

## Introduction

# Can CSR make a contribution to international solidarity and the quest for social justice in the South?

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WITH COMMENTS  
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*ABSTRACT Franck Amalric opens the journal discussion with a short statement on his views on corporate responsibility followed by comments from members of the corporate world.*

Corporate Responsibility (CR) is a hot topic – and a very controversial one. A ‘corporate responsibility movement’ has emerged over the past few years. It comprises of: NGO campaigns aiming to influence corporate behaviour by engaging their consumers, employees or investors; the genuine efforts by managers to reduce the negative societal impact and increase the contribution that their company makes to society; and the international initiatives designed to harness the power of companies to address societal problems. The UN Global Compact, the more famous of these initiatives, counts today more than 1,000 corporate members. The common point of all these efforts is their intent to alter the way a company carries out its operations in relation to how it treats immediate stakeholders (clients, employees, investors, and the local communities where it operates) and/or the impact of its activities on society at large, without having recourse to direct regulation, and with the objective of promoting social justice and sustainability.

Despite the exploratory nature of many of these initiatives, the debate on CR remains too often structured in black-and-white positions. Proponents exalt the business case for responsible corporate behaviour – that is, the idea that doing good supports doing well – as if they were blind to the many examples of irresponsible corporate conduct. Critics, on the other hand, in particular from the NGO community, denounce the hypocrisy of a practice that they view as mere corporate PR exercises, with no capacity, willingness or even prospects to influence the structural determinants of underdevelopment, unsustainability and injustice. Often, these critics rather than to try to

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make sense of its potential seem more inclined to dismiss altogether, on the basis of a few counter-examples or ideological assumptions, the multitude of novel and disparate practices that corporate responsibility encompasses.

I believe a more constructive way to look at CR is from a perspective that searches for the institutional innovations required to address the challenges of our time. People who think that solutions to these challenges reside in the state or in the market will not be interested in CR. But anyone who thinks we must go beyond the state versus market dichotomy – bringing in our conceptual frameworks, for instance, the role of civil society and of cultural dynamics – should be interested in exploring the potential that may lie in the CR movement.

From this perspective, then, I make some general remarks on the potential contribution that the CR movement could make to the quest for social justice in southern countries, as well as to global justice.

My focus is on the large multinational companies based in the North, and active in southern countries with poorly functioning states. In these countries, the unfolding of a process of political consolidation that can increase the capacity of the state to act while keeping it embedded within society remains a prerequisite for the pursuit of social justice. For this reason, the impact of TNCs in such countries should be assessed according to how they bear on the prospects of political consolidation. The key questions are socio-political ones, rather than economic ones. In this specific context, I would suggest that the CR movement could usefully contribute in two ways.

A first potential contribution would be to weaken the economic support that predatory states receive from the international economy. It would address the risk that TNCs undermine the prospects of political consolidation by providing economic support to a local elite who adopts a predatory attitude towards society. The CR movement may have some influence on this issue because large international companies are increasingly concerned that they are seen as complicit in human right violations by working with authoritarian regimes. While one may rightly

point out that not many successes have been won on this front – as exemplified by the long-lasting but eventually sterile campaign against companies operating in Myanmar – a number of important initiatives are taking place, such as the Kimberley process aimed at preventing trade in conflict diamonds. Perhaps the most important initiative in this domain is the Publish What You Pay campaign, carried out by a coalition of 190 NGOs from North and South, and calling extractive industries to disclose their payments to all governments.

A second contribution of the CR movement may lie in ensuring respect of what we may call the livelihood economy. The interaction between the modern economy, and people's economy based on direct access to natural resources remains a key issue in the quest for social justice in many countries of the South. Typically, the former encroaches on the latter by appropriating the natural resources on which people depend for their livelihoods. The risk here is that TNC activities de-stabilize local economies, intensify social tensions, and contribute to social dislocation and violence. A number of potentially important CR initiatives are taking place to deal with this issue. The most famous one remains the World Commission on Dams, which has led to the multiplication of other multi-stakeholder processes, including the Global Mining Initiative, the Sustainable Agriculture Initiative, the International Cocoa Initiative and the Ethical Trade Initiative.

