CHAPTER 4

EXISTING BODY OF KNOWLEDGE OF CORPORATE CITIZENSHIP

4.1 INTRODUCTION

In Chapters 2 and 3 an attempt was made to view the social development as well as the business landscapes critically. For the purpose of achieving the expected objective of the study, namely determining indicators for corporate social performance, it was imperative to create the context which in this case is the social and business landscape. These two fields constitute the pillars of the study. In Chapter 4 a literature review will be offered on the field of corporate citizenship, the logical next step if the business and social development landscapes are integrated. Business in society or society in business will be the main driver of this chapter. The term "corporate citizenship" was coined in the late eighties but only commonly used by practitioners and corporates in the early nineties. This chapter will furthermore from a theoretical perspective emphasise the importance of integrating social concerns into business practices. Consequently reference to the difference between the terms "corporate social investment" (CSI) and "corporate citizenship" will be made. The latter specifically incorporates a holistic approach whereby corporate strategy and all systems, procedures and practices are aligned in order to become a good corporate citizen. It could therefore be argued that CSI is an element of corporate citizenship.

In a World Bank discussion paper by McFoil and Davy (1988) the critical success factors within the control of the private sector when integrating social concerns into mainstream business, is presented. Although the World Bank did not specifically refer to this integration as indicators for corporate citizenship, it however contains fundamental elements on how corporations should behave within communities. The complex and dynamic nature of the social landscape almost demands from the private sector to be sensitive and mindful when engaging with society. The following elements are merely recommendations and could also be seen as stages in a process of integrating business with society (McFoil & Davy 1988).

- Adopt a policy on social issues and develop capacity.
- Identify stakeholders and acknowledge the legitimacy of their perspectives.
- Identify social risks and opportunities.
- Assess social and environmental impacts thoroughly: integrate where appropriate.
- Recognise public involvement as integral to project sustainability.
- Delineate responsibilities for social provisions.
- Aim for social equity in revenue distribution, compensation, and other social investments.
- Develop partnerships in support of sustainable development.

- Develop mechanisms for long-term representation of stakeholders and conflict resolution.
- Evaluate the effectiveness of social investment.

TXU Europe, a leading energy company in the UK, developed seven principles which they refer to as "sustainability principles" (Hill 2001). This is an example of how corporations are starting to integrate their business and social activities and to demonstrate their corporate citizenship. TXU Europe's principles are:

"Be the best"

Strive to be the most admired company in what we do.

"Make more for less"

Be innovative as we improve performance, reduce costs and impact on the local and global environment.

"Build Trust"

Report openly to stakeholders on our progress.

"Take account of others"

Engage in dialogue with our stakeholders to take account of their views and explain ours.

"Balance our lives"

Embed satisfying, fair, safe and healthy working practices to ensure a balanced life inside and outside work.

"Build a better society"

Use our expertise in the community to contribute to building a better society and support business development.

"Create viable products and services"

Offer a viable range of products and services sensitive to the needs of different parts of society.

The above examples represent a typical value proposition whereby a strong social element is present without compromising the financial/economic motives underlying the long-term survival of the organisation.

In a document presented by SRK consultants, a SA-based engineering firm specialising in environmental studies, some views by local and international business leaders on the topic of corporate sustainability were reported (2002). Although SRK uses the term "corporate sustainability", the meaning is exactly the same as corporate citizenship in the context of this study:

- "Corporate sustainability is a business approach that creates longterm shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social development" (Dow Jones Website : 2002).

- We see no alternative to a business strategy that generates profits while contributing to the well-being of the planet and its people. The development of tools enabling progress to be measured and reported is a crucial part of this (Sir Mark Moody - Stuart Chairman Royal Dutch/Shell Group : June 2000)

- I believe that responsible behaviour makes good business sense. There is increasing evidence that high environmental standards relate to high profitability (Tony Trahar : CEO, Anglo America).

- The triple bottom line is consequently not the flavour of the month or an attempt at being politically correct. It is imperative for success and is here to stay (Reuel Khoza, Chairman Eskom Electricity Council : 2002)"

In a survey done by PriceWaterhouseCoopers (PWC) in 2002 amongst 32 SA mining houses and mining corporations to determine the key drivers of corporate sustainability, the following findings were reported:

- Enhanced shareholder value - 85%
- Survival of the business in the long-term - 85%
- Improved management of risk - 75%
- Improved relationship with local communities - 70%
- Improved standing with government and regulators - 65%
- Cost saving / operational efficiency - 45%
- Reputational / brand enhancement - 45%.

(The percentage value represents the weighted importance of the specific driver.)

From the above it is clear that the growing importance of corporate citizenship is emerging in the local and international business landscape. It could therefore be accepted that the so-called integrated approach is already widely supported if one considers (as reported by e.g. PWC

above) the corporate sector's direct link between corporate citizenship and core business imperatives. It is however, necessary to define the term corporate citizenship from a theoretical perspective in order to obtain a thorough understanding of the term, so often used but also so often misinterpreted.

4.2   HISTORIC OVERVIEW OF CORPORATE CITIZENSHIP

According to Andriof and McIntosh (2001) some careful historic research on the organisation and evolution of the notion of corporate citizenship is definitely wanted. These two authors argue that what is generally provided is but only a general sense of the likely developmental history of corporate citizenship. Two themes transparently recurrent in the recent corporate citizenship literature represent the following (quotations offered by Andriof and McIntosh, on the theory by Letts 1982):

> The job is not to render management more accountable for its decisions, but to get managers and directors alike to abandon too narrow a definition of their duty. We must get managers to say: My shareholders are the public. Bad corporate citizenship and good corporate citizenship are reflected in stock prices. As a result, it is becoming clear that there is a positive economic benefit to shareholders in having the corporation be perceived as socially responsible.
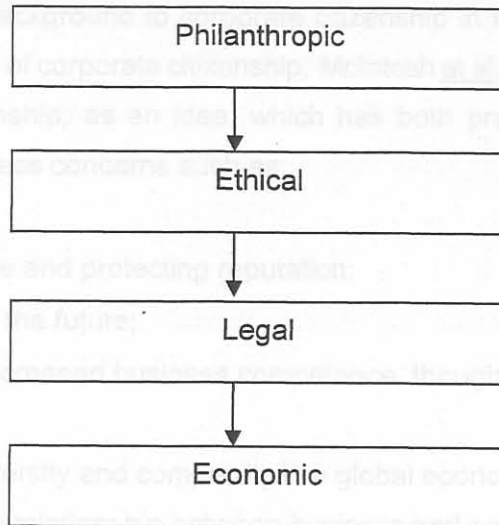
Davenport (2000) states that corporate citizenship became a commonly used term in the 1990s and is a more accurate description of corporate behaviour than "corporate social performance" which according to Davenport is a theoretical   construct from the academic community. He further argues that corporate citizenship describes the concrete activities needed in order to perform on a social level. Kinsley (1987) argues that through corporate social investment projects, executives are "outsourcing their conscience". "It requires hard-nose decisions to become a corporate citizen - why then give the corporations credit for generosity. Good image inevitably leads to good business."

According to Andriof and McIntosh (2001) the corporate citizenship movement appears to reflect four key developments:

- Firstly, the academic debate on the conceptual ambiguity and substantive merit of corporate social responsibility. Friedman (1970), Davis (1973) and Mitchell (1989) traced the history of corporate citizenship starting from an ideological movement to a view that discretionary corporate social responsibility is seen as "theft" by a firm's customers, employees and owners. Profit maximisation within a social context also fuelled the

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already ambiguous perceptions of corporate citizenship, leading to terms like prudential altruism (i.e. strategic concessions for the protection of a firm's profits.)

- Secondly, the Reagan and Thatcher era of the 1980s of strong "civic virtue" led to a decline in public sector responsibility. This resulted in government and philanthropic calls for voluntary action by individuals and businesses which led to the corporate citizenship movement filling but arguably not resolving an intellectual void left by the debate over social responsibility. Corporate citizenship during this era was readily interpreted as action in response to and/or on behalf of various stakeholder groups.

- Thirdly, according to Reich (1998), there was an "implicit social compact between corporations, their employees and communities" for benefit sharing during the 1950s through to the 1970s that has subsequently disappeared owing to increased competition (resulting from the information technologies deregulation, global competition and the decline of entry barriers). Reich further states that an "electronic capitalise" has replaced the gentlemanly investment system that had given "industrial statesmen" the discretion to balance the interests of shareholders against those of employees and communities.

