

Approaches toward Development of Being Corporate Governance Relative to Corporate Social Responsibility in Automotive Industry of Toyota Motor Thailand Company Limited

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Abstract: The purposes of this study were: (1) to study Toyota Motor Thailand's Corporate Governance-CG; (2) to study Toyota Motor Thailand's Corporate Social Responsibility-CSR; (3) to study the relationship between CG and CSR; (4) to propose approaches to development on CG relative to CSR of Toyota Motor Thailand.

The Quantitative research population researched 444 people from all management levels. Tools used in the research were: (1) questionnaires (2) an in-depth interview. Statistics used in the analysis of data were percentage and standard deviation. The relationship between used variables were carried out by Canonical Correlation and Path Analysis. Findings were: (1) CG deemed appropriate for Toyota Thailand was Participation at high (4.02); (2) Toyota's CSR in Legal at high (3.68). (3) The result of hypothesis testing on the relationship between CG and CSR in automotive industry of Toyota Motor Thailand was CG related with CSR at a medium (.633). (4) It was approached that the development on CG pertinent to CSR in Automotive industry of Toyota Motor Thailand were as follows: Company should focus on CG in acting under law by segregation of duties which affected to CSR in Ethic in term of the corporate ethical conduct with the public sectors.

Keywords: Corporate Governance, CG, Corporate Social Responsibility, CSR, Toyota.

I. Introduction

Air pollution or the fine particulate matter phenomenon called PM 2.5 in Bangkok has kept rising over the standard every year until it becomes harmful to our health. During the past few years, there have been several complaints to Pollution Control Department. In 2017, the complaints could be divided into issues as follows. No. 1 belonged to the problem of offensive odors (46%), followed by fume/dust as the second (21%);¹ caused by cars. Toyota Co., Ltd. is part of the automotive industry and the no. 1 of automotive manufacturer, with the manufacturing quantity of over 10 million vehicles per year² and the largest manufacturing base in Asian Region, with the manufacturing rate approximately 670,000 vehicles per year³ or 1 in 3 in the country and the world's 12th rank. Therefore, it was remarkably interesting to study how Corporate Governance (CG) and Corporate Social Responsibility (CSR) of Toyota Motor Thailand Co., Ltd. would be. The key objectives of the study were to study CG and CSR in the automotive industry of Toyota Motor Thailand Co., Ltd.; to study the relationship between CG and CSR; and to find a guideline on the development of CG related to CSR. For the hypotheses, CG consisted of abiding by all laws, integrity, equity and transparency, and participation. CG related to CSR consisted of economic responsibility, legal responsibility, ethical responsibility, and environmental responsibility.

¹Pollution Control Department, *Pollution complaint statistics 2017*, [Online], Source: http://www.pcd.go.th/info_serv/po12_stat2560.html, [18 April 2018].

²OICA. *World Motor Vehicle Production*, [Online], Source: <http://www.oica.net/wp-content/uploads/ranking-2013s-2.pdf>, [30 March 2015].

³Toyota Motor Thailand, *Sustainability Report 2014*, (Toyota Motor Thailand Co., Ltd., 2014), 14.

II. Methods

The mixed methods approaches were used in this research, both quantitative and qualitative.

For the population, the researcher mainly focused on the population with knowledge of CG and CSR, i.e., 741 executives from the different levels at Toyota Motor Thailand Co., Ltd. 444 samples were selected for data collection from the questionnaire.

For the study areas in accordance with CG and CSR in the automotive industry, the researcher used the 3 key plants of Toyota Motor Thailand Co., Ltd., i.e., Toyota Samrong, Toyota Ban Pho, and Toyota Gateway.

For the quantitative instrument design, a questionnaire was used based on the summary of relevant concepts, theories, and research into the conceptual framework to design the questionnaire related to the conceptual framework as set, i.e., 1) the questions about personal data, 2) the questions about the independent variable, and 3) the questions about the dependent variable. Then, validity of the questionnaire would be measured by IOC (Index of item objective Congruence) calculation. A value over 0.7 implied validity in accordance with Objective 1: CG, Objective 2: CSR. An interval scale was set for Objective 3 by finding canonical correlation, and for Objective 4 by path analysis.