It is clearly too early to tell whether the CR movement will actually deliver on these two fronts. Yet one reason to at least explore its potential is that other forms of North–South relations have proved incapable to support southern efforts aiming to achieve these objectives. State-to-state relations have never been particularly effective, not to say outright counter-productive, to create the conditions for political consolidation in the South. Nowhere is this more visible than in the incapacity of state-to-state cooperation to reduce food insecurity, which is first and foremost an issue of political empowerment. Pure economic relations do not offer a solution either: by themselves they cannot keep the predatory state at arms length nor ensure respect for the livelihood

economy. And while relations between civil society organizations (CSOs) based in the North and South can play an important role in strengthening the capacity of southern groups to resist encroachment on their livelihoods, they are often insufficient to resist the power of large companies. If the CR movement can actually make a novel contribution on these issues, it will be because it will have succeeded in combining and balancing the powers of the economy and of civil society.

To conclude, let me underline another potentially important dimension of CR, this time on the northern side: its capacity to transform the meaning and practice of international solidarity. In the past, international solidarity has traditionally been understood as the moral duty to help others (help themselves), and could thus be realized through specialized development organizations. The practical duty of lay-persons was thus to provide funds to the experts. CR challenges both this meaning and practice of international solidarity in important ways. Indeed, the meaning of solidarity is now attached to the idea of participating in a same economic network, and grows out of concerns that this network serves all its participants in a fair manner. Consequently, one cannot discharge her or his moral duty onto others by simply handing a check to a development organization. Rather, one acts in an ethical manner by assuming her or his responsibilities as consumer, employee and investor. This renewal of the moral sentiment that underlay international solidarity may be important at a time of donor fatigue and crisis in international development co-operation.

### **Donna Kennedy-Glans responds**

Debate about the potential impacts of voluntary corporate responsiveness to social accountabilities is frequently polarized, even bellicose. There are two factions of critics who denounce the viability of positive corporate social responsibility (CSR) outcomes: first, advocacy groups within the NGO realm who assert that companies will only pay heed to enforceable laws and regulations, and secondly, private sector foes of CSR who argue that the assumption of social undertakings by companies on a voluntary basis is unfair to corpo-

rate shareholders. Ironically, both categories of CSR critics would relegate the task of defining corporate social accountabilities to governmental and regulatory bodies. In their opinions, CSR should be a corporate compliance objective with governments responsible to define the private sector's role.

Corporate reaction to emergent legislative and regulatory muscle has triggered a renewed focus on compliance by the private sector. Compliance as a key motivator of corporate behaviour begs two questions: are governments sufficiently equipped to unilaterally define the boundaries of corporate social accountabilities, and what is the social benefit of unduly rewarding companies for *compliance* motivation? Franck Amalric comprehensively addresses the first query regarding governmental motivation and capability to define parameters for social participation by companies. Looking then to the second query, I would observe that if one were to apply an integrity measuring stick to corporate behaviour, *compliance* with laws and regulations does not rank as favourably as some other management motivators. When evaluating corporate integrity behaviours, are we not more impressed with companies that manifest integrity *beyond compliance* with applicable laws, and who are motivated to ask more strategic and socially accountable questions: how can I leverage my corporate budget to do no harm, to achieve a positive social impact, or to support sustainable social impacts?

Amalric focuses CSR attention on the multi-national corporations. In my opinion, CSR should not be judged the exclusive domain of the multinationals. Many advocates of CSR, and critics, have intentionally lowered their radar screens to monitor and influence the behaviours of smaller and local corporate investors. Post-Enron, the onus of establishing credibility is squarely on the shoulders of companies. Consequently, criticism of one company in a sector or operating environment peripherally influences perceptions about all investors in that industry or jurisdiction. Have these events had the effect of raising the floor on CR? The answer is largely affirmative. Industry self-regulation is a growing force. Companies have traditionally regarded their sphere of influence to

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include operating partners and in some cases, other companies in their direct supply chain. Corporate managers are increasingly evaluating the operating practices of competitors and peers within an industry sector. Raising the ceiling on corporate responsibility is largely driven by the actions of a few industry leaders, largely multinationals. Raising the floor on CSR is the result of industry-wide action and alignment. Certainly, the regulation of corporate behaviours can establish the CSR floor on a jurisdiction-by-jurisdiction basis. But, industry alignment can foster sector-wide corporate practices that have the effect of elevating and even stabilizing that CSR floor across jurisdictions.