- Fourthly, the development historically gave a very specific shape to corporate citizenship activities. Companies such as General Electric, Coca-Cola and AT&T pioneered various forms of shareholder wealth maximisation or economic value maximisation strategies (Welch 1999). The development shaped corporate citizenship activities towards purely strategic investment policies and programmes. Corporate philanthropy has been subjected to the requirement that it adds bottom-line value. According to the Council on Foundations (COF), Washington DC (1996), this requirement implies objective setting and outcome measurement. In 1996 the COF did a survey of a sample of US heads of household, conducted by Walker Information of Indianapolis and found that 14% of respondents claimed to seek out corporate citizenship in purchases; 40% regarded corporate citizenship as a tie-breaking consideration.

Vidal (1999) suggested that empirical confirmation of the relationship between corporate good conduct and corporate financial performance is needed. There still seems to be controversy about the meaning of corporate citizenship and then specifically if one also evaluates the inconsistent use of the terms "corporate social responsibility" and "corporate citizenship". Caroll (1999) for example divided corporate social responsibility into four dimensions: economic (including but broader than, financial performance), legal, ethical and discretionary (i.e. philanthropic).

Table 4.1: Corporate social responsibility hierarchy (Source: Caroll 1999)

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┌─────────────────────────────┐
│        Philanthropic        │
└─────────────────────────────┘
              │
              ▼
┌─────────────────────────────┐
│           Ethical           │
└─────────────────────────────┘
              │
              ▼
┌─────────────────────────────┐
│            Legal            │
└─────────────────────────────┘
              │
              ▼
┌─────────────────────────────┐
│          Economic           │
└─────────────────────────────┘
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Caroll treated economic and legal responsibilities as socially mandatory, ethical responsibility as socially expected and philanthropy as socially desirable. He therefore interpreted "modern" corporate citizenship instead of corporate social responsibility, as having these "four faces".

Andriof and McIntosh (2001) debated that the essence of corporate citizenship, as is the case with the ordinary man in the street as a good citizen, is not about mandatory compliance, but rather voluntary compliance. They particularly alluded to the issue of creating a good culture in which corporate citizenship occurs automatically without heavy monitoring and enforcement costs. This needs to become an embedded value principle with a strong integrative approach whereby all systems, procedures and business practices are aligned to support the philosophy enabling staff to start living according to the principles associated with being a good corporate citizen. The historic development of corporate citizenship in summary, could be viewed from a single focused approach initially (mainly on corporate social responsibility) to a more multidimensional approach in the late 1990s. This multidimensional approach of integrating business with society from a voluntary perspective which seems to be the modern philosophy is clearly not foolproof. As reported by Reich (1998), "the difficult aspect for evaluating corporate citizenship involves the trade-off that occurs multidimensional within economic performance dimensions among various stakeholders, especially employees, consumers and owners, in addition to the victim of uncompensated externalities." Managing these dimensions internally (processes, staff involvement, and organisational culture) and externally (stakeholder expectations, regulations etc.) will be the real challenge in future. Above all the economic sustainability of an organisation will always be the overarching driver. Without this, there will be no way to ensure sustainable trade-offs between business and communities, thus inculcating a strong notion of corporate citizenship.

4.3   DEFINING CORPORATE CITIZENSHIP

With the historical background to corporate citizenship in mind, it is necessary to offer some views and definitions of corporate citizenship. McIntosh et al. (1998) define corporate citizenship, like individual citizenship, as an idea, which has both practical and ethical dimensions. It includes basic business concerns such as:
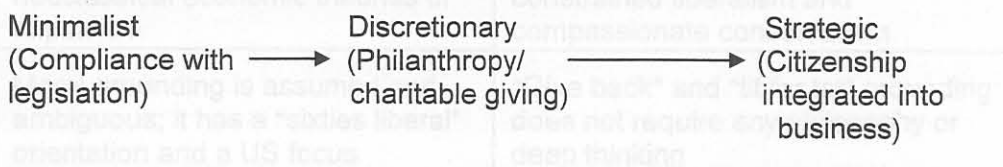
- risk avoidance and protecting reputation;
- insurance for the future;
- developing increased business competence, though;

    - managing diversity and complexity in a global economy;
    - stabilising the relationship between business and society;
    - creating partnerships that span boundaries;
    - having an integrated and consistent approach to corporate strategies;
    - applying new metrics and reporting progress in meeting objectives.

It also includes:

- doing the right thing
- a reflection of many people's belief that businesst business organisations should express what is good in humanity, "and the places where we can feel good about going to work."

A key feature of citizenship is that it involves a mutually reinforcing relationship between individuals and communities. It therefore suggests a two-way relationship between society and corporations: some of a corporation's needs will ultimately only be met by taking actions which are oriented towards meeting communal needs. McIntosh et al. (1998) therefore suggest that the successful companies of the future are likely to be those that discover how to make full use of this relationship as a normal part of running their business, and so will move along a continuum towards "full citizenship" (Table 4.2).

Table 4.2: The continuum towards full citizenship (Source: Macintosh et al. 1995)

Minimalist (Compliance with legislation) ⟶ Discretionary (Philanthropy/ charitable giving) ⟶ Strategic (Citizenship integrated into business)

The aim of the study is therefore to focus specifically on reaching the strategic level of "full corporate citizenship", thereby developing critical indicators for corporate social performance in

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the South African context.   In order to offer more substantial evidence on the meaning of corporate citizenship, it is necessary to differentiate between corporate social investment (CSI) and corporate citizenship. Considering the continuum (Table 4.2) a clear conclusion can be drawn by suggesting that CSI falls within the centre point of the continuum namely discretionary citizenship   (philanthropy/charitable giving). The next section will therefore offer more perspectives on the distinctive differences between corporate social responsibility and corporate citizenship.

4.3.1   Corporate social responsibility vs corporate citizenship

According to Andriof and McIntosh (2001), the precise connection between corporate social responsibility and corporate citizenship was not always clear. In some cases these terms were even regarded as synonyms. Table 4.3 illustrates the look of clarity by comparing a broad view of corporate social responsibility with a narrow view of corporate citizenship.

Table 4.3: Comparison of corporate social responsibility with corporate citizenship (Source: Andriof and McIntosh 2001)

Corporate social responsibility	Corporate citizenship
Hard to operationalise, measure and evaluate	Limited and specific, easier to measure
Obligatory and voluntary (through tax payment and law obedience as well as discretionary problem-solving activities)	Largely voluntary, often with a corporate strategic focus (i.e. use of corporate resources to help the community and the company as well
Broad concern for many issues and stakeholders, and for society at large	Narrow focus on local community and charity
Self-interest benefits are possible and acceptable but not assumed and are not primary in any case; ethical and legal concerns take precedence	Self-interest benefits are desirable and perhaps essential to serve as incentives for behaviour that benefits local communities
It is threatening to popular neoclassical economic theories of capitalism	It is reassuring : speaks to constrained liberalism and compassionate conservatism
Moral grounding is assumed and ambiguous; it has a "sixties liberal" orientation and a US focus	"Give back" and "tit for tat" grounding does not require any philosophy or deep thinking

Andriof and McIntosh strongly argue that as corporate citizenship began to replace corporate social responsibility as the "concept of choice" in scholarly and business literature, more than a shift in terminology occurred. They specifically refer to the term corporate citizenship, relating more to corporate community relations that might be too narrow to express the depth and variety of business-society relations. Andriof and McIntosh therefore suggest the term "business citizenship". Table 4.4 indicates the key variable needed to make the transition.

Table 4.4: Four states of citizenship. (Source: Andriof and McIntosh 2001)

Level of analysis

		Local community or national scope	Global or universal scope
Unit of anal ysis	**The individual person as a citizen**	Cell 1: The individual citizen: Relationship of the person to the state, rights and duties of citizens, national and cultural identity	Cell 3: The universal citizen: Common humanity, interdependence, universalism, less grounded in fixed rules or laws, asserted based on philosophical ideas
	The business organisation as a citizen	Cell 2: The corporate citizen: Business as a responsible player in its local environments, emphasis on voluntarism and charity as well as on the organisation's rights and duties in and for the community	Cell 4: The business citizen: Business as a responsible local actor, emphasis on the organisation's rights and societies within and across national and/or cultural borders, there is a need for analysis of hyper-norms

Although the previous viewpoints were mainly focused on corporate social responsibility and corporate citizenship, corporate social investment is also a term which in SA is still widely used. In fact it is the term most organisations are most familiar with when making comparisons with corporate citizenship, which is a term that still needs to be introduced and translated into practical terms. Some experts in the field of corporate citizenship (Kapelus, Moshoeshoe and De Cleene: Founding Directors of the African Institute for Corporate Citizenship) argue that CSI is nothing more than "outsourcing corporate conscience.". Furthermore, consistent with the "business of business is business" concept that held sway in the 1980s, when most historical arguments focused purely on the use of CSI as a primary public relations tool (Rumney 1998: 3). Oblivious

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to the unintended effects such a strategy may have, companies brilliantly advertised their moral qualities and social contributions, thereby eliciting accusations of "window dressing".