III. Conceptual framework

For corporate governance, most people are more familiar the word “good governance.” The two words have the same meaning, which refers to governance with morality and virtues. Good governance focuses on government agencies or the government sector whereas corporate governance directly focuses on business or companies, which is more tangible and easier for practice.⁴ To apply the concept of good governance for administrating the private sector, it refers to the system for directing and controlling a company. Therefore, it implies the relationships among the board, management team, shareholders, and interested persons in setting the direction and governing company performance that finally leads to efficient advancement under uprightness, transparency, and ethics. Equality of both internal and external interested persons must also be considered along with social and community responsibility.⁵ The development of modern and tangible cooperate governance or CG in the US at the beginning of 1980s emerged when authorities and boards of companies took advantages without paying attention to business owners or small investors. Leading investment institutes had to intervene those authorities. Therefore, a guide of practice for corporations in 1990s was regulated. At the beginning of 2000s, the law in the US stock markets, both NYSE and Nasdaq, was clearly regulated, i.e., Sarbanes-Oxley Act (SOX) which has been effective since 2003. However, it does not mean that this is the genuine code for CG. That is because legal problems in the US, of which each state is independent without national law, make it difficult to set a national code. Besides, there is a small confidence in the American society that the power of law is still weaker than other countries. European countries showed their advancement of CG by publicizing in Cadbury, UK, in 1992. To clarify, CG was introduced in the form of the comply-or-explain model, with the standard for using as a corporate code in several countries. Cadbury was initially used for corporations in UK. However, a few countries finally used it as a combined code. Cadbury was revised several times until it has hugely been spread as a CG code in Europe and other regions in the world. Lastly, the first code in the world was originated in the Nordic countries by Denmark in 2001. Later, the European Commission has used CG since 2003, with the revision as a practice guide for government and organizational law. Even so, it has still failed to create conformity between the government and organizations. However, the commission expects that the member countries can use it for CG under the law of their own countries. Therefore, it can be concluded that the limited conformity is a key point for CG. Then, a few non-member countries have used it under their own law as well. The prototype of CG which has been accepted widely at the international level is from the Organization for Economic Co-operation and Development (OECD) for developing countries or emerging economies of the International Corporate Governance Network (ICGN); including the Stock Exchange of Thailand (SET). The prototype is divided into 7 dimensions, i.e., (1) corporate value added, (2) ethical practice, (3) ability to explain and responsibility, (4) democracy to shareholders and equity to interested persons, (5) integrity of financial report, (6) transparency, and (7) autonomy. This procedure aims to reduce or avoid conflict of interests and abusive self-dealing. Therefore, it can be concluded that CG of OECD has remained and continued for equity.⁶

CSR has had rather long development, with all-time change. However, the development of the concept related to businesses and society can be divided into 4 ages as follows.

First age: In pre-1960s, there was some talks on CSR related to business conduct. It was regarded as the age of the start for CSR. Howard R. Bowen, praised as the father of CSR, wrote a book called “Social

⁴Attawoot Papangkorn, *Thai Corporate Governance*, [Online], Source: <http://thaicg.wordpress.com/2013/12/03/Thai> Corporate governance, [2 February 2015].

⁵Ratchaya Pukdeejit, *Good Governance, Public and Private Management*, (Bangkok: Chulalongkorn University Press, 2012), 149.

⁶Suthisak Kraisormsuthasinee, *Corporate Social Responsibility*, (Bangkok: Plan Printing Co., Ltd., 2013), 85-87.

Responsibilities of the Businessman.” The main idea stated that “CSR of businesspeople refers to their burdens on policy implementation, decision making, or practice in accordance with objectives and social values.” However, this idea was gone during World War.

Second age: In 1960-1970, the age of economic recovery, human rights and environmental issues were more concerned. The Organization for Economic Co-operation and Development or OECD was founded in 1960. It is an international organization of developed countries, with the acceptance of democracy, free trade, and economic development in European Region as well as the world. The organization set the clear goal that there would be the maximum economic growth and employment, along with the standard of higher quality of life in the member countries. It also gave precedence to financial stability and participation in the world economic development. However, CSR was still unclear because there was the borderline between membership and non-membership of OECD. For this reason, the United Nations Environment Programme (UNEP) held the meeting in 1972 on community and business growth that would protect humans and environment. This awaked several countries until 1976 that Canada used the guide from OECD to regulate the law of Canadian nationalism and investment review for foreigners. The law is currently set as the core for the national CSR policy⁷

