

## Taking the Lead: A Case Study of Corporate Social Responsibility in Thailand

### Abstract

Shrinking government resources, the growth of cross-sector collaborations, and an increased awareness has led to global advance of corporate social responsibility. A corporate social responsibility framework is being developed, international standards are being set, and best practices are being shared. This qualitative case study investigates the development of Merck Thailand's socially responsible business practices through Zadek's 2004 five-stage model of social maturity. Merck's strategic orientation and willingness to share their experiences, including potential pitfalls and the benefits of being a good corporate citizen, demonstrates their intention to be an innovator and catalyst of positive social change in Thailand. Merck is transitioning from the strategic to the civil stage of maturity. This study gives rich context to the contention that leaders of international business can also be responsible citizens. It means corporate leaders will have to educate themselves and their employees about the benefits and potential liabilities of engaged citizenship. It means that profit is not the only motive for measuring success. Companies will do well to recognize their transition through various stages of social responsibility in order to leverage their commitment to their stakeholders including customers, employees, stockholders, and the communities where they do business. Companies, which have a track record of social responsibility in developing countries, can contribute to building a sustainable framework for global corporate social responsibility. This study determined that Merck is successfully organizing around corporate social responsibility for multiple stakeholders while simultaneously helping shape civil society.

# Taking the Lead: A Case Study of Corporate Social Responsibility

## Introduction

Globalization, within the Victorian era, can be described as “business at any cost” (Ruggie, 2002). During this period, global organizations did not adjust business strategies to account for safe and fair labor practices, stakeholders in the community, or government regulation. It was a system without popular roots, social legitimacy, and was generally one of exploitation. Essentially, this era of globalization was detrimental to a social structure that values individuals and national cultures.

According to Ruggie (2002) corporate social responsibility (CSR) is a strategy for demonstrating good faith, social legitimacy, and a commitment that goes beyond the financial bottom line. Waddock and Smith (2000) explained that corporate citizenship is “the extent to which businesses meet the economic, legal, ethical, and discretionary responsibilities imposed on them by their stakeholders.” It is now a model for multinational corporations in a 21<sup>st</sup>-century global marketplace. In short, CSR reduces the perceived threatening nature of global conglomerates by corporate participation in alleviating social concerns.

Today, CSR allows international organizations and governing authorities, including the UN, to prevent history from repeating itself. One measure of successful globalization is a world in which CSR becomes a force for sound business practices, democratic reform, and healthy communities. The framework for successful CSR continues to be constructed. Within this framework, it becomes the responsibility of corporations who venture into the global marketplace to follow the lead that has been laid out by corporate citizens and academics alike. According to Ruggie (2002) the global

compact seeks to weave universal principles into global corporate behavior. The compact brings all the relevant social actors in doing so: governments, companies, labor, civil society organizations and the United Nations, the world's only truly global political entity.

This paper will address CSR practices, review relevant research, and highlight one international corporation's transition through the stages of CSR. Conclusions will offer suggestions for international leadership in sound CSR practices.

### Problem Statement

The United Nations Global Compact (2002) brings together government, private, and philanthropic sectors to foster action and partnership in the pursuit of good corporate citizenship. Matten and Crane (2005) point out that this compact and today's form of globalization has created new demands on the corporate community. They assert that globalization allows for an increased role for international corporations to take on responsibilities of good citizenship giving credence to the notion that corporations, through CSR, are earning a place in civil society discussions. The framework for successful CSR is now being developed and best practices are being shared globally, regionally and in local communities. Experiences of multinational companies, which have a track record of CSR in developing countries, can contribute to building a sustainable CSR framework. There are a number of prescriptive and quantitative studies of CSR programs in the United States, Europe, and other developed regions. However, no studies trace the development and growth of CSR in an international corporation in Southeast Asia.