According to Anderson (1989: 11) however, a number of executives had the following arguments:

- Business is not directly accountable to the public; therefore, the public will have little or no control over where and how deeply companies became involved.
- Social investment decreases short-term profitability.
- Most corporate executives lack the knowledge, skills and patience to deal with and solve society's problems.

According to de Souza (1998: 17) these arguments clearly express the desire to eradicate the superficial application of CSI. The 1990s however led to a redefinition of CSI, namely "stewardship". This principle advocated proactive relationship whereby business saw themselves as "stewards" who acted in the general interest of society (general public) and environment. South African Breweries in 1998 had a strong philosophy of maintaining a tradition of providing not only financial assistance, but also the skills and participatory support necessary for sustainable development through partnerships with the community. De Souza summarised the change in CSI philosophy as one previously characterised by "cheque book" charity to one presently characterised by a desire to empower individuals and communities.

Kinghorn (1995: 23) makes it clear that corporates should not abuse CSI as a public relations or marketing tool. What is more important is to understand community needs, to engage in partnerships with stakeholders, and only then to involve them in the formulation of the business strategy. According to the Business Marketing Intelligence (1993: IV) the watchwords guiding CSI today are, implementation, delivery, relevance and, above all, impact.

In summary, as reported by de Souza (1998: 36), the perception the public has of business becomes increasingly important: executives are sacrificing traditional red-tape policies and financial gain in order to protect a moral conscience. Ad hoc social endeavours have made way for specific programmes as CSI has evolved into a strategic business tool that may be employed to address specific priority issues. Furthermore, the next three sections of 4.3 will offer more proof of the fundamental principles, foundations and models for corporate citizenship.

4.3.2 Principles of corporate citizenship

McIntosh, Leipziger, Jones and Coleman (1998) referred to a report by three global organisations on the importance of the private sector's role as the "principal motor of development" as well as

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their leadership role in sustainable development, beyond the minimum expectations of operating within the law and contributing directly to economic growth through their core business activities. These three organisations, The Prince of Wales Business Leaders Forum, The World Bank and the UN Development Programme brought out a report called: "Business as partners in development (1998)" where they underlined four principles which businesses needed to achieve in order to be good corporate citizens:

- ### Reputation management

  "Reputation to build on a complete base of intangible attributes such as reliability, quality, honesty, trust, social and environmental responsibility and credibility. Despite the fact that many business leaders would agree that reputation adds value, most companies still adopt a fragmented and pre-driven approach to reputation management."

- ### Relationship management

  "In today's global economy the relationships which a company has with its primary and secondary stakeholders are becoming increasingly complex, covering a wider range of stakeholder groups and issues than ever before. Most companies need to build more integrated strategies, structures and systems for stakeholder management and consultations."

- ### Responsiveness

  "A company's ability to understand and respond innovatively to market trends, future opportunities and stakeholder needs, plays a key role in building reputation and competitiveness. Linked to this, there is a growing emphasis on "lateral thinking" and on systems approaches, aimed at building innovation around "service needs" or "customer benefits" rather than product specifications. Such approaches often require co-operation with non-traditional partners.

- ### Resource efficiency and enhancement

  "A company's ability to access high quality resources - be they human, natural, physical, financial or international - and to adopt management and technical processes which add value to these resources efficiently, effectively and responsibly, will influence the company's reputation, responsiveness and relationships, its cost structures, the quality of its products and services, its environmental impact and productivity."

The World Business Council for Sustainable Development (WBCSD) drafted a set of principles on corporate citizenship based on the premises that "changing public concerns about corporate social responsibility require a pro-active approach and that such an approach may generate commercial advantages" (1998).

The draft principles include the following:

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- Social responsibility as a corporate responsibility
- Integrated management
- Employee education
- Public information
- Facilities and operations
- Transfer of best practices
- Compliance and reporting

Andriof and McIntosh (2001) reported on the principles of global corporate citizenship. These principles were adopted by three religious organisations from England, Canada and the USA on 19 September 1995. These organisations are:

- The Ecumenical committee for corporate responsibility of the UK;
- The Task Force on the Churches and Corporate Responsibility of Canada; and
- Global Corporate Accountability Issue Group from the Interfaith Centre on Corporate Responsibility (USA).

The principles for global corporate citizenship are defined with reference   to:

- Ecosystems (protection of bio-diversity).
- National communities (respect for basic human rights and promotion of high standards of health and safety in the workplace).
- Local communities (respect for basic human rights in foreign countries).
- Shareholders (actualising their interests in co-ordination with those of employees and other stakeholders).
- Employees (in terms of equal opportunities).
- Consumers and suppliers (showing transparency in decisions and actions as a "good corporate citizen").

In Chapter 6, an overview will be presented on social accounting and measurement. The dimensions used in social accounting will bear reference to the principles of corporate citizenship, hence an attempt to consider the interfaces between the principles referred to above and the dimensions of measurement. Again, it is clear in analysing the principles of corporate citizenship that an integrated approach is the key when operationalising corporate citizenship in practice.

4.3.3 Models of corporate citizenship

As reported earlier in the study, central to corporate citizenship is the relationship between businesses, government and civil society. Often these relationships and interdependency are seen as the foundations of society as a whole. McIntosh et al. (1998) suggests four categories or models of corporate citizenship. They are:

1 Business as a moral entity

"Based on profit making, and has no responsibility other than its economic and legal obligations"

Such a business:

- Sees social responsibility issues as problems for reputation and public relations management;
- Believes that its only stakeholders are its shareholders;
- Does not believe in stakeholders, but has key relationships, because stakeholders theory implies some ownership of the company (compare the current situation in SA regarding Black Economic Empowerment);
- Is managerial and action-orientated;
- Is essentially responsive/reactive to changes in values of society;
- Regards rewarding earnings per share as the primary purpose of the company.

2. Business as a responsible and moral activity

"Based on profit-making, and has an obligation to act for the social betterment of the whole of society."

Here business would have the following belief:

- Business should act beyond compliance with economic and legal obligations.
- Business should be philanthropic.
- Business is the engine of society.
- Business has economic, political and social power.
- Shareholders are the primary claimants, with a range of other claimants who may be called stakeholders.
- The directors are trustees of a range of claimants, including the shareholders.

3. A business is a community

"Based on corporate identity, which may be just for profit, or not for profit, and which recognises that a business has a social economic role."

A business is run on the following ethics:

- Is based on a set of values which include economic and legal obligations;

- Is often based on some concept of business supporting social justice, equity and public service;
- Includes for profit, not-just-for profit organisations;
- Is often family or co-operatively owned.

4   The network or partnership business

"It does not have a corporate identity and is neither moral nor amoral in its purpose; it is fluid and may be transitory and based on project management."

This business:

- Is often based on the management of a specific piece of work or project;
- Has virtual organisation;
- Does not necessarily have any corporate identity;
- Is transitory, flexible, and has an intermediate social structure;
- Occupies holes in established social structures, both inside and outside existing corporate structures;
- Recognises diverse values within the network and aims for commonality of purpose, not a commonality of values;
- Recognises both individual and shared constructs of reality;
- Often operates in the space between organisations, and sometimes in the space between the market and the state;
- Encourages social entrepreneurism;
- Is often cross-border and international in nature, and does not recognise national boundaries or regional differences.

The four models presented clearly depict the transformation of business over the last four decades. It is clear that the partnership philosophy is increasingly becoming the model of distinction in a world where the relationship between business and all its stakeholders are more important than its market share and capitalisation. This definitely does not exclude its economic imperatives, but rather demonstrates the interdependency between business and its stakeholders to ensure economic as well as social and environmental sustainability. Finally it would be incorrect to assume that one of the aforementioned models is the ultimate approach in reaching a level of "full corporate citizenship". Again it rather asks for an integrative approach between models. Business needs to realise the value in working with stakeholders whether they represent communities or environment. "Rather seeing former antagonists (social and environmental activists, government, etc.) as the enemy, in an integrated model of corporate citizenship, it is possible for two organisations with conflicting views of social reality to work together for some discrete social betterment" (McIntosh et al. 1998).