Third age: In 1980-1990, International Union for Conservation of Nature (IUCN) introduced the World Conservation Strategy in 1980, with the key objective for conservation and prevention of living resource destruction due to poverty, pressure of populations, social and trade inequality. However, the strategy still focused on the stability of the world economy rather than social inequality, social impacts, and poverty. Until 1987, the concept of sustainable development was introduced and set in the report of Our Common Future, recognized as Brundtland Repor, in the meeting of the World Commission on the Environment and Development by Dr. Gro Harlem Brundtland. Then, Prime Minister Brian Mulroney of Canada announced his intention to find an international institute that would dedicate to sustainable development within the United Nation under the name “International Institute for Sustainable Development-IISD” in 1988. Also, the policy of National Round Table on the Environment and the Economy was set in this decade. The concept of sustainable development was extended in UN Earth Summit 1992 in Rio de Janeiro until it became a business form called Triple Bottom Line (TBL), simply so-called 3P (People, Planet and Profit).⁸ It was a concept to use sustainable development for advantages of business competitions in compliance with the concept of Archie B. Carroll, stating that CSR was responsibilities in different aspects that the society expected from business organizations, i.e., economic, legal, ethical, judgement, or assistance. This concept was used for designing the Social Performance Model,⁹ with the revision of judgement into assistance under the CSR model.¹⁰ It was finally developed into “Pyramid of Corporate Social Responsibility”¹¹ (Alessia, Sybil, and Sue, 2009) until European Union hugely gave precedence on CSR from the EU meeting 2000 in Lisbon. “Green Paper” in CSR was used in the next year.¹²

Current age: From 1991 up unto currently, the starting point was from the 10 principles set by the United Nations Global Compact consisting of ILO, UNDP, UNEP, UNIDO, and NUHR as follows. (1) Businesses should support and respect the protection of internationally proclaimed human rights. (2) Make sure that they are not complicit in human rights abuses. (3) Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining. (4) The elimination of all forms of forced and compulsory labor. (5) The effective abolition of child labor. (6) The elimination of discrimination in respect of employment and occupation. (7) Businesses should support a precautionary approach to environmental challenges. (8) Undertake initiatives to promote greater environmental responsibility. (9) encourage the development and diffusion of environmentally friendly technologies. (10) Businesses should work against corruption in all its forms, including extortion and bribery. However, increasing business merger and acquisition caused Partners for Progress, and agency of OECD, held the meeting in Paris with the key focus on businesses to adapt to social behavior and CSR that would finally lead to sustainable local development. Then, the outcomes were disseminated into a practice guide of CSR in 2001. 2 years later, Archie Carroll and Schwartz included ethics and judgement as the same dimension. Therefore, only 3 dimensions remained, i.e., economic, legal, and ethical. Other agencies, e.g., Global Compact and IISD also joined meetings several times to find conclusions and turn them into policies and practice plans. Implementation outcomes were also revealed. Finally, International Organization for Standardization (ISO) set it completely as the standard practice guide in

⁷OECD, *OECD Principles of Corporate Governance*, (Paris: OECD Publishing, 2004), 9-10.

⁸Dunne, Stephen, *What is Corporate Social Responsibility Now?*, (Ephemera: Review essays, 7(2) 2007, 377-378.

⁹Carroll, Archie B. *A Three-Dimensional Conceptual Model of Corporate Performance*, (New York: The Academy of Management Review, 4(4), 1979), 497-505.

¹⁰Goodpaster, Kenneth, *Corporate Social Responsibility the Shape of a History, 1945-2004*. (Minnesota: Center for Ethical Business Cultures, 2004), 19.

¹¹D'Amato, Alessia, Henderson, Sybil, Florence, Sue, *Corporate Social Responsibility and Sustainable Business: A Guide to Leadership Tasks and Functions*, (North Carolina: Center for Creative Leadership, 2009), 8.

¹²Hancock, John, *Investing in Corporate Social Responsibility: A Guide to Best Practice*, UK: Business Planning & the UK's Leading Companies, (London & Sterling VA: Kogan Page Limited, 2005), 10.

accordance with ISO26000 in 2010. Interested persons from all over the world, i.e., the government, private, civil, and academic sectors; and key international agencies also participated in sustainable CSR standard development. Philip Kotler and Nancy Lee, the key reputable marketing researchers, and academicians in 2005 classified CSR in groups for easier understanding. To clarify, they classified social projects or activities called corporate social initiatives into 6 types.¹³ The ones that have been widely used and referred to include (1) cause promotion, (2) cause-related marketing, (3) corporate social marketing, (4) corporate philanthropy, (5) employee engagement, and (6) socially responsible business practices. The Securities and Exchange Commission, Thailand (SEC) provides 8 sections¹⁴ of the practice guide for registered companies and general businesses, i.e., (1) good corporate governance, (2) fair business, (3) respect of human rights and fair practice in labors, (4) responsibilities to consumers, (5) community and social development, (6) environmental care, (7) diffusion of innovation based on CSR implementation in business conduct, and (8) social and environmental report.