## Research Methods

This qualitative case study investigates the development of a company's CSR practices in a subsidiary of a large global pharmaceutical and chemical company. The study included several interviews over a four month period with Heinz Landau, chairman and managing director of Merck Ltd. Thailand. In addition, interviews with Ngamprom Thaimee, CSR manager, and Christie Ulman, CSR officer were conducted. Company documents, such as CSR presentations, promotional pieces, and unclassified internal documents related to CSR, were reviewed. This study employs Zadek's 2004 framework and to a lesser extent Robert's 2003 framework for tracing a company's growth of CSR through a series of discernable stages of citizenship. Zadek (2004) identified five stages of corporate social responsibility that as companies adopt as they mature in depth of understanding and practices of CSR – defensive, compliance, managerial, strategic advantage, and civil. Furthermore, Roberts (2003) identified stages defined as: negative, ethics of narcissus, responsible director and dialog with the vulnerable to outline the progression toward high levels of social responsibility. These two models are used to lend context for Merck's development toward deeper understanding and practices around corporate citizenship in Thailand. The following questions were designed to initiate an open-ended interview allowing the interviewee to expand on the questions or to probe ideas that were not part of the initial dialog:

1. Did Merck Thailand experience the early stages (defensive and compliance stages) of CSR?

2. Can you name specific company policies/actions such as policies in how employees are treated or environmental impact of your operations that represents a particular step along the CSR growth continuum?
3. How does your partnership with nonprofit organizations “fit into” your CSR?
4. At what stage of CSR do you think that Merck is now and can you describe Merck’s progression through the stages of growth?
5. What plans, if any, do you have to go even further and what are the benefits for Merck and for Thailand?
6. Is CSR part of you business plan? Can you give an example or two?
7. Do transnational companies have a higher obligation for CSR? Why or why not?

These questions led to a series of interviews to discuss CSR at Merck and in Thailand. A draft of the research was reviewed by the managing director to ensure accuracy of the data.

## Background

### Company Background

Merck KGaA, the German-based is a research-oriented pharmaceutical and chemical company. Merck Group International has a global presence and signed the United Nations Global compact on international standards for CSR (For additional information on the parent company’s work with the UN see Global Compact, 2002). Merck Group produces pharmaceuticals and chemicals and employs more than 28,500 people in 168 Merck companies operating in 52 countries with 2004 sales of EUR 5.9 billion. Merck Group has its own production facilities at 62 locations in 28 countries. Merck & Co. has been completely independent of Merck Group since 1917. Established

in 1991, as a joint venture between Merck-Germany and B. Grimm Thailand, Merck Ltd Thailand has become a leading supplier of chemicals to hospitals, institutions, and industry in Thailand. Their products include laboratory chemicals, food and environmental analysis products, microbiology products, chromatography products, bio-chemicals and life sciences reagents. Their specialty pigment products are used for printing, plastics, coatings for the automotive industry and cosmetic pigments and fillers.

In 1992, Heinz Landau relocated to Thailand from an assignment as managing director of a Merck subsidiary in Lagos Nigeria. Since 1993, Landau has been chair of the board and managing director of one of Thailand's more visible international companies. Landau is a German national and has 30 years experience working with Merck in Germany, The United Arab Emirates, Nigeria and Thailand.

### Literature Review

According to Carroll (1999), corporate citizenship is an extension of a lineage of work in management literature that conceptualizes the role of business in society as corporate social responsibility. Carroll's CSR model outlined four types of corporate responsibilities: (1) the economic responsibility to be profitable; (2) the legal responsibility to abide by the laws of society; (3) the ethical responsibility to do what is right, just, and fair; and (4) the philanthropic responsibility to contribute to various kinds of social, educational, recreational, or cultural purposes (Carroll, 1979 cited in Matten & Crane, 2005, p. 167).

In some cases globalization has even allowed companies to take on responsibilities for protecting citizenship away from governments (Matten & Crane, 2005). For example, in the area of improving working conditions, corporations such as

Nike and Levi Strauss have created outsourcing policies and foreign direct investment decisions that have improved working conditions, ensured livable wages, and financed the education for children of employees. Shell has financed hospitals, roads, and schools in certain developing countries where governments did not (Livesey, 2002). An issue that must not be overlooked is the long term responsibility that is required as administering these civic projects and protecting civil rights is not mandatory (Matten & Crane, 2005). Corporate donations, employee and other fundraising initiatives, along with direct relief efforts for victims of the 2004 Asian tsunami demonstrated that corporate citizenship mandated a clear willingness, responsibility and role for CSR.

“Executives find it hard, if not impossible, to justify charitable expenditure in terms of bottom-line benefit this dilemma has led many companies to seek to be more strategic in their philanthropy. But what passes for “strategic philanthropy” today is almost never truly strategic, and often it isn’t even particularly effective as philanthropy” (Porter & Kramer, 2002, p. 57). The majority of corporate contributions programs are diffused and unfocused rather than being tied to well thought out social or company goals. Some use the ideas of cause related marketing as strategic philanthropy. However, the desired benefit is goodwill and the focus is not on any strategic advantage (Porter & Kramer, 2002). CSR has both economic and social goals where the company brings to bear their unique assets, expertise, and financial backing.