4.3.4   Foundations of corporate citizenship

The following section of Chapter 4 will deal with the fundamental underlying values associated with corporate citizenship. According to Andriof and McIntosh (2001) integrity and mindfulness are the two most critical value drivers of corporate citizenship in the new millennium. It is important to share some views on these two values to conclude section 4.3, dealing with the definition of corporate citizenship.

The ongoing debate about the "new economy" which represents arguments on technology, entrepreneurship and globalisation asks for the corporate citizenship philosophy to be contextualised within this phenomenon. Andriof and Macintosh (2001) reveal their opinion on this by clearly stating that it demands integration internally and externally through electronic technology as well as organisationally in terms of internal systems, and across organisational and industry boundaries. This strategy demands constructive relationships with stakeholders thus constituting the essence of corporate citizenship. The real challenge however within this realm is to operate with integrity and mindfulness:

1.   Operating with integrity

According to the Webster dictionary, the synonym for integrity is honesty. Furthermore in defining integrity the Webster's dictionary offers two key drivers/definitions:

- Firm adherence to a code

    Adherence to a set of values is at the centre of the definition of corporate citizenship. These values help companies to operationalise their values in their day-to-day practices by proving the "how we do things around here" set of standards needed to determine what is and what is not appropriate in a given situation or with respect to a particular stakeholder. The success of this adherence is largely determined by integrating the two major strategic drivers of any business, namely "what businesses are we in " and "what we stand for". By succeeding in achieving this, an organisation would arguably go a long way towards developing integrity.

- Soundness and wholeness

    The extent to which an organisation succeeds in ensuring that all aspects are working well, in an integrated, systematic manner. Soundness implies fiscal stability as well as for the business sector, profitability, "considered as a whole", companies are complete systems, all of whose parts are independent and interdependent and interrelated. Fragmentation or inconsistency, particularly with respect to the code that constitutes the vision and values discussed above,

become problematic for companies because they can readily lead to treatment of stakeholders that is inconsistent with the inspirational end values associated with good corporate citizenship. Considered as parts, corporate citizens recognise their own interdependence and interrelationship with other elements of human civilisation, which constitutes society. They also recognise that they are deeply dependent on a healthy ecological environment, of which they are a more complex and therefore more developed part and without which they cannot survive (Wilber 1996).

Wilber (1996) strongly argues that in order to fully capalitalise on the interdependency between all stakeholders an integral perspective is needed. The driving force in achieving this integration according to Wilber (1996) is conversation - dialogue. This means that in understanding all aspects of being a corporate citizen operating with integrity, corporate leaders will increasingly need dialogue and relationship building skills. This radically changes the historic perception of the communication landscape epitomised by a narrow public relations approach versus a multistakeholder landscape, requiring creative dialogue, inclusivity and also integrity.

2.   Operating mindfully

"The notorious short-sightedness, not to mention the sorry state of relationships that many companies have with some of their stakeholders, suggest that mindfulness may be in woefully short supply among corporate leaders" (Andriof and McIntosh 2001). Being mindful arguably demands that individual decision-makers acting on a company's behalf function at relatively high developmental levels, not only cognitively, but also morally and emotionally. It could therefore be accepted that a key requirement for meaningful relationships with stakeholders is to understand the perspectives of these stakeholders which demands fairly high cognitive capacity. This also includes moral capacity to understand how their decisions affect others, as well as emotional intelligence:

•   Cognitive development
    Self-awareness and consciousness is particularly important in developing corporate citizenship because of the difficulties involved in working in networked dynamic and complex environments, which exist both inside and outside organisations. Cognitive maturity then according to Andriof and McIntosh (2001) means that leaders are really able to see or hear other stakeholders' point of view and to understand the system in which they are imbedded.

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- Moral development

  According to Kohlberg (1976), post conventional moral reasoning focuses on doing things ethically (see 4.5) because these individuals value the integrity of the system as a whole, because they are reasoning from what they perceive to be the universal moral principles.   These individuals can also "hold" multiple perspectives simultaneously; can understand interconnectedness and system implications of actions and decisions. These mental and moral qualities are exactly the ones needed by leaders of organisations attempting to operate with integrity and respect towards their stakeholders, yet they appear to be in short supply. A possible explanation for this shortfall, according to Goleman (1995), is lack of "emotional intelligence".

- Emotional intelligence

  According to Goleman (1995), emotional intelligence consists of several capabilities or skills, including knowing one's emotions or self-awareness, and the managing thereof. The other two attributes are a capacity to recognise emotions in others (empathy) and the ability to handle relationships. As noted above, these attributes are exactly the ones needed in developing long-term stakeholder relationships. Goleman (1995) also highlighted four emotional competences clearly relevant to building and sustaining long-term systematically orientated stakeholder relationships: organising groups, negotiating, developing personal connections and social analysis.

In summary it is clear that according to the above, the foundations of corporate citizenship are largely dependent on the human factor. Furthermore, the complex nature of business with specific reference to its interdependency on stakeholders, society and environment place a heavy burden on leadership and managerial status skills. Leaders therefore need to "manage with the heart" (Goleman 1995), with respect to primary stakeholders such as customers, employees, suppliers and owners. In particular as stakeholders frequently have conflicting goals and agendas, the key to successful corporate citizenship is managing difficult interactions in an emotionally mature way. Only then can the foundations of integrity and mindfulness be reached.

An integral part of these two foundations is the whole notion of ethics which in recent months (Enron and Worldcom scandals) have reached a level, surpassing any previous reference that was made to business ethics.

4.4   CORPORATE CITIZENSHIP AND BUSINESS ETHICS

A fundamental driver in the corporate citizenship landscape is the ethical debate which considering the previous sections on the principles and models of corporate citizenship, deserves some deliberation. It is therefore imperative to establish a clear distinction between those ethical questions and values that characterise the corporate level (corporate ethics), those that appear on the institutional level (the business milieu as a social institution), those that are typical of a given society or culture (social ethics and those that are proper ethical issues involved in international business transactions (Andriof & McIntosh 2001).   Dion et al. (1996) view a business enterprise as a moral agent that has its own moral and social responsibilities, following from the implicit social contract between the society and business milieu. They also argue that because of the cultural and religious pluralism of societies, corporate ethics must deal with values and norms of ethical behaviour in a pluralistic organisational context, and also the value conflicts that may follow from such a context.

According to Andriof and McIntosh (2001), it is therefore important to note that corporate language that is used to express organisational culture is determined by corporate values and their compatibility with those of competitors, of other industries in the given society and of the global culture of countries in which the company operates. Dion (1996) presents the top "ten corporate values" that are expressed in most corporate codes of ethics:

- Integrity

    Involves avoiding self-contradictions, trying to keep one's essence, resisting those distortions that may be imposed by social economic, political and sometimes religious structures.

- Honesty

    The key value that gives to an individual various reference patterns for his or her own actions: conformity to his or her reason, the practice of some virtues or the actualisation of moral duties.

- Justice

    An attitude of fairness, the respect of basic human rights, a "meritocracy" or a key value for positive law and thus a natural characteristic of human beings, giving rise to laws and regulations.

- Equality

    Harmonisation of human needs and interests, for public recognition of an individual by others, whatever his or her social characteristics.

- Objectivity

  Objectivity is presented as being safeguarded through the rule of law applied without any prejudice.

- Loyalty

  The absence of loyalty is identified by manipulation, that is the use of others as objects for one's own prestige or social status.

- Devotion

  Showing goodness and generosity, a sense of harmony, a disinterested attitude, a deep feeling for the organisation.

- Respect

  Respect for others implies focus on human dignity. Human dignity is the foundation of all ethical values and basic human rights, such as equality, tolerance, and freedom. Respect is the key value in social and organisational life.

- Prudence

  Systematic reflection by an organisational member on the effects or consequences of his or her actions and decisions on well-being of things in his or her environment, and on the local communities.

- Tolerance

  Implies an attitude of gentleness, of sweetness, which can contribute to the transformation of differences into possibilities of enrichment for us – overcoming one's self-interest to become centred on the urgent needs by others:

These "top ten corporate values" represent the basis for business ethics, consequently the ethics associated with being good corporate citizens. Corporate citizenship deals with the society and cultural conditioning of business practices and looks at their ethical justification. Corporate citizenship must reveal linkages between organisational culture and social culture, between corporate ethics and social morality and thus can draw from such an analysis various value orientations that will characterise a given business milieu (Freeman 1984).

The importance of corporate values therefore becomes critical and even more important translating these values into operational terms. Only when actively demonstrated, measured and reported can an organisation start moving into the domain of ethical behaviour.

