there are many other issues being looked at by NGO's, governments, and businesses that may be the third party needs to interfere.

### 5- Results

Within the competitive challenges posed by global markets of the nation-states and organizations, forces of increasing complexity and intensity are being identified on the agricultural sector that wanted to implement the CSR on its SMEs. Nation-states and organizations use this knowledge to adapt to change and develop processes to identify the characteristics of their global competitors, taking into account their associated competitive advantages in CSR based – agricultural sector. Both entities, as do the new institutions, need to be endowed with powers and abilities to coexist in turbulent environments (Hernandez & Noruzi, 2009). Hitt, Keats and De Maria (1998) argue that companies moving into new agricultural markets have many opportunities but also many challenges to overcome. They show how there are increased incentives for innovation and improvement opportunities to gain returns on this innovation. However,

international expansion activities complicate operations in various environments. To take advantage of opportunities through positioning regional economies, companies must learn effective ways to coordinate operations across many countries" borders. The region can continue to increase integration in the global capitalist economy in the same way under the continuing influence of neo-liberal ideology and civil moderate right-wing regimes. The challenge remains the urgent need to develop new social technologies capable of incorporating the informal sectors of the economy so that they can benefit from economic globalization processes in the agricultural wants to obey from the CSR roles. This is in clear contradiction with the current hegemonic development model. The pace, magnitude, and direction of change caused by globalization will continue to progress rapidly through technology transfer. It will join societies and cultures, change community values, and widen the gap between the rich and the poor. But it will also create opportunities and challenges for companies and organizations. Managing the change of dynamic management (Dowbor, 2001) requires an ongoing process of adjustment of different segments of social reproduction and agricultural sector.

## 6- Recommended Next Steps

Bowen (1953), one of the early contributors on the concept, conceived corporate social responsibility as business policies and decisions, which give values to the society.

Another early proponent of social responsibility, Frederick (1960), defines social responsibility as the use of society"s resources; economic and human, in such a way that the whole society derives maximum benefits beyond the corporate entities and their owners.

There are some recommended steps for other scholars and professions who want to work on this important issue i.e. corporate social responsibility

in the agricultural sector. Some come as follow;

- Clear definitions need to be established on what CSR- bases Sustainable Agriculture is and what it is not.
- Better data sets on what works and what does not work are needed for CSR- bases Sustainable Agriculture (this includes going well beyond case studies and examples).
- A quantification of what is the financial risk associated with taking or not taking action for CSR- bases Sustainable Agriculture (Genier et al, 2012).
- More dialogue with members of the agricultural community and the financial services industry on the subject of CSR- bases Sustainable Agriculture that is essential and should be led by governments, academics, and NGO representatives who are presently the groups with the most information on the subject.

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