IV. Results

For general data collection from 444 samples who were executives of Toyota Motor Thailand Co., Ltd., most of them were male (71.8%); aged below 30 years (45.7%); graduated with bachelor’s degrees (51.4%); worked as junior executives (47.67%); and had income below 50,000 baht/month (39.4%). For the analysis of “CG,” the independent variable, the results of Canonical correlation analysis under standard scoring (between -1.0 to 1) revealed that abiding by all laws was extremely high (.716). Integrity was exceptionally low (-.204). Transparency was incredibly low (-.261). Participation was also extremely low (-.162). As for “CSR,” the dependent variable, the results of Canonical correlation analysis under standard scoring (between -1.0 to 1) revealed that economic responsibility was very low (.257). Legal responsibility was exceptionally low (-.225). Ethical responsibility was low (-.392). Environmental responsibility was incredibly low (-.276). For the hypotheses, CG consisted of abiding by all laws, integrity, equity and transparency, and participation. CG related to CSR consisted of economic responsibility, legal responsibility, ethical responsibility, and environmental responsibility. The Canonical relationship between the set of the dependent variable and the set of the dependent variable was .633, with positive correlation coefficient. This meant both variables related to each other in the same direction, implying that CG, the independent variable, related to and affected CSR moderately.

The relationship between the independent variable and the dependent variable is displayed in Fig. 1. Abiding by all laws (.716) related to ethical responsibility was low (-.392).

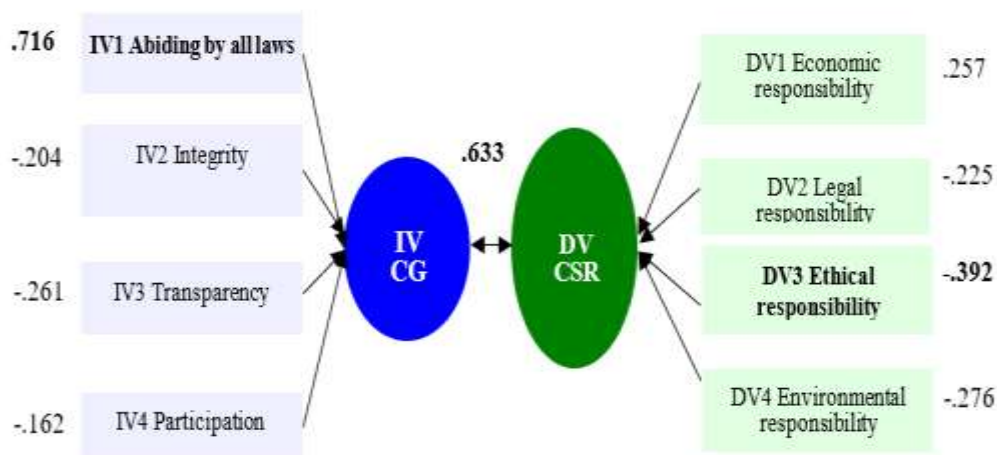


Fig. 1: The relationship between the independent and dependent variables.

According to the results of finding a guideline on the development of CG related to CSR in the automotive industry of Toyota Motor Thailand Co., Ltd. from path analysis, it can be concluded that CG affected CST in the automotive industry of Toyota Motor Thailand Co., Ltd. was arisen from the implementation that the organization focused and gave precedence to abiding by all laws under duty assignment based on prioritization. This conformed to giving precedence to social and ethical responsibility, particularly ethical practice toward other organizations, as displayed in Fig. 2.

¹³Kotler, Philip and Lee, Nancy, *Corporate Social Responsibility Doing the most Good for Your Company and Your Cause*, (New jersey: John Wiley & Sons, Inc., 2005), 2.

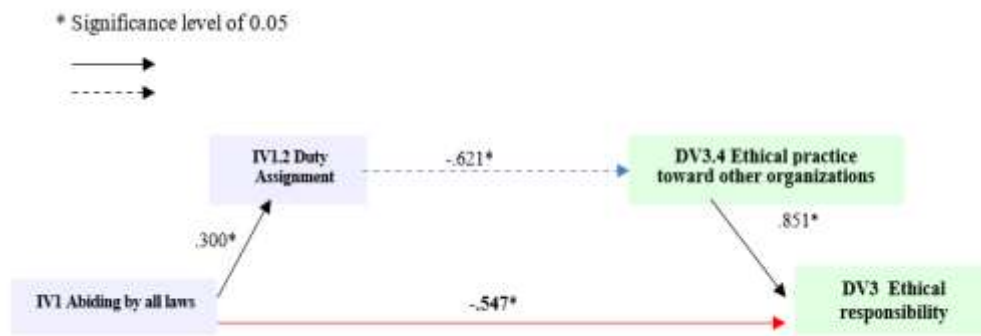


Fig. 2: The results of path analysis of CG and CSR.