Welch (1990) argues that corporate citizenship should aim at internationalising an "ethic of care". This should imply:

- Moral courage, that is, one should act in accordance with some basic ethical value, such as honesty, respect for others, fairness and trust.

- Empathy with and compassion towards others.

- A proactive attitude, a visionary perspective that may create solidarity and a more meaningful life for all.

Corporate citizenship should then adopt a cross-cultural and interreligious approach to ethical issues on the international scene as well as on national level. This is particularly relevant in a country like South Africa which is characterised by many cultures and religions. When one therefore considers the notion of stakeholder partnerships as a key driver of corporate citizenship, the issue around cultural complexity emerges. Historical baggage as in the case of SA further complicates the matter which emphasises the importance of a strong value-driven, ethical basis of business practice in SA.

The importance of continuous dialogue therefore cannot be overemphasised, not only on local level but also international levels. SA organisations are also expanding their business initiatives into Africa which adds a new dimension to corporate citizenship and business ethics. Andriof and McIntosh (2001) reported three basic values when entering the complex field of cultural and religious issues on corporate citizenship:

- Struggling for co-operation, implying openness to the viewpoint of others, so that we could accept the modification of some of our own cultural and religious practices and beliefs.

- Searching for upstanding other people's cultural and religious roots, realising that the other may know something better than us and having the ability to question the validity of our prejudices.

- Respecting basic human rights, implying a respect for people having different cultural and religious roots.

In summary the ethical debate will continue in future to be top priority amongst business, government and civil society leaders. Corporate values seem to be crucial in demonstrating ethical behaviour, hence the need to concretise company values in operational terms. Business ethics however, still remain a sensitive and difficult value system specifically if cultural and

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religious dimensions are added to the ethical debate. One key driver that seems to be a central element in decoding ethical behaviour within a multicultural context is that of dialogue. It remains a fundamental pillar of corporate citizenship. Dion (1996) finally argues that corporate citizenship engenders better means for living together, and that implies having the political courage to change the world by modifying the way each business corporation pursues its own interests and needs, and more basically, by changing the way businesses perceive each other on the international and local scene. Zadek (2001) argues that in future, organisations being constantly under the watchful eyes of all their stakeholders, some of which tend to be very outspoken and at times even radical, will increasingly be regulated by "civil governance". The emerging partnership between business, governments and civil society will definitely fuel this phenomenon. The ethical debate will result in civil pressure groups demanding good governance and behaviourism. The following section wil therefore offer a review on what Zadek (2001) terms the "Civil Corporation".

4.5   THE CIVIL CORPORATION

"Many of Britain's best-known companies are already redefining the traditional roles of the corporation. They are recognising that every customer is part of the community and that social responsibility is not an optional extra" (Rt Hon Tony Blair MP, British Prime Minister 2001). Zadek (2001) defines a civil corporation as one that takes full advantage of opportunities for learning and action in building social and environmental objectives into core business by effectively developing its internal values and competences. The emergence of NGOs acting as "civil regulators" of corporations through public campaigning and other forms of pressure is one of the notable features of the last decade. More than any other body, NGOs have driven the process of popular education and political and economic mobilisation around social and environmental issues. The business sector however, realised that it might be more appropriate and tactical to partner with the NGOs community from a business perspective. The challenge therefore seems to be more from civil-based regulations towards a more intimate binding relationship between NGOs and corporations.

There however, seems to be uncertainty about exactly what the nature of the so-called civil regulation will be. Focus areas seem to change direction overnight. Furthermore, according to Zadek (2001), it is too easy to say which standards, guidelines, systems, procedures and practices will turn out to be the most serviceable civil navigation strategies. The more pragmatic approaches, namely ISO 14000 and SA 8000, might make way for "alternative approaches" that embrace wider dialogue and engagement. The debate however, already started on how this "alternative approach" will fit into tools like the Balanced Scorecard and Total Quality Management. To be able to contextualise this phenomenon, the following sections will view civil

regulation in more detail, explain the fundamental principles associated with civil learning and finally some views on building the civil corporation through credibility.

4.5.1 Civil regulation

The profound principle by Friedman in the 1970s of "being good is good for business" suggests that social and environmental gains can deliver financial benefits by producing, for example, business-relevant reputational, productivity, and efficiency. Zadek (2001) commented on this win-win proposition as being quite evocative, since the corporate community will produce social and environmental dividends through its long-term pursuit of profits. It suggests a necessary convergence of financial success with societal good - a "domesticated Darwinism" at its very best. The "win-win" propositions of Friedman (1990) more or less restates that business should address new social norms embodied in the idea of corporate citizenship and through this can maximise long-term financial performance. By means of civil regulations however, this citizenship striving could be attained.

The theory behind civil regulation suggests pressure groups from NGOs and other organisations to drive social and environmental performance. These pressures come in the form of activist campaigning, and therefore a collective process, albeit often through loose forms of social organisation. The two most well-known incidents of civil regulation over the last two decades were the campaign against Nestle, for its alleged approach to market milk substitutes in developing countries and secondly the campaign against Shell for its attempt to dispose of the Brent Spar Oil platform in the North Sea. The thinking behind civil regulation is that the reputation of companies can be damaged by civil action to a degree that will affect their performance. Some reasons might be the increased staff motivation when the company they work for is not the subject of public criticism.

According to Zadek (2001) the following two elements within the civil regulation arena need specific reference:

- "The people speak out"
  Show-stopping campaigners (e.g. Shell, Nike and GAP clothing) like "hit them till it hurts" and then they will change for the better" are characteristic of the modern business landscape. An opinion poll on public attitudes in Europe towards business was conducted on behalf of CSR Europe in 2000. These findings were consistent throughout Europe.

(1)   Over half of the Europeans surveyed in 12 countries considered that business does not pay enough attention to social responsibilities.

(2)   Over one quarter of those surveyed said that they had engaged in one or other activity in the previous six months that either introduced ethics into actual consumer purchase decisions or else made such views known by other means.

Furthermore a study by Walker Information as part of the Council on Foundations (2001), showed a significant correlation between reputation, brand loyalty, economic value and its definition of "societal value". (Table 4.5).
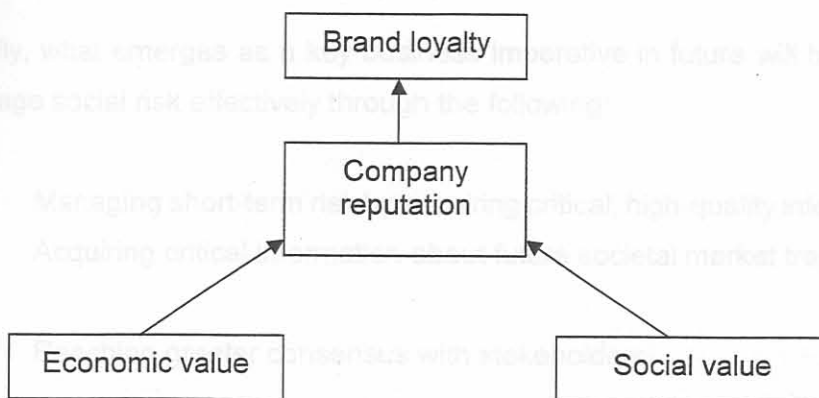
Figure 4.1 : Brand loyalty and societal/economic value(Source: Council on Foundations 2001)

Society in general is becoming more vocal, and this results in civil regulation practice which could be regarded as a significant force and a serious risk factor for any organisation. It is here when the term "social risk" emerges as a prominent element in the risk profile of future organisations.

"Money talk"

The second element fuelling the notion of civil regulation and an organisation's reaction to it is the financial implication of public outcry. Zadek (2001) reported that there is considerable evidence that share prices can be affected when the issue concerns the direct health and welfare of the consumer. Having considered this opinion, Zadek argued that people power should be put in context.