Research by marketing theorists Kotler and Lee (2005) outlined several reasons for the global growth of CSR. A shrinking role and resources of government to deliver social and environmental programs has promoted more cross-sector collaboration. Awareness for CSR has increased due to more companies participating in CSR activities.

This has led to greater demand for disclosure by a variety of stakeholders. Likewise, customers and potential shareholders are savvier in questioning the ethical conduct that influences their purchasing and investment decisions. Companies continually search for ways to find talented employees and employees are looking beyond paychecks for company values that match their own. Companies are becoming increasingly interested in the business affairs of their partners in an effort to reduce the potential for their practices to diminish their reputations. There is also increasing evidence that socially responsible business practices can actually increase profits. More buying options in a global marketplace means consumers and investors have greater choice in where they choose to do business. Increased worker productivity and retention are linked to employee satisfaction and well-being. Finally, technology, oversight bodies, and third-party reporting has increased visibility for the right and wrongs of business (Kotler & Lee, 2005 p. 208).

There are many reasons a company might want to integrate CSR into their business. Some benefits of CSR for the company are: improved financial performance and enhanced company and brand reputation. There is an enhanced ability to attract and retain employees and attract investors and capital (Kotler & Lee, 2005). By making CSR a core business value, companies are not only making a significant contribution to improving society, but just as importantly are recognized for doing so.

There are a myriad of socially responsible business practices outlined in much of the literature (see Kotler & Lee, 2005 and Willard 2002). The following are examples of responsible practices:

- Designed facilities that meet or exceed environmental and safety recommendations and guidelines, such as increased energy conservation or waste recycling.
- Developing process improvements, which may include practices such as eliminating the use of hazardous waste materials, reducing the amount of chemicals used in growing crops.
- Discontinuing product offerings that are considered harmful but not illegal (e.g., McDonald's super-size portions).
- Selecting suppliers based on their willingness to adopt or maintain sustainable environmental practices.
- Choosing manufacturing and packaging materials that are most environmentally friendly, renewable resources, and elimination of toxic emissions.
- Providing full disclosure of product materials that are the most environmentally friendly.
- Developing programs to support employee well-being, such as workplace exercise facilities, day care, and employee assistance programs.
- Measuring, tracking, and reporting of accountable goals both positive and negative.
- Establishing guidelines for marketing to children or vulnerable populations.
- Providing increased access for disabled populations such as using technology and alternative print formats.
- Protecting privacy of consumer information.

- Making decisions regarding plant, outsourcing, and retail locations, recognizing the economic impact of such decisions.

In their book, “Compassionate Capitalism” Benioff and Southwick (2004) stated that CSR becomes ingrained into the fiber of the company, so integral to the company’s culture that it helps hold the company together. These companies experience transitions from compliance and public relations to core business strategy and lobbying for corporate citizenship.

### Stages of Corporate Responsibility

Zadek, a CSR consultant whose clients include Nike and other notable global organizations, explained that organizations pass through five stages in how they handle corporate responsibility. “Moreover, just as organizations’ views of an issue grow and mature, so does society’s. Beyond getting their own houses in order, companies need to stay abreast of the public’s evolving ideas about corporate roles and responsibilities” (Zadek, 2004). Essentially, organizations and society journey towards what Zadek called “civil learning.” For example, as society became aware of the issues surrounding animal testing, industrial pollutants, global warming, genetic modification, or access to affordable drugs, a company recognizes the issues, educates itself about various points of view, and becomes part of the dialog instead of simply reacting to activists and pundits. They often create “rules of engagement” which defines a company’s position and acceptable practices.

Zadek’s (2004) five stages of corporate social responsibility include the defensive, compliance, managerial, strategic advantage, and civil stages. In the *defensive stage*, the company faces a high degree of criticism from a number of stakeholders such as

stockholders, customers, or employees. The corporation's communication department responds to their concerns by rejecting the allegations and/or denying the link between the company and the negative consequences of their business or its products and services. Primarily, the company denies complicity, downplays or simply does not acknowledge critics' point of views therefore denying responsibility and resisting demands for reform. At the defensive stage there is only one bottom line – financial profit. Effectively, the company focuses on the bottom line and does not recognize CSR as a means to be more profitable. They tend to follow laws and generally accepted business practices but do not see a role for corporations at the civil society table.