Alas though, CSR is not a panacea. The social benefit that a corporate management team is motivated and able to achieve with voluntary private sector engagement is dependent on corporate leadership, management capabilities, and sometimes courage. To make a convincing case for fostering corporate response to social accountabilities beyond compliance motivators, concrete examples of evolving management practices of investors in projects situate in the South can be illustrative. In the Middle East and Africa, the evolving best practices of investors in a rapidly evolving security milieu demonstrate the flexibility and social responsiveness of corporations in challenging environs. The multi-sectoral dialogue that is supported by private and public sector stakeholders in jurisdictions where economic transition is capable of driving massive social and political change is healthy. Taking Mauritania as one example, it is encouraging to observe impacted parties asking tough questions of one another: how will oil discoveries offshore Mauritania impact local citizens; how can capacity building be coordinated to ensure that local benefits are truly achieved? Corporate leaders were once leery to delve into social issues – the value of educating females or the rights of indigenous populations – for fear of offending host governments. CSR has in some cases liberated companies to participate in the unraveling of these dilemmas. Even looking backwards to evaluate the social impacts of corporate divestitures in conflict zones will improve our forward vision:

what is the social impact, for example, of Talisman's withdrawal from Sudan?

### **Sanjay Reddy responds**

I believe that Franck Amalric is both too hopeful and not hopeful enough. He is too hopeful because he hopes for too much from decentralized voluntary action even in the absence of a broader transformation of the terms of public and private life. He is not hopeful enough because he understates the prospect for changing these terms.

Decentralized voluntary action of the kind that Amalric envisions suffers from the problem that it can at best result in an incomplete patchwork of solutions. The size of the holes in this patchwork will depend on the extent to which decentralized public pressures prove insufficient to ensure that firms act in a 'socially responsible' manner. There is no alternative to the state understood as an agency that helps to overcome this insufficiency, and there is no alternative to democracy understood as the means by which the actions of the state are subordinated to the concerns of people. Existing initiatives in the area of CSR must be welcomed, but their limits must be diagnosed and transcended. Indeed, the most successful of the initiatives mentioned by Amalric go beyond voluntarism and have the character of emergent law.

The required transformation in the terms of public life must bring about a shift in the nature of firms as well as in the incentives that they face. The shift must create new forms of corporate governance that make firms more directly responsible to diverse stakeholders, including workers and citizens. This shift can take place only as a result of legal and institutional innovation. Such innovation is underpinned by the gamble that democratization can be reconciled with effectiveness.

In a democratized framework, CSR is an unavoidable consequence of revised terms of the productive system rather than an outcome of the individual choices of enlightened firms. A democratized market economy is the effect and the cause of such basic revisions in the terms of social life. These revisions change the approach of persons to understanding and action and trigger a

cascade of newness. Grammarians codify changes to language but poets create them.

### **Mary O'Sullivan responds**

What are we to make of all of the talk we hear these days about CR? Franck Amalric's basic answer to this question is that we should resist the tendency of some commentators, on both the left and the right of the political spectrum, to dismiss its merits by appealing to the theoretical superiority of the market or State. Instead, we should look at it from a pragmatic point of view and see its potential for resolving social problems that elude actually functioning states and markets. He also suggests that we should not be complacent that the CR movement will actually deliver in its promise and argues that '[i]f the CR movement can actually make a novel contribution on these issues, it will be because it will have succeeded in combining and balancing the powers of the economy and of civil society.'

I wholeheartedly agree with Amalric's first point. Discussions of institutional innovations, as he calls them, are often stymied by a retreat into idealized forms of social organization that exist only in those rarefied circles where practice is not allowed to penetrate theory. I also agree with him when he says that we will only realize the social potential of the CR movement if we figure out how to achieve the balance of power that he describes. However, when I think about how this might come about and whether it is likely to transpire, I am not at all hopeful.

We certainly cannot rely on corporations, as currently constituted, to realize their own social potential notwithstanding the oft-heard exhortations by prominent corporate executives to take what they say on 'trust'. The problem with the concept of corporate responsibility is captured well by an epigram attributed to Marx (Groucho not Karl): 'What you need to succeed in business is honesty. Fake that and you've got it made.' The basic challenge that we confront in ensuring that CR becomes a reality rather than just a rhetoric is the development of a set of institutional mechanisms, formal and informal, that induce and constrain corporations to behave in a responsible

manner. To put it differently, we need to figure out how to systematically influence the distribution, exercise and implications of corporate control – who makes corporate decisions, what types of decisions they make and how the costs and benefits of these decisions are distributed across stakeholders – to achieve responsible behaviour by corporations. Only then can we ensure that CR is not at the discretion of an individual or small group of managers. In contemporary terminology, the challenge we confront is a challenge of the governance of corporations.