The mere generalised argument that corporate citizenship is good for business because of the impact of civil regulation, although enticing, is simply not true in its crudest form. Even the very high civil campaigns against Shell, Nestle and

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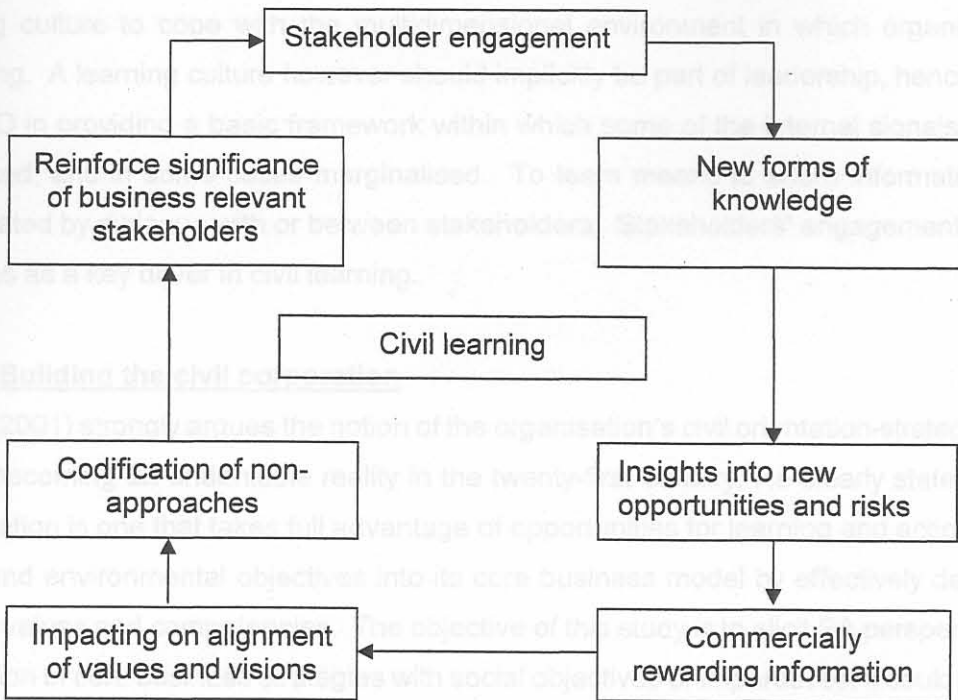Nike have little or no demonstrable effect on share prices or dividend (Zadek 2001).

Michael Hopkins (1998) however, specifically uses the term "yet" in his view of the public's share purchase behaviour based on company's' level of social responsibility. He definitely argues that it might not be so clear-cut in future. Civil regulation and activism is a relatively new force (last two decades) which will definitely increase in intensity and be fuelled by scandals like the recent ENRON and WORLDCOM debacles. What is more important however, is that companies that do act as if good citizenship is an important ingredient of success, have increasingly articulated strong business cases that go well beyond the cruder cut-and-thrust of pressure-based civil regulation.

Finally, what emerges as a key business imperative in future will be the company's ability to manage social risk effectively through the following:

- Managing short-term risk by acquiring critical, high-quality information through dialogue.
- Acquiring critical information about future societal market trends.

- Reaching greater consensus with stakeholders.

- Influencing views and behaviour of both stakeholders and the company in ways that enable performance improvements.

4.5.2 Civil learning

It is crucial for any organisation to ensure a culture of continuous learning. Increasing the knowledge base in especially the "new economy" is no longer just another human resources objective, but a key driver of economic social and environmental sustainability. It is specifically in the dynamic social and business landscape that information management becomes critical and a continuous drive to integrate new findings into core business practices and strategies is imperative. There is much literature on organisational learning, from Peter Senge's work to the more recent outpouring of material on learning and knowledge management. The challenge however, is to integrate these theories within the social development landscape. Zadek (2001) refers to this as "civil learning". It contains the basic ingredients to delivery-usable forms of new knowledge to the organisation in ways that create new and viable processes and outcomes that reinforce the patterns of learning and change through rewards that in turn strengthen the organisation. Zadek (2001) suggests the following civil learning cycle:

