

Critical Perspectives on Corporate Social Responsibility in the Developing World

BEYOND CSR?

BUSINESS, POVERTY AND SOCIAL JUSTICE

IN THIS EDITION

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Corporate Social Responsibility has been adopted as an approach to international development. But who does it benefit, how and why? Does CSR have the potential to redefine the meaning of good business practice as meeting the needs of poor and marginalised groups? Or is there a danger that by basing development policies around a business case, the inequalities that haunt international development will widen rather than diminish?

The International Research Network on Business, Development and Society brings together an international team of researchers to respond to these questions developing critical perspectives on the basis of empirically informed and theoretically challenging work on CSR conducted across a range of sectors and countries.

The purpose of this briefing is to represent some of the key cross-cutting insights from this work.

Business plays an increasingly important role in development. As providers of good and services, as employers, as investors and increasingly as shapers of developing countries' policies, there is no doubt they are central to efforts to tackle poverty. Can this role be performed through business-as-usual practices, voluntarily and through the market or does it need to be guided, regulated and driven by broader state-led developmental priorities? Do states still have the power to play this role? In a context of globalisation there are concerns that businesses enjoy unprecedented power which enables them to pressure weaker governments, to locate their enterprises in areas of weak or non-existent social and environmental regulation and ex-

loit poorer communities. How to harness the positive potential of business whilst at the same time containing corporate irresponsibility presents an enormous challenge for development practitioners. For many, Corporate Social Responsibility, provides some of the answers with its emphasis on win-win solutions, partnership and voluntary responses to a range of social and environmental problems. Understanding the potential and limitations of CSR initiatives to tackle development issues is therefore, key.

What is CSR?

Despite attempts to formulate generally applicable definitions, there is a lack of clear consensus about what is and what is not CSR, reflecting a more fundamental debate about the appropriate role of the corporation in society. This confusion is amplified when translated to the world of development policy where consensus is equally lacking about how to measure and define, let alone tackle poverty. Determining in a clear fashion the

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ways in which firms can alleviate or may contribute towards poverty is therefore a fraught task. Our entry point here is to suggest that different models of CSR have impacts on different types of poverty. It is to be expected that acts of philanthropy, contributions to community development, codes of conduct and compliance with international standards of best practice will yield different results, are responsive to different stakeholders and therefore impact the poor in distinct ways. Establishing which models benefit poorer groups most is the challenge.

2. Critical Perspectives on Corporate Social Responsibility in the Developing World

Beyond the business case

Much of the current debate about CSR is aimed at persuading business that there are sound financial reasons to look beyond the bottom line and to consider social and environmental responsibilities to wider society. Making the business case for helping to tackle poverty is often harder. Does CSR have relevance for addressing problems where a near term business case cannot be made? Are there other ways to think about the role of business in development that do not rely on appeals to immediate self-interest but instead emphasize the duties and obligations of firms to help confront problems facing the societies in which they operate? We suggest there are.

The Limited Reach of CSR

Our work suggests that CSR initiatives work for some firms, in some places, in tackling some issues, some of the time. Rather than seeking win-win solutions that apply across all settings, all of the time, the challenge for engaged researchers is to explore the potential and limitations of CSR in specific settings. What works in one situation may well not work elsewhere. Assumptions within current CSR models about responsive business interested in CSR, an active civil society willing to partner with business and a strong state able to provide an enabling environment for CSR, demand conditions which are absent in the majority of the world.

For example, increasingly firms in Argentina, faced with a context of financial collapse in the economy in the wake of the crisis

of 2001/2002, have been expected to get involved in programmes that tackle directly the poverty created by the crisis rather than focus exclusively on more traditional CSR concerns such as working conditions and the environment. This is despite the fact that in the absence of an active lead from the state on CSR issues, a strong emphasis on development issues has been hard to achieve. In India, despite strong legislation on environmental issues, pollution control at state level

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is often weak, creating an important role for community-based monitoring and enforcement. Relying on the state for protection has also proved problematic in Nigeria where conflicts over oil resources and the profits deriving from them between central government and communities have resulted in violence and conflict. In China, we have a strong state but weak levels of civil society development so that independent monitoring of working conditions presents a difficult task. In South Africa, the unique legacy of apartheid has meant that companies have had to address issues of racial inequality through initiatives on black empowerment. In Bangladesh, dependence on the garment industry raises a particular set of issues for the women and child workers that make up the majority of employees in the sector, for which easy answers are hard to find. In many countries smaller and medium-sized enterprises are the key employers of the poor, where direct developmental contributions could be greatest, but where CSR is currently most weakly embedded. Recognising this provides an important check against importing CSR models from one context to the next without regard for key differences that determine success.

In such diverse settings it is unsurprising that CSR initiatives take different forms and have differing impacts upon poverty and the marginalisation of people from development opportunities. While codes of conduct may

be able to improve basic working conditions in some instances, they are currently less able to tackle patterns of discrimination and harassment at the workplace.

While compliance with international environmental standards ensures improvement within the production process, it does little to improve address the social and environmental externalities produced by that process. A holistic view of poverty is required in which CSR initiatives have a contribution to make, but governments and donors have to be realistic about what can be achieved by them in isolation from their own efforts to tackle poverty.

