Moving the Corporate Citizenship Agenda to the South

by Halina Ward and Tom Fox

The idea of responsible business behaviour is as old as business activity itself. But increasing concerns over the impacts of economic globalisation on poor countries and people have led to new demands for corporations to play a central role in efforts to eliminate poverty, achieve equitable and accountable systems of governance and ensure environmental security. Today's corporate responsibility agenda brings new themes, debates and agendas to the sustainable development arena, offering both opportunities and challenges.

The terms of the debate have changed since the Rio Earth Summit, with its focus on eco-efficiency and cleaner production. A new business-oriented vocabulary has entered the mainstream of sustainable development, including terms like *corporate citizenship, ethical business* and *corporate social responsibility (CSR)*. There is no consensus on what exactly is meant by these terms, but CSR is often used as shorthand for the whole debate, and is usually taken to include environmental as well as social and human rights based impacts and initiatives.

Whatever the language used, the basic idea is to understand business as part of society – not somehow separate from it. The sustainable development approach, which recognises that economic, social and environmental issues and impacts cannot be treated in isolation, is a valuable basis for defining corporate responsibility. The overall challenge for business and business stakeholders is to work through the elements of initiatives and governance frameworks that can enhance and sustain the positive benefits of business activity for people and the environment, and minimise negative impacts.

Since Rio, a whole raft of management and accounting tools that can help companies to manage the impacts of business activity and incentivise better behaviour has been developed. This includes: codes of conduct for application in the supply chain or within individual companies; labels that can provide a shortcut to consumer choice based on environmental or social considerations (like the Forest Stewardship Council's label and certification process); guidelines for companies reporting on environmental and social issues (like the guidelines of the Global Reporting Initiative); and a variety of indices to help investors decide which companies are the best environmental or social performers (like the Dow Jones Sustainability Indexes).

Partnerships – between government, industry and civil society in various combinations – have been critically important to progress. And beyond the environment-focused agenda of the early 1990s, many initiatives now address issues like labour conditions, human rights and corruption in ways that would have seemed alien at the time of the Rio Summit.

But there are limits to what these voluntary tools can achieve. Much of the effort to encourage wider adoption of CSR approaches focuses on a need to identify and state 'the business case' for voluntary approaches and business responses to the signals that they generate in the marketplace. There can be direct commercial gains from corporate adoption of social or environmental policies, for example through waste reduction, employee retention, inclusion in socially responsible investment (SRI) portfolios, or brand enhancement. But CSR does not always provide such easy 'win-wins'. One problem is that the business case for voluntary adoption of CSR strategies is most readily made to large companies with a high profile brand image that is vulnerable to negative publicity or campaigning if irresponsible practices are uncovered, such as high street retailers or branded clothing manufacturers.

There is no reason why smaller or less visible companies should be considered any less responsible for the social and environmental impacts of their operations, but we live in a real world in which a variety of incentives are necessary to persuade (or indeed to allow) companies to act on this responsibility. It is inescapable that there are companies for whom investing in higher social or environmental performance makes less direct commercial sense.

At the 1992 Rio Earth Summit, Stefan Schmidheiny, Chairman of the Business Council for Sustainable Development called for a bold new partnership between business and governments: *'Business must move beyond the traditional approach of back door lobbying: governments must move beyond traditional over-reliance on command-and-control regulations'* (see "Changing Business Attitudes", Earth Summit '92, IIED).

Ten years on, with a decade's experience of the economic globalisation agenda and its discontents behind us, it seems that governments have moved more than business. The CSR agenda is now characterised by an unhelpful tendency towards polarisation between those who favour voluntary approaches (predominantly in the business community) and those who argue for increased regulation (including many NGOs). Now, as at Rio, incentives for businesses to adopt more socially and environmentally positive practices will need to come from a combination of enabling and prescriptive regulation, alongside the raft of voluntary initiatives and pressure from civil society. Ensuring that companies pay the real costs of their negative environmental and social impacts presents a huge challenge, requiring a combination of corporate commitment and government intervention to provide adequate frameworks and incentives. The urgent need now, across regulatory and voluntary initiatives alike is to ensure democratic accountability at the local level and sufficient flexibility to maintain diversity of local values.

In the run-up to WSSD, some NGOs, led by Friends of the Earth International, have campaigned for the Summit to mark the start of negotiations for a new international corporate accountability convention. In contrast, government deliberations have sought to capture business appetite for voluntary engagement in sustainable development initiatives. Rightly, there is recognition of a need to examine the business contribution to securing improved environmental performance and social conditions in developing countries. The WSSD process has focused on this dimension; exploring the scope for WSSD to offer a framework for partnership-based commitments that deliver implementation in the Summit's key priority areas. The corporate accountability agenda in contrast has been downplayed, but is unlikely to disappear.

There are other structural deficiencies in the current CSR debate. There is an increasing recognition of the tendency for some CSR initiatives, such as certification, to endorse existing good practice rather than catalyse change among laggards. The result is that attention is diverted away from measures that could improve the social and environmental impacts of the worst corporate performers.