Table 4.5:   Civil learning cycle (Source: Zadek 2001)

```
                    ┌─────────────────────────────┐
                    │   Stakeholder engagement    │
                    └─────────────────────────────┘
   ┌──────────────────────┐          ┌──────────────────────┐
   │ Reinforce significance│          │    New forms of      │
   │ of business relevant  │          │     knowledge        │
   │    stakeholders       │          └──────────────────────┘
   └──────────────────────┘
              ┌─────────────────────────────┐
              │      Civil learning         │
              └─────────────────────────────┘
   ┌──────────────────────┐          ┌──────────────────────┐
   │ Codification of non-  │          │   Insights into new  │
   │     approaches        │          │  opportunities and risks │
   └──────────────────────┘          └──────────────────────┘
   ┌──────────────────────┐          ┌──────────────────────┐
   │ Impacting on alignment│          │    Commercially      │
   │ of values and visions │          │  rewarding information │
   └──────────────────────┘          └──────────────────────┘
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The cycle illustrated above is supposed to be a dynamic process that needs to be action and engagement-orientated. This, however, is dependent on a few factors or elements whose absence thereof will not result in civil learning:

- Leadership fails to recognise the opportunities or risks associated with the organisation's social and environmental performance, and does not initiate new patterns of learning, organisational and behavioural change.

- Usable knowledge is not created from the new information within the organisation. It is deemed irrelevant, unintelligible, and inaccurate because it has emanated from non-business sources, or not seen as relating to financial performance.

- Competency gaps exist in the organisation not being able to access information or make good use of it. This may be a matter of individual or embedded organisational values and attitudes that impede learning.

- Rewards are not forthcoming because the market does not recognise the underlying values of new directions. Investors may not believe that enhanced social and environmental performance will yield improved financial performance. Customers may also not believe in the social and environmental value of the new business offering.

In summary, the social and business landscape of the twenty-first century will demand a strong learning culture to cope with the multidimensional environment in which organisations are operating. A learning culture however should implicitly be part of leadership, hence the role of the CEO in providing a basic framework within which some of the internal signals evolve, are reinforced, and in some cases marginalised. To learn means to share information which is precipitated by dialogue with or between stakeholders. Stakeholders' engagement once again emerges as a key driver in civil learning.

4.5.3 Building the civil corporation

Zadek (2001) strongly argues the notion of the organisation's civil orientation-strategic approach that is becoming an undeniable reality in the twenty-first century. He clearly states that a civil organisation is one that takes full advantage of opportunities for learning and action in building social and environmental objectives into its core business model by effectively developing its internal values and competencies. The objective of this study is to elicit SA perspectives on the integration of core business strategies with social objectives or imperatives. It could therefore be argued that indirectly, through determining the indicators of corporate social performance, an attempt will be made to build civil corporations within the SA context. According to Zadek (2001), there are no "magic bullets" that will create civil corporations. The last ten years have seen the emergence of many systems aimed at aligning core business strategies and processes with elements of social and environmental aims and outcomes.

It is, however, too early to say which standards, guidelines, systems, procedures and practices will teeth out to make most sense for any company. The challenge might be to move beyond the pragmatic approach of the ISO 14000 series and SA 8000 standards to a more integrative approach of strategic alignment through principles of the Balanced Scoreboard, Total Quality Management and Enterprise-Wide-Risk Management. The GRI and Global Compact can also be viewed as global institutionalised attempts to build civil corporations. The JSE/SRI Index and FTSE4GOOD are also strong regulatory practices, guiding businesses in becoming more civil-orientated. The KING 2 report in SA could also finally be characterised as a strong advocacy strategy in favour of building civil organisations.

There is still a long way to go in establishing and legitimising approaches for addressing the pervasive but indirect social and environmental footprints of companies. Zadek (2001) suggests six key questions be asked and answered by any organisation striving to become a civil corporation:

- How do we assess and build an organisation's degree of freedom in making operational and strategic decisions that align a viable institutional process with social and environmental goals?

- How do we assess and build an organisation's willingness and ability to engage, and practice in engaging, with stakeholders in ways that allow decisions to be reached, and to explore how to enlarge the opportunities for acting that are consistent with organisational viability and sustainable development?

- How do we assess an organisation's social and environmental performance, the trade-offs being made between these different spheres and outcomes, and their causal relationship to key aspects of the business process?

- How do we more effectively bring relevant information and knowledge to decision-making processes both within the organisation and where external stakeholders are making decisions in relation to the organisation?

- How do we create a framework of incentives and penalties that will encourage the organisation to align its processes to social, economic and environmental goals?

- How do we understand and work with an organisation's purpose and values in deepening and more permanently embedding a pervasive sensibility towards sustainable development?

These questions can also be viewed as a framework to be followed in integrating business with society from a strategic perspective. The challenge however, remains, and that is whether an organisation can ever be civil enough. This question also needs to be asked within the context of above all, maintaining a viable business as much as improving social and environmental performance sufficiently to reach universally accepted standards.

Zadek (2001) reports on some insights obtained through the recent history of corporate citizenship:

- Good practices by some corporations, even those that prove sustainable, will not alone ensure that the wider business community meets basic social and environmental standards.

- • Powerful dynamics driving the "New Economy" will tend to undermine good corporate citizenship, as well as those elements that tend to nurture it.

- • Private standards could either be part of the solution or the problem, and will in practice be both.

What follows from the above is that corporations need to fully embrace the partnership philosophy. It is also quite clear that individual organisations acting alone will rarely be able to sustain significantly enhanced social and environmental performance for extended periods of time. To create collective processes and build significant partnerships, the following two inferences come to the fore (Zadek 2001):

- • Alliances of corporations have a far greater chance to sustain significant enhancements in social and environmental performance, and to influence other market players also to follow suit. Each alliance may form within sectors, however, multisector alliances that bring together public, private and civil society sectors.

- • Such civil alliances and partnerships will over time seek to codify negotiated agreements into more formalised governance frameworks. These new civil governance frameworks will in some instances promote public, statutory regulation and at other times seeks to regulate through private standards.

An important fact in considering the above literature review of the civil organisation is that the principles underlying the civil corporation do not guarantee the progressive role that the business community should play in addressing the challenges and aspirations underlying sustainable development. It does however; indicate a critical driving force in this challenge in so far as it highlighted the interdependency between business, government and civil society. It furthermore also points out that the power and force of the private sector need to be properly channelled in order to fast-track social development. Being a civil corporation certainly in itself will not guarantee elevation of global poverty, inequality and environmental insecurity. What emanates from the above is that leading civil corporations will be those that go beyond getting their own house in order, and actively engage in promoting governance frameworks that enable, and if necessary enforce, the wider business community to address, effectively and without contradiction, the aspirations underpinning sustainable development.

The following section will in brief offer a few benefits of being a good corporate citizen.

4.6   BENEFITS OF CORPORATE CITIZENSHIP

Although the field of corporate citizenship could be regarded as a relatively new field, there is already strong evidence of benefits to not only the corporate sector demonstrating good citizenship, but also to all its stakeholders affected by this. In Chapter 4 strong arguments are stated in favour of a value approach in corporate citizenship. Corporate organisations therefore need to clearly state its values and purpose from a strategic angle and then operationalise this in practical terms. In a study done by The Centre for Tomorrow's company (Gower 1997), it was reported that companies which were constantly clear about their purpose and values and lived by them, outperformed the US stock market by as much as 15 times over 50 years. Furthermore, the more complex an organisation, the more important are its values to the successful management of risk. The complex social development landscape and the business landscape is evidence of this.   Integrating business values with sustainability drivers, hence the notion of corporate citizenship, already will benefit not only society and environment at large, but definitely contribute towards sustainable business.

Apart from the external benefit to society and environment, corporate citizenship from an internal focus (e.g. human rights, equality, caring culture, etc.) also presents clear benefits in ensuring a stable motivated workforce. Furthermore, the traditional pools of employees no longer exist. New and sometimes "foreign" entrants into the workforce further complicate the business landscape. In statistics provided by "Business in Community" (BITC: UK 2001) some interesting facts were revealed:

- Ethnic minorities in the UK make up 25-50% of the workforce in some key metropolitan areas. In SA with employment equity prevailing the numbers will far exceed this figure in the UK.

- One fifth of the population of working age have disabilities but only 11% are employed - again in SA, mainstreaming these groups through employment equity is on the increase.

The above facts and figures strongly suggest that business needs to find ways of retaining and motivating these people and thereby become an "employer of choice". This philosophy endorses corporate citizenship from an internal perspective, hence emphasising the benefits of being an employer of choice or good corporate citizenship. Extra benefits of being an employer of choice, particularly in emerging countries like SA where workforces and customers are extremely diverse, include the effect of employees as ambassadors for the company. There is no doubt about the fact that living corporate citizenship is about "doing the right thing", and should happen from the "inside out". For example, a diverse employee base can put a business in closer touch with its marketplace. If one considers the enormous purchasing power in SA of ethnic groups, the critical

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importance of value integration and a fundamental understanding of these groups' specific benefits include the following (BITC 2001):

- <u>Workforce diversity</u>
  - Attracting the most talented staff, regardless of race, gender disability or age.
  - The ability to use greater differences in the workforce to sell better to an increasingly diverse global marketplace.
  - Protecting / strengthening company image and reputation.

- <u>Fairness at work</u>
  - Reducing business costs through retaining staff for longer periods of time.
  - Reducing costs from expensive litigation resulting from unfair dismissal, discrimination, harassment and whistle blower allegations.
  - Stronger employee motivation provides greater productivity.

  The abovementioned benefits of being a good corporate citizen primarily focused on the internal elements of an organisation. The external benefit of being a good corporate citizen was implicitly discussed in Chapter 4, dealing with the definition and critical analysis of corporate citizenship. The following four benefit categories however deserve specific reference:

- <u>"Making your presence felt in the workplace"</u>
  - Attracting and retaining customers
  - Controlling risk
  - Attacking investment. The FSTE4GOOD and JSE/SRI INDEX are good examples of increasing pressure on social responsibility

- <u>Ethical behaviour</u>

  The Ethical Training Initiative (2000) Code contains the following provisions. By complying with them suggests strong benefits:

  - No forced labour
  - Freedom of association and the right to collective bargaining
  - Safe and hygienic working conditions
  - No child labour

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- No discrimination
- No harsh or inhumane treatment

The UK-based Co-operative Bank has found that more than 90% of its customers approve its ethical policy. Its market share has increased with the promotion of the policy through cinema, poster and direct mail marketing (BITC 2001).

- **Investing in future generations**
There are enormous potential competitive benefits to be gained through proper and effective management of environmental impact (BITC 2001).

  - Increased market opportunities - companies who conform to a more environmentally conscious world
  - Meeting increased consumer expectations
  - Meeting increased legal requirements
  - Increased market reputation and value

- **Being a good neighbour**
Companies are increasingly developing positive relationships with all stakeholders. The whole stakeholder engagement and partnership philosophy in itself could almost be regarded as the most important benefit of corporate citizenship. It emphasises the fact that an organisation does not function in isolation. Demonstrating the value of interdependency therefore strongly suggests cross-sectoral benefits of corporate citizenship