At the *compliance stage*, visible attempts are made to build reputation and prevent law suits; CSR is seen as a cost of doing business. The primary objective is to comply (usually visibly) and to comply with the agreements made with critics. They will ensure that they did what they agreed to do but usually do so in order to avoid litigation and to protect the company's reputation.

As the company enters the *managerial stage*, it becomes increasingly cognizant that its attempts must become commitments to ensure that all stakeholders are treated ethically. A company begins to recognize that long-term problems require more than public relations strategies. "The company will have to give managers of the core business responsibility for the problem and its solution" (Zadek, 2004, Par 9). Solutions for questionable business practices become an issue for all managers throughout the organization. For example, changes in compensation, managing inventory, supplier relations, and practices of partner organizations must be made throughout the system and across borders. The organization and its management starts to believe that a healthy

society is also good for business. They see themselves as good corporate citizens giving back as well as reaping rewards.

The *strategic advantage* stage reveals to the company that its ethical practices yield greater profits through customer commitment, employee loyalty, or environmentally sustainable practices. Pharmaceutical companies may recognize that they can help develop drugs to deal with illnesses while working with society to alleviate causality. Agricultural supply companies works with local farmers to farm smarter and protect the natural environment. CSR is part of the business model from procurement of sustainable raw materials to affordability of its products. CSR is not something that is the work of public relations or the CSR department but a clear statement and demonstration of a socially responsible business and its willingness to participate fully in being an active participant in civil society initiatives.

The last stage of CSR, the *civil stage* is when a company wants to “make sure everybody does it”. CSR innovators lobby all businesses in the industry to adopt a CSR program (Zadek, 2004). The pharmaceutical company at this stage explores ways to recruit other drug companies in providing affordable drugs to developing countries while sustaining their R&D programs. Transnational companies such as the Body Shop advocate and lobby others about the issues they care about. Anita Roddick, founder of the Body Shop said,

*The problem with corporate social responsibility is it seems to be irrelevant with such success factors as the share price. With our efforts, we are making the place for ethical behavior and imaginative social responsibility in our company. By themselves, these initiatives will not transform the global economy, but they do indeed transform the company's thinking about our responsibility as a business. (a public lecture on “CSR and Community Trade at Chulalongkorn University, Bangkok, March 3, 2004).*

Similar to Zadek’s framework, Roberts (2003) also determined that a company progresses through a series of stages as they seek to become more socially responsible. Unlike Zadek’s five-stage-model, Roberts identified four stages of growth: negative, ethics of narcissus, the responsible director, and dialogue with the vulnerable (see Table 1. Comparison of Zadek and Roberts Stage Model of CSR). At the *negative stage* the company states that it is not their responsibility to address issues beyond financial profit and social issues should be left solely to nonprofit organizations or governments. With mounting criticism, the company will adopt the *ethics of narcissus*. This is a reactive response that sees CSR as a means to avoid criticism by manufacturing a façade of stewardship. The *responsible director* stage brings a sense of genuine moral concern. Management initiatives such as codes of ethics are developed so that employees have a point of reference. Most importantly, CSR becomes engrained in the company’s culture. In the final stage of CSR, the *dialog with the vulnerable*, the company becomes a model citizen that embraces universal ethical standards. It seeks to establish a code that all organizations (at least those in the industry) should follow (Roberts, 2003).

Table 1. Comparison of Zadek and Roberts Stage Model of CSR

<b>Stage</b>	<b>Zadek (2004)</b>	<b>Roberts (2003)</b>
1	Defense	Negative
2	Compliance	Ethics of Narcissus
3	Managerial	Responsible Director
4	Strategic Advantage	N/A
5	Civil	Dialog with the Vulnerable

According to Zadek (2004) and Waddock, S. and Smith, N. (2000), the first two stages reflects where most organizations operate and are not fully capitalizing on the benefits to themselves and society.

## Findings

Merck KGaA, one of the largest pharmaceutical and chemical industries, is concerned with the health, safety, and environment of its employees and customers. Merck KGaA is 388 years old and employed these values when setting up business in Thailand in 1991. As a startup in a new country, they were primarily concerned with managing costs, hiring qualified employees, and financial stability. According to Landau, the framework was provided by headquarters but in time they began to expand on these ideals to meet the unique needs of Thai citizens and market opportunities. “Merck Thailand has never gone through the defensive stage; we followed Merck KGaA’s own health, safety, and environmental standards, which in many cases exceed local regulations”, explained Landau (personal communication, June 27, 2005).

