

Debating corporate social responsibility

Keeping business on board

'A delicate business' (*The Broker* 8) emphasized that corporate social responsibility initiatives are often insufficient for alleviating poverty. Key issues raised in responses to the article are discussed here.

There is a growing belief, known as the 'business case', that commercial profits can go hand in hand with social, economic and environmental benefits. This encourages the idea that the private sector can help combat poverty by practicing corporate social responsibility (CSR). But as the article 'A delicate business' (*The Broker* 8) concluded, CSR can only be an instrument that breaks the spiral of poverty if a large number of corporations implement its values more seriously in their day-to-day business models.

There is a lot of debate surrounding the merits of CSR, and responses to the article were interesting. According to Karen Ellis of the Overseas Development Institute (ODI) in the UK, 'The cost of complying with ethical standards is often passed down the supply chain to developing country producers, rather than being borne by the instigating companies. We need to look beyond ethics if companies are to make a lasting contribution to development. We need more than CSR if businesses are to bear the costs of improving their development impact – we need to find ways to reward them financially, and improve their profitability'.

Ellis says impact assessments can be a solution and should be used to examine business performance on a wide range of issues, such as the use of local inputs, linkages with local businesses, employment and training of the local labour force, reinvested earnings, investment in local infrastructure, performance against existing labour and environmental standards, payment of taxes and transparency in revenue flows, technology transfer and contributions to the local community and charitable giving.

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Money trader at the stock exchange in Frankfurt, Germany

'But assessing impact is complicated, and more needs to be done to develop robust but realistic methodologies', Ellis concludes. Jo Zaremba, global adviser on the private sector and development at Oxfam GB, agrees. 'As CSR becomes integral to a company's operations, it becomes more difficult to analyze its benefits and costs'. The task therefore is to develop better measurements of what effects a company has on poverty and the poor, as well as what impact these effects could have on the company.

The emphasis on how to measure the impact of day-to-day corporate business on the poor is a new topic in the CSR debate. According to Zaremba, the question of what effect CSR has, therefore, is not that important anymore: CSR initiatives are mostly isolated from the day-to-day business decisions. 'Good business does not simply make

good business sense', he says. 'Any shrewd businessperson would need to see evidence of the benefits to the long-term profitability of the company that they are running before embarking on a particular course of action'.

That's where the win-win concept of the business case comes in. 'There is no universal business case for CSR', Zaremba claims. 'Each company or organization makes its own analysis based on its own priorities, and revolving around its understanding of CSR'. The business case for CSR is strengthened by the degree to which a proposition is perceived to add value to a company, and is weakened if it is likely to increase costs.

But Wayne Visser, CEO of CSR International, doesn't agree. 'One of the biggest fallacies is that, in a globalizing world, corporate responsibility can somehow conform to a unitary model. Of course, we need universal principles and perhaps even process frameworks. But standardized performance metrics start to tread on shaky ground'.

Visser would also like to see more attention in the CSR debate focused on the needs of developing countries. He believes the current agenda is too much an agenda of the North. For example, businesses are increasingly involved in reducing energy consumption as part of their CSR values. According to Visser, 'This makes sense in the North, where economies are highly energy intensive and are contributing the lion's share of greenhouse gases to the climate change problem. But in a developing country such as South Africa, which produces and exports the world's cheapest electricity, is energy efficiency a real priority, compared with, say, HIV/Aids and malaria infection, or assisting in the provision of access to clean water and sanitation?'

The real task will be to bridge the differences between North and South. But any progress will depend on corporate executives continuing to invest time and money towards understanding the impact of their day-to-day business on the poor. Yet Professor Rob van Tulder of Erasmus University in Rotterdam says there is a 'break in the trend of increasing attention [of business executives] over the past decade'. More important, poverty-related issues such as income equality and education are declining in importance for European CEOs.

This declining importance is due to at least two developments, according to van Tulder. First, there is the 'Gore effect', or the growing attention to global warming in public debates as well as among stakeholders and shareholders of large corporations. Second, the evaluation reports on the Millennium Development Goals (MDGs) have noted that the target of halving poverty by 2015 might be reached, which could affect the willingness of managers to address the issue.

Says van Tulder, 'It can be concluded that the business involvement in addressing the issue of poverty is far from settled, first by a lack of meaningful benchmarks, approaches and measurement tools. Second, too low ambitions – and too optimistic expectations – might also dampen the efforts of the business sector in explicitly addressing poverty'. ■

CSR in Argentina

During the 2001 crisis in Argentina, corporations implemented many mechanisms for charity and donations of goods and resources. It was during this time that foundations associated with big companies started to play a notorious social role, in many cases taking over the social role of the state. As time passed, the social situation became a little more stable.

This has led to ambiguous and deficient programmes that have no common purposes. Moreover, companies do not have a very clear understanding of why they are working on CSR initiatives. Companies do it mainly because of public pressure and to protect their image and keep their employees happy. Although companies in Argentina guide their programmes towards tackling poverty and marginalization, people necessities are often not understood and are therefore not integrated in the analyses in order to establish actions and strategies that benefit development.

This can result in useless programmes or activities, and the loss of many resources. Therefore, some companies have started associating with NGOs, which have closer relationships with local communities and are more aware of their primary needs. NGOs are the channel through which many companies executed their social programmes.

The big picture is a question yet to be answered. The first challenge is to make companies see the relationship between development and CSR so they can line up their strategies within this context.

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CSR in China

Global labour solidarity trails far behind global capitalism. The most phenomenal driver in the world's race to the bottom in labour standards is China, as it became an industrial powerhouse in a matter of two and half decades. But China's nascent civil society and its only union, the All-China Federation of Trade Unions (ACFTU), an arm of the state, lack the wherewithal to counteract the onslaught of capital. Raising labour and environmental standards in China is the best possibility for achieving a better world for workers and the environment.

In China corporations have used the excuse that freedom of association is illegal. It is not a corporation's responsibility to organize autonomous trade unions in China; they should organize themselves. Unfortunately, for many years the international trade union movement has refused to have any contact with the ACFTU, which it could help to reform into an institution that could act more like a union.

Recently it seems the international trade union movement is realizing that engagement with the ACFTU is essential if global unionism is to have any impact on global corporate behaviour. The International Trade Union Confederation (ITUC), the world's largest trade union organization, passed a resolution in December 2007 to begin talking with the ACFTU. It is hoped that in the next few years global trade unionism will begin to develop some capacity to hold the global corporate world to its social responsibility, at the enterprise, state and international levels.

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