The Importance of Process

Though many CSR initiatives focus on output; improved auditing and benchmarking of firms' performance in relation to specified standards and codes, our work emphasises the importance of process in CSR initiatives if they are to benefit poorer groups. At the design stage, the neglect of gender issues often means codes of conduct fail to address the unique needs of women workers as work from Central America clearly shows. Engaging the intended beneficiaries is key in this respect through participatory processes of design, enforcement and evaluation.

Likewise, in instances of corporate irresponsibility legal process issues take centre stage; access to justice, to mechanisms of appeal and compliant all become crucial in enabling poorer groups to contest badly conceived investments in which their interests may have been overlooked. Ambitions of improved conduct expressed in global programmes such as the Global Compact are just a starting point. They have to be translated into practice, they have to be made real. As work in India suggests, companies party to global CSR initiatives but facing accusations of poor performance at local level can expect to find their claims contested.

With so much at stake, improving the process by which businesses engage with poorer groups, will not be easy. Development initiatives are inherently political and conflictual as the actors involved have competing priorities and ideas about how to achieve them. This is in contrast to management models which often assume equality between stakeholders and that conflict amounts to differences of opinion, resolvable through dialogue, rather than fundamental differences of interest, which are much harder to resolve. Technical and tick-box approaches to CSR that fail to recognise this are unlikely to make a meaningful contribution to development.

The role of the state

Despite the anti-state bias of many CSR initiatives with their emphasis on voluntarism and self-regulation, the state remains a key actor in CSR and development. Designing anti-pov-

erty strategies and trade and investment policies that will help to contribute to these is the responsibility of the state. This is not to say that the state plays a benign role as work in Nigeria, India and elsewhere suggests this clearly not to be the case. But through systems of incentives and disincentives provided through regulation, tax and the like, governments set the terms and conditions for the role of business in their countries' own development.

Legal systems can determine the respective rights and responsibilities of investors and the communities that host them through property rights, planning rules and systems of redress. Legal ethics and company law also have to play in defining the appropriate conduct of firms and creating mechanisms of enforceability regarding firm's responsibilities.

Forward-looking firms have important contributions to make in their own right, often guided merely by self-interest. Building local health clinics and providing clean water makes for healthier employees, building roads may be beneficial for community and company alike, but beyond the clear 'win-win' scenarios, businesses, perhaps unsurprisingly, often perform poorly as social development actors. Lack of human resources, the adoption of technical frameworks for understanding complex social problems and lack of integration of firm activities within broader development programmes, often undermine their ability to promote lasting development. The poor performance of many firms as social development actors amid so many competing and ever increasing demands, only serves to underline the primary role of the state as the key agent in poverty politics.

From Responsibility to Accountability

Though CSR emphasises the social and environmental responsibilities of firms, many of the cases we explore, underline the importance of accountability in thinking about the potential role of business in development. Enabling poorer groups to hold investors to account for their social, environmental and developmental obligations helps to ensure that firms deliver on promises of employ-

ment, gain for the community and responsible use of natural resources. Often the failure of state support to the poor and the absence of corporate responsiveness has led poorer groups to adopt their own community-based strategies of corporate accountability as the work in India and South Africa describes. Hearings, peoples' development plans and community environmental monitoring have all proved to be important in this regard. Such strategies appear to be prevalent in areas of the world beyond the reach of CSR where companies are less concerned about brand name, less subject to activist scrutiny and state pressure for reform.

The fact that people resort to everyday practices of corporate accountability is not an argument for excusing state inaction, but rather an indication of it.

Towards a South-centred CSR

The world of CSR would look very different if the priorities of poorer groups were put first. Both the content and the process by which CSR initiatives are created would look different. It is probably too much to expect businesses to operate in the world as if poverty alleviation were their main objective. The greatest contribution CSR initiatives can make is through reinforcing state-led development policy. CSR strategies need to graft onto, enhance and amplify the impact of existing pro-poor initiatives, even if they can also make contributions in their own right. Disaggregating who the poor are and the different needs they have is useful in this regard. As producers, consumers, employees and citizens they will present companies with a range of, often competing and contradictory demands.

Encouraging firms to take seriously their social and environmental obligations to society is to be encouraged. The business of business is no longer just business. Expecting too much of CSR, particularly regarding its contribution to tackling poverty, however, is unrealistic. Philanthropy, standards and codes of practice and engagement in partnerships

make potentially important contributions to development. In and of themselves, however, they are inadequate. They fail to address acts of corporate irresponsibility. It remains the case that they have not yet been adopted by the majority of firms, public and private, multinational or small and medium-sized and therefore the majority of employees of the poor. They fail to address difficult questions about treatment of suppliers, about commu-

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nity re-investment, about obligations to invest long-term or to provide job security. The range of development issues they address, while important, is limited.

It remains the role of governments, supported by donors and working both with firms and civil society groups to enable a more critical CSR agenda one which looks at the range of business impacts upon poverty and the potential contributions of all actors in development towards helping to achieve the Millennium Development Goals.

“Technical and tick-box approaches to CSR that fail to recognize conflict, inequality between stakeholders, and fundamental differences of interest are unlikely to make a meaningful contribution to development.”

Notes:

This Policy Briefing was written by Peter Newell on behalf of the International Research Network on Business, Development and Society.

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About the Network:

The International Research Network for Business, Development, and Society is driven by a concern for social and environmental justice. It engages in independent research that poses critical questions about the role of business in development. It aims to open spaces for dialogues, debates and action, that contribute to better policy making and practice, and that reflect diverse and under-represented voices.

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