While they shared many of the ideals of the parent company around socially responsible business practices, their primary stakeholder was the customer. In time their mission evolved to include employees and society. As the mission evolved they began to have a deeper sense of their responsibility as good corporate citizens. Their primary mission was to live the tenets of a caring company. In time, their core mission was to become “a company that cares”. In fact, their sense of what it meant to be a good citizen was evolving concurrently with the practices that reflected their orientation toward CSR. Their programs, as well as their commitment to employees, customers, shareholders, and society have evolved along with their orientation and practices.

“We took the framework from Merck Germany and expanded on it in its own context. CSR is now an integral part of Merck Thailand’s core business strategy and has been for the last three years when we revised our mission and vision of what we hope to

accomplish for society” (Landau personal communication, May 19, 2005).-Some of the policies present in the 1990’s are still in place. What has changed is the orientation and understanding of the business opportunities present in being a good corporate citizen. The following section will review some of Merck’s CSR initiatives (Managerial Stage) and highlight some of their strategic focus (Strategic Advantage Stage) along the continuum of CSR development. The research findings section will conclude with examples of Merck’s desire to become a model civil corporate citizen (Civil Stage, Zadek’s highest stage of CSR).

Table 2. Merck Ltd. Thailand's Growth of Commitment to CSR

Stage	Zadek (2004)	Roberts (2003)	Conviction	Merck Orientation	Merck Example Practice/Activity
1	Defense	Negative	"It's not our job. We didn't do that"	N/A	<ul style="list-style-type: none"> <li>Compliance with laws, standards, etc. in place since beginning of Merck Ltd. Thailand</li> </ul>
2	Compliance	Ethics of Narcissus	"We comply with industry standards. It's the cost of doing business"	Health, Safety & Environment from Merck KGaA	
3	Managerial	Responsible Director	"It's good business. We are trying to be active citizens"	HSE and heightened responsibility toward employees Responsibility extended to Thai society Core value: Caring Company	<ul style="list-style-type: none"> <li>Survey employees and customers about CSR initiatives and satisfaction</li> <li>Initiating NGO partnership</li> <li>Open-respectful culture</li> <li>Matchmaker between company customers for recycling</li> </ul>
4	Strategic Advantage		"CSR gives us a competitive edge. It's part of our core business strategy"	Enthusiastic about new social initiatives Niche in the industry and good for society CSR is vision and core business strategy	<ul style="list-style-type: none"> <li>Chemical recycling program – working with German and Thai Government to collect and recycle waste</li> <li>Developing and strengthening NGO partnership</li> </ul>
5	Civil	Dialog with the Vulnerable	"It's good for society. We need to promote broad participation by other companies"	Opportunity share best practices Going good and doing well is one-in-the-same. Caring is who we are and its good for all stakeholders	<ul style="list-style-type: none"> <li>Cooperation with Thai universities to create CSR courses and research into CSR</li> <li>Participate in CSR business forums</li> <li>Contributing to the dialogue to create CSR standards</li> </ul>

Cause-branding can raise funds for a philanthropic organization while increasing employee commitment to the cause and to their employer (Cone, Feldman, & DaSilva, 2003, p. 95). In 2002, Merck Thailand partnered with The Raks Thai Foundation, one of Thailand's largest foundations and also the local member of CARE International. (The English equivalent of Raks Thai is Thai Heritage). The objectives of the partnership were, according to Landau, to contribute to society, position Merck as a caring company, differentiate them from the competition, and create a better image in the eyes of its employees, its customers - and the public. "It was to create an emotional attachment with employees and customers and to establish ourselves as a caring company" reported Landau (personal communication, June 7, 2005). An internal study in 2004 by Merck Thailand about their partnership with the Raks Thai Foundation confirmed this with 90.6% reporting high or very satisfied responses to their cooperation with the foundation as well as 59% willing to volunteer. In another internal study called "Living our values" in 2005, Merck reported that 90.2% of employee respondents (N=92) believed that the company cared for society. Merck Thailand also has better than average comprehensive, competitive compensation and benefit packages. Their compensation is in-line with market and pay is above the 75th percentile for top individual performers. Merck conducts twice yearly performance reviews and employee training days rank, in numbers and quality, above the industry average. While it is difficult to conclusively determine, without spending considerable time in Merck's facilities, they appear to have a flat corporate hierarchy and an open respectful culture. The managing director meets with employees for informal monthly meetings. In addition, Mr. Landau, the managing director, attends monthly lunch with small groups of employees.