V. Conclusions and discussion

The results can be concluded that CG under abiding by all laws was indispensable. It consisted of duty assignment; legal obligations; autonomy; and holding to supreme laws, rules, and regulations. This conformed to the interview with the executives of Toyota Motor Thailand Co., Ltd., which is a multinational company under the headquarters in Japan and operates in several countries, particularly the US, in which supreme laws, rules, and regulations are used. For example, Antibribery and Corruption is a policy and practice guide on antibribery and corruption. Sarbanes-Oxley Act or SOX is a law to prevent to protect investors by preventing fraudulent accounting and financial practices at publicly traded companies. CG related to CSR in term of ethical responsibility, consisting of ethical practice, code of business conduct, abiding by all laws, and ethical practice toward other organizations. This conformed to the company working under the philosophy transferred from generation to generation with the determination to be citizens with social responsibility and responsibility toward interested persons by holding to CG, i.e., (1) abiding by all laws, regulations, and standards; (2) respect and protect human rights; (3) emphasize safety and good health in the workplace to reduce accidents and protect the environment; (4) never accept or offer favors in hopes of receiving an unethical reward; (5) never create a conflict of interests between the company and your personal interests; (6) practice fair purchasing and employment practices with transparent competition for positions; (7) take good care of company property, in the best interests of the company's business; (8) keep an open line of communication with society, providing truthful honest information, and listen to the ideas and opinions of stakeholders; (9) reinforce the company's positive relations with the public sector in a suitable, transparent, and non-corrupt manner; (10) contribute to communities and other public organizations for the development of beneficial public environmental and safety activities; and (11) conduct international business with respect for laws, culture and rules of the partner country.¹⁴ This conformed to the research of Jirayu Supsin, Wanchai Suktam, and Surasak Chamaram¹⁵ who concluded that the rule of law is an enactment of laws, rules, and regulations under novelty and equity. It must be accepted by the society. And the society is willing to follow those laws, rules, and regulations. It is regarded as ruling under law, neither under arbitrary power nor under individual's authority. The principles of law play the key roles in controlling behavior of business organizations. Likewise, Suthisak Kraisornsuthasinee stated that¹⁶ all involved principles as the heart of CG that connected with CSR, e.g., ability to describe, being responsible for decision making and work outcomes, ethics, and transparency. It also conformed to the basic principles of OECD,¹⁷ stating about the CSR framework with efficiency use that a proper foundation of laws, rules, regulations, and all involved organizations is required. Above all, conformity and support are also necessary, i.e., ethical, responsible, and transparent practice; along with ISO26000¹⁸ that contains laws and ethics as the requirements for basic practice. Similarly, the standards of OECD and IISD clearly state that the best key is practice and reporting in compliance with law strictly under social, ethical, and environmental responsibility.¹⁹ And definitely, Thai Royal Decree on Criteria and Procedures for Good Governance B.E. 2546 (A.D. 2003) is a roadmap for the direction framework and for efficient as well as effective practice guide²⁰

¹⁴Toyota Motor Thailand, *Company Profile*, [Online], Source: https://www.toyota.co.th/index.php/app/page/group/about/view/company_profile [2 February 2018].

¹⁵Jirayu Supsin, Wanchai Suktam, and Surasak Chamaram, *Good Governance in Local Administrative Organizations (LAOs) under Thailand 4.0.*, Mahachula Academic Journal, 6(1), p.129.

¹⁶Suthisak Kraisornsuthasinee, *Corporate Social Responsibility*, (Bangkok: Plan Printing Co., Ltd., 2013), 26, 91.

¹⁷OECD, *G20/OECD Principles of Corporate Governance*, (Paris: OECD Publishing, 2015), 13.

¹⁸Soderberg, Staffan, *ISO 26000 and OECD Guidelines*, (Geneva: iso.org, 2017), 27-30.

¹⁹Hohnen, Paul, *Corporate Social Responsibility: An Implementation Guide for Business*, (Winnipeg: International Institute for Sustainable Development, 2007), 15-16.

²⁰Institute for Good Governance Promotion, *Handbook, Description, and Practice Guide in Compliance with Thai Royal Decree on Criteria and Procedures for Good Governance B.E. 2546 (A.D. 2003)*, (Bangkok: Sirabutr Printing Co. Ltd., 2003), 7.

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