What are the obstacles to meeting that challenge? One major one is the resistance of corporate insiders that currently control corporations, the contemporary 'princes of industry', to sharing or even justifying their power and its exercise. To assess the doggedness of that resistance, one only needs to reflect on how infrequent and exceptional have been the conditions that permitted an institutionalized role for employees in corporate governance. In fact, one does not even need to look beyond the relationship between corporations and their shareholders, the stakeholders who, according to the dominant ideology of corporate governance, are the ones whose interests should be primary in the exercise of corporate control. What an irony it is that in a country like the US, where that ideology is overwhelmingly dominant, shareholders remain stuck in a decades-long battle to have a significant influence over the election of the board of directors, a right that, in theory, is central to their capacity to exercise influence over corporate activity.

If insider resistance to sharing control is a major problem it is often related to another one which is the capacity, willingness and legitimacy of pretenders to their throne. In insulating insiders from the questions and demands of outside shareholders, the Securities and Exchange Commission in the US appealed to their ignorance of the 'ordinary business' of corporations and not without reason. In the history of employees' role in corporate governance, a lack of interest in participating in corporate governance has characterized certain labour movements at crucial junctures when they might have had an opportunity to win a more direct influence over corporate decision making.

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And, in the debate on CR, questions of legitimacy, such as the right of northern consumers or NGOs to determine what is good for southern workers, have often been raised.

If the governance of corporations is to change in ways that provide the institutional foundation for corporations to behave systematically in a more responsible way, then we need to address two questions. First, how can the resistance of insiders to sharing control over corporate decision making be attenuated? Second, where can we find, or how can we build, a stable constituency that has the incentives, abilities and legitimacy to encourage corporations to act in a responsible manner and to sanction them if they do not? To me, these challenges are the warts of the CR movement and when I look at it, warts and all, I really wonder about its potential compared to other, albeit imperfect, avenues to social reform.

### **Javier Treviño responds**

Franck Amalric accurately points out that CSR has become a key issue for those companies focused on creating sustainable value. Companies should carefully take into consideration the interests of every stakeholder, as well as the importance of working in harmony with nature. This is not only the right thing to do, but it also makes good business sense.

What Amalric calls the 'CR movement' has in effect been gaining momentum, due to the positive impact that such policies can have on the environment, the well being of neighbouring communities, customer satisfaction, employee safety and health, and shareholder value creation.

It could be argued that some companies view CSR only as a public relations exercise. Taking the necessary measures to fully implement a comprehensive set of initiatives, that reflect a company's commitment to fulfill its social responsibilities, is not an easy endeavour by any measure. However, for any company truly focused on creating sustainable value on a long-term basis, CSR cannot

be considered as just another trend, but as a truly strategic aspect of its business model. CSR produces tangible benefits, for stakeholders and companies alike.

Any company, either large or small, national in scope or with a global reach, must take into consideration the needs of its stakeholders in order to achieve its fundamental objective: providing the goods and services required by their customers. The way in which they conduct their processes, however, is as important as their ultimate function. It is in this sense that a responsible way of conducting their affairs in relation to the community and the environment is of increasing significance.

As Amalric rightly points out, the challenges of our times cannot be effectively addressed by any single organization alone. Governments, companies, and civil society organizations must join their forces and capabilities. This is the only effective way to foster true sustainable development, capable of generating more and better opportunities for a growing number of people around the world, while at the same time preventing the depletion of Earth's natural resources.

Nevertheless, it is important to consider that CSR should not be portrayed as an engine for a renewed sense of social justice or international solidarity. CSR comprises a broad agenda, but in essence, as the concept itself clearly indicates, it is entirely about assuming the responsibilities that a company has towards its stakeholders and the protection of the environment. In this sense, CSR is not a synonym for philanthropy, or for international cooperation.

Finally, focusing exclusively on the impact of CSR on what Amalric refers to as 'southern countries,' could be viewed as a limited approach. A 'North-South' perspective could be construed as an ethnocentric perspective, since development has long ago depended on many other factors than geography alone. Furthermore, companies truly committed to CSR should not distinguish between their efforts in emerging economies, the 'South', and developed countries, the 'North'.

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