A limited focus on the social and environmental conditions of current business activities may lack the long-term vision needed to tackle broader problems. For example, codes of practice for worker welfare in the South African wine industry are unable to address trends towards mechanization and casualisation of the workforce.

The principles of the UN Global Compact, the UN's principal international initiative in the field of CSR, focus on three themes of the corporate responsibility agenda: environment, human rights and labour. But for many people living in the South, the economic and development aspects of CSR are just as important.

Preparations for WSSD have seen a business-led call for a new effort by responsible corporations to develop economic activity in the poorest countries of the world. That is a good start. But the economic aspects of corporate responsibility go further than many northern multinationals would find comfortable – encompassing areas such as technology transfer, terms of trade between local suppliers and foreign multinationals, and the distribution of returns to knowledge.

The dynamics of the CSR agenda need to shift to the South if they are to reflect the principles of equity that lie at the heart of sustainable development. Now as at UNCED, critical voices are questioning the verifiability of the commitments that companies propose and the extent to which they genuinely assist sustainable development, particularly in the South. The drivers of CSR often reflect the priorities of northern campaigning organisations or the incomplete information of northern consumers. The pressures for change are not uniform within or between sectors, and demand-side requirements may not coincide with local social and environmental priorities.

Voluntary initiatives offer the possibility of going beyond the minimum standards set by national legislation. But they can also divert attention away from a need to ensure that the norms of host countries are respected and enforced – particularly in countries or regions where capacity for implementation and enforcement is limited or civil society is weak. Working through the roles and responsibilities of different actors in the corporate citizenship agenda issues new challenges to governments to guarantee good governance by public institutions. But governments have been slow to recognise that this is their unique contribution to corporate citizenship.

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Real concerns are beginning to emerge from critics in the South that codes of conduct and other CSR tools are mechanisms of a new protectionism, restricting access to northern consumer markets and reinforcing the market power of the largest companies. Multinational companies that are seen to promote the policies of their home governments or civil society groups run the risk of being accused by local stakeholders of new forms of 'neo-colonialism'. Increasingly stringent requirements for companies to demonstrate their social and environmental policies by adhering to buyers' codes of conduct or private certification schemes have the potential to exclude many southern producers from market access. In particular, smaller companies often do not have the capacity and resources needed to meet buyers' inspection regimes or to seek accreditation under third party certification or labelling schemes. And inspecting a large number of disparate suppliers has the potential to become too complicated for buyers, who may rationalise their supply base, favouring only the larger producers. There is a danger that these fears could lead to a counter-productive polarisation of the CSR debate along North-South lines.

In short, the contemporary debate has been overwhelmingly driven by Northern stakeholders. Large companies and non-governmental organisations based in OECD countries have hogged the stage. Southern perspectives on corporate responsibility are not adequately represented in current debates, and there are few mechanisms that enable Southern stakeholders to inform and influence corporate policy and practice. There is an urgent need to bring Southern perspectives into the international corporate responsibility debate, both to highlight where and how corporate responsibility can best contribute to sustainable development, particularly in the South, and to identify public policy and civil society interventions that can reinforce incentives for responsible business behaviour.

There is a need to enhance opportunities for Southern stakeholders to engage with CSR initiatives, both at individual company level and in the broader CSR debate. This means that companies in the North need to build a greater understanding of the diversity of Southern stakeholder needs and priorities, and how to reflect them in overall corporate responsibility strategies. Both Northern and Southern stakeholders need to identify ways of integrating CSR into the practices of Southern businesses - both domestic and transnational. This will mean working to tackle the power imbalances that limit the potential for Southern stakeholders to engage with companies on equal terms. Bringing Southern perspectives into the design and implementation of CSR initiatives is crucial.

Solutions that can set us on track towards sustainable development need more than ever to be based on partnership between stakeholders. The corporate responsibility agenda has become a focal point for efforts to build and sustain new alliances and partnerships. Large companies are increasingly helping to build the capacity of smaller enterprises in their supply networks, or working directly with local communities for mutual benefit. Advocates of corporate responsibility within companies rely on civil society support to make their case. Governments, particularly in the North, are building new partnerships with companies in pursuit of international and national sustainable development goals, and are increasingly seeking ways to link the corporate responsibility agenda into their development assistance work. But effective partnerships must be built on mutual concern and respect and sustainable partnerships can only be built among equals. That is a critical challenge for Johannesburg and beyond. ■

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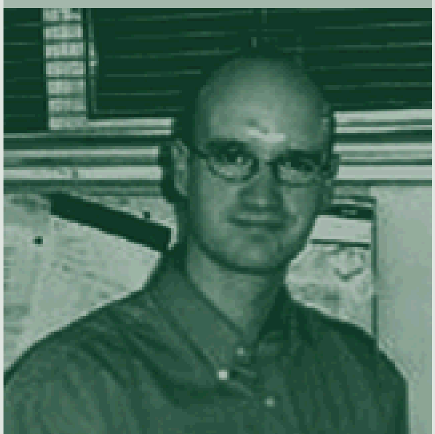

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Halina and Tom both work on a programme of action-oriented research and capacity building which aims to bring southern stakeholder perspectives into the international corporate responsibility agenda.