In the early years the emphasis was on financial stability. “We were customer focused – outstanding service. In time employees started to say, “What about us?” “We included employees in our core values putting them more in focus by providing activities and options such as trainings and volunteer opportunities, and continue to educate them on Merck’s orientation and practices of CSR. Now we are going the extra mile for all four stakeholders” (Landau, personal communication, June 7, 2005). He explained that CSR gives their company and their employees a sense of meaning and purpose.

Merck began a partnership with the Raks Thai Foundation/CARE International to bolster and take greater action on their social agenda and emotional-branding. This primary partnership with the Raks Thai Foundation has resulted in more than 10,800 million Baht (national currency) donated to RTF since 2002. Merck has funded a Youth Leadership Development Program to develop leadership, self-reliance, and greater confidence among youth 13-18 in rural communities in Thailand. They participate in a Care Card program (similar to affinity cards), Raks Thai CARE International donation boxes, employee blood donations and donate holiday presents from customers and the community for underprivileged children. Merck has funded three major programs with RTF including the youth leadership project, tsunami and rehabilitation program, and a national resource management program to develop sustainable livelihoods in rural Thailand. Additional programs and activities in association with the foundation include: a computer donation program, computer training with grade school teachers and students, accounting classes, lecturing by Merck employees, and an emotionally appealing program with customers geared to collect and donate books and assemble bookshelves for libraries in some of the poorest areas of Thailand.

Merck also sponsors a “Let’s Care Safety Camp” where winners of a national university-wide essay contest (n=50) are invited to a 3-day camp which focuses around the safe handling of chemicals. Participants are biology and chemistry students and the camp is a potential recruitment opportunity for Merck. In addition, Merck employees provide lecturers for the camp and hire university interns from Germany, USA, Switzerland, Austria and Thailand.

Of special note, Merck donated to the Raks Thai Foundation’s relief and rehabilitation program for tsunami victims. Merck and their business customers donated 2.5 million Baht for tsunami recovery in Thailand. Merck Germany donated an additional 2.5 million Baht. Taking only two days, they were among the first companies in Thailand to donate a substantial gift (1 million Baht) for tsunami relief. Landau said, “This resulted in the biggest employee reaction that I’ve seen from our employees. They felt proud to be associated with a responsible company and we were able to do it without a lot of red tape” (personal communication, April 5, 2005).

As Merck’s leaders, managers, employees, customers, and other stakeholders became more educated and aware of Merck’s commitment to being a good corporate citizen, they began to grow toward a civil stage of CSR. Their relationship and programmatic commitment with the Raks Thai Foundation is becoming more solid. For example, Merck employed a staff person dedicated to strengthening the partnership between Merck and Raks Thai and to promote CSR to other companies operating in Thailand. One of this person’s primary responsibilities is to work with foundation staff in planning a Merck volunteer program and to deepen the relationship.

In their commitment to health, safety, and the environment they originally built a Chemicals Distribution Center at Bangpoo Industrial Estate to comply with international standards and registered compliance. They now train customers and Thai government officials on the safe use of products. Acting as a facilitator between its customers who use Merck's products and the German and Thai governments, Merck is conducting a pilot program, funded by Germany, to collect and redistribute to a chemical recycling company. In addition, they have developed a waste management system for customers to reduce waste, to reuse waste, and to dispose of waste in an environmentally friendly way. For example, they work with customers to recycle empty glass and plastic bottles from pharmaceutical products in order to clean, crush, and donate to the glass and plastics industries.

Merck is moving toward the civil stage of CSR growth. Beyond the findings presented above, Merck is now sharing its knowledge and expertise with other companies and also with its nongovernmental organization partner as well. Their goal is to become a Thai role-model for successful corporate social responsibility initiatives. In 2005, they participated in two CSR business forums in Bangkok. Mr. Landau was a keynote speaker at the "Corporate Social Responsibility: Do Companies Have a Responsibility to Society" presentation. Landau is planning to conduct research to explore the attitudes and beliefs of CSR in Thai society. He is also meeting with other company executives to share strategies and best practices revolving around CSR as well as with local university representatives to create CSR courses and conduct research around the topic.