In summary, Chapter 3 referred to the fact that for business to be successful in society and environment, the following three critical values need to be integrated as part of the value proposition and strategic intent of any organisation:

- Transparency.
- Integrity.
- Continuous dialogue with all stakeholders.

The above three values and specifically the day-to-day living of these values could certainly be regarded as the most important benefit of corporate citizenship.

4.7   CHALLENGES OF CORPORATE CITIZENSHIP

The following two challenges represent the opinion of the researcher as the most critical current challenges (amongst others) to take cognisance of. Chapter 10 will also present some challenges as part of the final analysis.

4.7.1   Stakeholder value and societal value

According to Nelson (1998), there is growing recognition that the relentless drive for economic growth and competitiveness must be matched by an equally relentless commitment to better governance, social cohesion and environmental sustainability. The ability of the private sector - ranging from individual companies to business associations and neighbourhood co-operatives - to work with government and civil society organisations in tackling issues is in the spotlight as never before. Nelson (1998) reports two reasons for this:

- Privatisation, market liberalisation and globalisation over the past decade lead to a complex mix of competitive opportunities and pressures and growing societal expectations and responsibilities.

- At the same time, democratic and technological advancements have underpinned a blossoming of civil society organisations and citizen action. This led to an outcry for greater accountability on the part of both government and business. In this "network world" (also previously referred to as the CNN age), there are few hiding places for companies which operate unethically and irresponsibly.

Corporate leaders are however more than ever before in such a complex business landscape under pressure in creating shareholder value. At the same time, articulate, vocal and influential groups in society are demanding companies in creating societal value. This could certainly be regarded as the biggest challenge companies have ever faced.

Nelson (1998) recommends three ways in which a company can build societal values:

- Through efficient and ethical pursuit of core business activities examples are:
    - making environmentally and socially responsible decisions on location and investment activities;
    - responsible sourcing, production, marketing and distribution of goods and services;
    - creating local jobs;
    - implementing sound human resource policies;

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- supporting technology co-operation which builds "software" such as local skills, and transforming technical "hardware" such as equipment. Creating backward and forward linkages along the value chain which maximise local inputs and outputs and help support local enterprises.

- Through social investment and philanthropy - not only "giving money" but through sharing company's core competencies.

  Examples are:
  - offering management training programmes for NGOs;
  - running employee volunteering schemes;
  - undertaking social or cause-related marketing initiatives;
  - engaging in business - education partnerships;
  - resource mobilisation and civic improvement.

- Contributing to <u>public policy debate</u> by helping national and local governments to develop appropriate regulatory practices.

  Examples are:
  - contribution to social and environmental policies and frameworks in areas such as education, local economic development;
  - supporting programmes for good governance, e.g. anti-corruption initiatives and human rights standards.

In summary it is clear that in creating societal value add, a fundamental understanding of the interdependence between business, government and civil society is needed. It is definitely in the strategic interests of these partners to work together, in order to stem the tide of growing economic instability, social inequality and political uncertainty in especially developing and emerging countries. The challenge therefore does not fall only on the agenda of these countries, but because of globalization, on the shoulder of the multinationals already expanding their markets to the developing economies.

4.7.2   Corporate citizenship and executive development

According to Nelson (2000), there seems to be one certainty as the wider societal issues are emerging as an unavoidable item on the corporate agenda. As companies move into new markets, an increasing pressure is put on them to protect relentlessly their brands and reputation. The complex nature of the business landscape (see Chapter 3) leads to this certainty and that is the call for fundamental change in the way companies are managed and led. An organisation that is serious about transformation needs to move beyond public relations and the view of this

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challenge as a management exercise. What is critically needed is to mainstream this into corporate strategy, incentives, training and operational procedures. Nelson (2000) reports that few, if any companies, have developed fully integrated management systems at this stage. Over the past two years, however, (1998-2000), companies such as Shell, BP, Rio Tinto, Nokio and Novo Nordisk have incorporated explicit statements of, for example, human rights into their business principles.

To achieve the above, it all relates to leadership. In Chapter 3, conclusion, specific reference was made to the important role chief executive officers and all leaders and managers in an organisation have to fulfil in order to reach high levels of corporate citizenship. Inevitably, these changing leadership pressures call for new approaches to executive development. What was traditionally viewed as executive development dimensions has changed to incorporate principles associated with stakeholder consultation and alliance building. Nelson (2000) suggests the following examples of leadership qualities, and a need to incorporate this in development interventions:

- Need to be "bridge builders" - to think across traditional boundaries (functional, geographical, cultural or sectoral).
- Need to tolerate ambiguity, complexity and uncertainty.
- Creating a sense of shared leadership - understanding the linkages between their business operations and their wider societal impacts and relationships.
- Need to reconcile a growing variety of different stakeholder interests.
- Need to be creative and innovative in addressing emerging societal issues, not simply from a compliance or risk minimisation perspective, but with a value creation mindset.
- Need a sense of urgency.

The challenge then lies in the way academic institutions and internal company training and development functions respond to these new imperatives for executive development. A further challenge is the way in which development of traditional business skills is integrated with building awareness and capacity to address wider social and environment challenges.

Nelson (2000) reports four key trends in an attempt to address the challenges above:

- The creation of learning alliances and peer networks, both within companies and between them.
  Examples are:

- Sustainability Learning Network - Cambridge University
- Innovative Network for Socially Responsible Business - New Academy of Business.
- The BP Unit for organisational change and social and environmental trends - Partnership with Stanford, Harvard and Cambridge Universities.

- The establishment of centres of excellence in business schools which focus on sustainable development and corporate citizenship.
  Examples are:
  - Corporate Citizenship Unit at Warwick (UK)
  - Latin American Centre for Competitiveness and Sustainable Development at INCAE - Costa Rica.
  - Centre for Corporate Citizenship - Boston College
  - Sustainability Institute - University of Stellenbosch
  - Centre for Corporate Citizenship - University of South Africa

- The growing use of technology to facilitate the flexibility, variety and accessibility of learning.

Examples are:
  - Virtual University for Sustainability - Partnership between The World Business Council for Sustainable Development and the World Bank.

- The harnessing of experimental learning to link new ideas and approaches to real-world applicability.
  Examples are:
  - Unilever (India) has a programme for its young managers to spend six weeks living and working in rural villages.
  - Shell and Rio Tinto have partnered with the environmental NGO, Earthwatch, to send managers on secondments.

In conclusion the examples above give cause for optimism. Value-based leadership will become the "mantra" of leadership development in the twenty-first century. Chapter 5 will attempt to decode the notion of partnership between stakeholders. Already it is clear that without sound leadership skills, building these partnerships will remain merely an academic exercise.

4.8   CONCLUSION

In analysing the above theoretical overview of corporate citizenship, one realises that the philosophy underlying the term is relatively new. Some theories have been actively used since

1998. Since then a number of theories emerged to differentiate corporate citizenship from what has a far longer history (approximately two decades), known as corporate social investment (CSI) or also referred to as corporate social responsibility(CSR). From the above literature review, it was also clear that corporate social responsibility (CSR) has a stronger reference to societal issues and although implicitly incorporating environmental awareness, did not articulate it in such notable terms. This resulted in the term sustainability, also receiving strong support, specifically since the Rio summit ten years ago. Sustainable development encompasses both social and environmental elements, making it a far wider used term of reference. Corporate citizenship, could therefore probably fall in the same category as sustainable development with perhaps a slight nuance difference in so far as the specific reference to the corporate sector as a critical role player is concerned. The following observation was made by the researcher during the World Summit on Sustainable Development: Johannesburg 2002. Although subjective in nature, it seems that the overall focus during the summit was still on the environment and its protection. Social development and more specifically, addressing issues relating to HIV/AIDS, global poverty and debt relief for developing countries still seem not to feature at the top of the sustainability agenda.

During the joint annual general meeting of the World Bank and the International Monetary Fund (IMF) in Washington (September 28[th], 2002), Mr James Wolfensohn, President of the World Bank and Mr Horst Köhler, Managing Director of the IMF however, in a joint statement announced that developed countries will be expected in future to lessen the debt and other burdens of development countries. They also particularly commented on the critical rol of partnerships between "rich" and "poor" countries in ensuring that the right issues are addressed through continuous dialogue. During the same meeting, the United Nations also in no uncertain terms, tabled their expectations regarding the IMF and the World Bank on their poverty alleviation strategies.

Social and environmental concern, the preferred term in the case of this study being corporate citizenship, will definitely remain a high priority amongst the highest global decision-making bodies. Chapter 4 attempted to decode the term Corporate Citizenship. In defining corporate citizenship it was noted that the clearest distinction between CSR and corporate citizenship is basically founded in the latter supporting an integrated approach. CSR refers to the actual activity whereby an organisation invests in society or environment through supporting projects and activities. Corporate citizenship is far broader encompassing the integration of all systems, procedures, and infrastructure through the participatory approach in managing its impact on society and its environment.

Chapter 4 also elaborated on the "civil nature" of an organisation. This demonstrated the intricate relationship between civil society and the business sector. It also referred to the power within societies in governing and regulating the activities of the business sector, in many cases the latter being unaware of the risk associated with this civil force. This phenomenon reiterated the critical value systems so desperately needed in organisations, namely integrity, dialogue and transparency. These three values can also be viewed as the building blocks for significant partnership building between the business sector and all its stakeholders, Chapter 5 deals exclusively with stakeholder partnerships.

For corporate citizenship to reach a level whereby it becomes an imbedded value system, integrated in the strategic purpose and direction of a company, requires strong leadership. Chapter 4 referred to the critical role of all leaders and managers and their particular responsibility to inculcate a culture of societal and environmental conscience. In a global study done in 1989 amongst 50 world-class companies, undertaken by the Prince of Wales Business Leaders Forum in collaboration with the World Bank and the UNDP, the following defining features of successful 21st century companies were reported:

- Values-based, transformational leadership.
- Cross-boundary learning.
- Stakeholder linkages - a broad range of creative and accountable relationships based on mutual benefit, with both business stakeholders such as employees, customers and suppliers.
- Performance levers - a clear set of financial and non-financial objectives and performance targets, focused not only on financial performance, but also on wider economic, social and environmental performance, backed up by auditing, verification, reporting and recognition systems.

Chapter 4 finally reported on the challenges facing corporate citizenship in future. The first challenge reported was the whole notion of value add. Shareholder value add is a common indicator of a successful organisation. Societal value add, however, is where the real challenge lies. The heart of this challenge is revealed in the integration of business and societal needs from a strategic perspective to benefit both shareholders and society. Developing critical indicators for corporate social performance, hence the main   objective of this study therefore becomes an imperative in dealing with this challenge. Again without sound leadership (the second challenge) this integration can potentially remain of academical value.

The essence of corporate citizenship lies in building, maintaining and improving relationships with society and environment. The interdependency between the business sector and all its stakeholders and unfortunately only a very recent awareness by most corporations, will be one of the fundamental driving forces of successful businesses in the future. Chapter 5 will therefore attempt to decode the partnership philosophy underlying the stakeholder landscape.

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