There are financial benefits for organizing around CSR for Merck. "Merck has strong positioning, clear branding, and loyalty from customers and employees. The "feel

good factor” in terms of overall impact to Thai society and overall financial benefits of CSR activities is really the foundation of our CSR programming” (Landau, personal communication, April 5, 2005).

Merck is trying to serve as an example of a successful company that gives back to the Thai society by increasing corporate awareness of CSR with all stakeholders. They are doing this through actual aid/donations given to the Thai public, to Raks Thai Foundation beneficiaries, and the raising of public awareness of pressing societal issues in Thailand. Landau explained, “We have the same obligation for Thai society as Thai organizations. A western company is in a position to do good because most of them are doing well. Many Thai companies are still struggling.

“Although a company must be able to justify expenses related to CSR and put them into a strategic business context, exclusively taking care of shareholders is very outdated” (personal communication, June 7, 2005). Wellbeing and satisfaction of customers, employees, and stockholders was an initial concern for Merck Thailand. Over time their mission evolved to include efforts to help Thai society. “We care about emotional bonds with customers and society beyond simple business transactions” (Landau, personal communication, June 7, 2005). He further explained that “The value chain of CSR is that satisfied employees translates into satisfied customers which creates more profit to shareholders allowing us to do even more for civil society”

### Conclusions

Merck Thailand is clearly in the strategic stage on the CSR continuum and has demonstrated that they are transitioning to the civil stage and Robert’s responsible director stage. This strategic orientation is demonstrated in the study’s findings and

Merck's corporate role-modeling. Their willingness to share their experiences, including potential pitfalls and the benefits of being a good corporate citizen speaks well toward their intention to be an innovator and catalyst of positive social change in Thailand. In their transition to the civil stage they are exploring ways to engage others in the citizenship dialog (e.g., participation in this study) and participate in alleviating social problems (e.g., their partnership with CARE International / Raks Thai Foundation).

CSR is Merck's branding strategy and at the core of their values. This study was only able to provide a sample of their CSR practices. A more exhaustive investigation would mean that the researcher would investigate the motivation and any ethical considerations involved in decision-making and company practices. In the case of Merck Thailand, these decision making considerations had already been planned and implemented prior to the commencement of this research.

CSR gives globalization popular roots and demonstrates social legitimacy. It becomes a gesture of good faith and good citizenship that multiple stakeholders - employees, customers, government, and society - are also being considered, not just the bottom line. It allows the company to make public their realization that they are not only *here to do business* but they are also representatives of their home countries, and a member of both home and foreign communities. International corporations have been engaging in strengthening civil society and all indications are that their role will increase (Waddak & Smith, 2002).

Communities should look deeper into the reasons a company is "doing good" so they are not used by a company for the latest public relations scheme or photo-opportunity. They should hold companies to their word when they make promises to

determine if the company is truly interested in the community's long-term success. Society should hold corporations accountable for practicing what they preach. Companies that use the media and philanthropic organizations as a way to highlight intermittent goodwill will find it increasingly difficult to compete as more companies adopt high levels of CSR orientation and practices.

Leaders of international business can also be responsible citizens. It means they will have to educate themselves and their employees about the benefits and liabilities of CSR. It means that profit is not the only motive and measuring success includes a variety of standards and incorporates the needs of multiple stakeholders. It does not mean to abandon profit altogether, rather it means to recognize that successful business includes additional factors such as a healthy, safe, and civil society. CSR must be more than public relations. It must be present in good financial times as well as bad (Benioff & Southwick, 2004).

Stepping onto this brighter path requires only that executive and their employees look to new sources of motivation – passion, conscience and a sense of duty – rather than cold hard cash, as their main drivers. Business leaders must look to the long term, not just to this quarter's results. It sounds simple but it requires a new mindset (Csikzentmihalyi, 2003).

Corporate philanthropy (strategic or otherwise) and corporate citizenship can mean different things in different places. Many Thai companies regularly contribute to social causes and would not consider what they do as anything out of the ordinary; they would say, "Giving to a cause is not good business it part of being a good Thai." When companies "go global" they need to carefully communicate expectations up front to the community, governments, and civil society institutions so their activities are not misunderstood and consequently backfire (Benioff & Southwick, 2004). Companies will

do well to recognize their transition through various stages of CSR in order to leverage their commitment to all stakeholders including customers, employees, stockholders, and the communities where they do business. CSR is an effective business organizing strategy for increasing the financial bottom line while simultaneously building civil society.

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